



Dr.Reddy's 

Press Presentation

Q1 FY17

July 26, 2016



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This presentation contains forward-looking statements and information that involve risks, uncertainties and assumptions. Forward-looking statements are all statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “projects” and similar expressions. Risks and uncertainties that could affect us include, without limitation:

- General economic and business conditions in India and other key global markets in which we operate;
- The ability to successfully implement our strategy, our research and development efforts, growth & expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in the Indian and international interest rates;
- Allocations of funds by the Governments in our key global markets;
- Changes in laws and regulations that apply to our customers, suppliers, and the pharmaceutical industry;
- Increasing competition in and the conditions of our customers, suppliers and the pharmaceutical industry; and
- Changes in political conditions in India and in our key global markets.

Should one or more of such risks and uncertainties materialize, or should any underlying assumption prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements.

For more detailed information on the risks and uncertainties associated with the Company’s business activities, please see the company’s annual report filed in Form 20-F with the US SEC for the fiscal year ended March 31, 2016 and quarterly financial statements filed in Form 6-K with the US SEC for the quarters ended June 30, 2015, September 30, 2015 and December 31, 2015 and our other filings with US SEC. Any forward-looking statement or information contained in this presentation speaks only as of the date of the statement. We are not required to update any such statement or information to either reflect events or circumstances that occur after the date the statement or information is made or to account for unanticipated events.

Business Highlights

- A very difficult quarter with
 - ✓ Price / volume decline in key molecules due to competition
 - ✓ No launches in North America
 - ✓ Zero sales in Venezuela (Q1 FY 16 – Rs 177 Cr)
- Profit decline is primarily due to lower sales with R&D and SG&A as per plan with remediation costs
- Progress on quality management processes in line with expectations. Substantially completed the commitments on the CAPAs.
- Launched Sernivo™ (betamethasone dipropionate) Spray, 0.05%, indicated for Mild to Moderate Plaque Psoriasis
- Completed buyback of equity shares at an average price of Rs.3,091 per share.
- Signed the definitive agreement to acquire select ANDAs from TEVA [subject to FTC clearance] and six OTC brands in the US from Ducere Pharma.

Q1 FY17 : Financial highlights

Q1 FY16

Q1 FY17

Revenues (₹ Cr)

3,758

14%

3,235

R&D (₹ Cr)

% of revenues

480

14.8%

439

11.7%

9%

Gross profit (%)

61.1%

56.2%

EBITDA (₹ Cr)

994

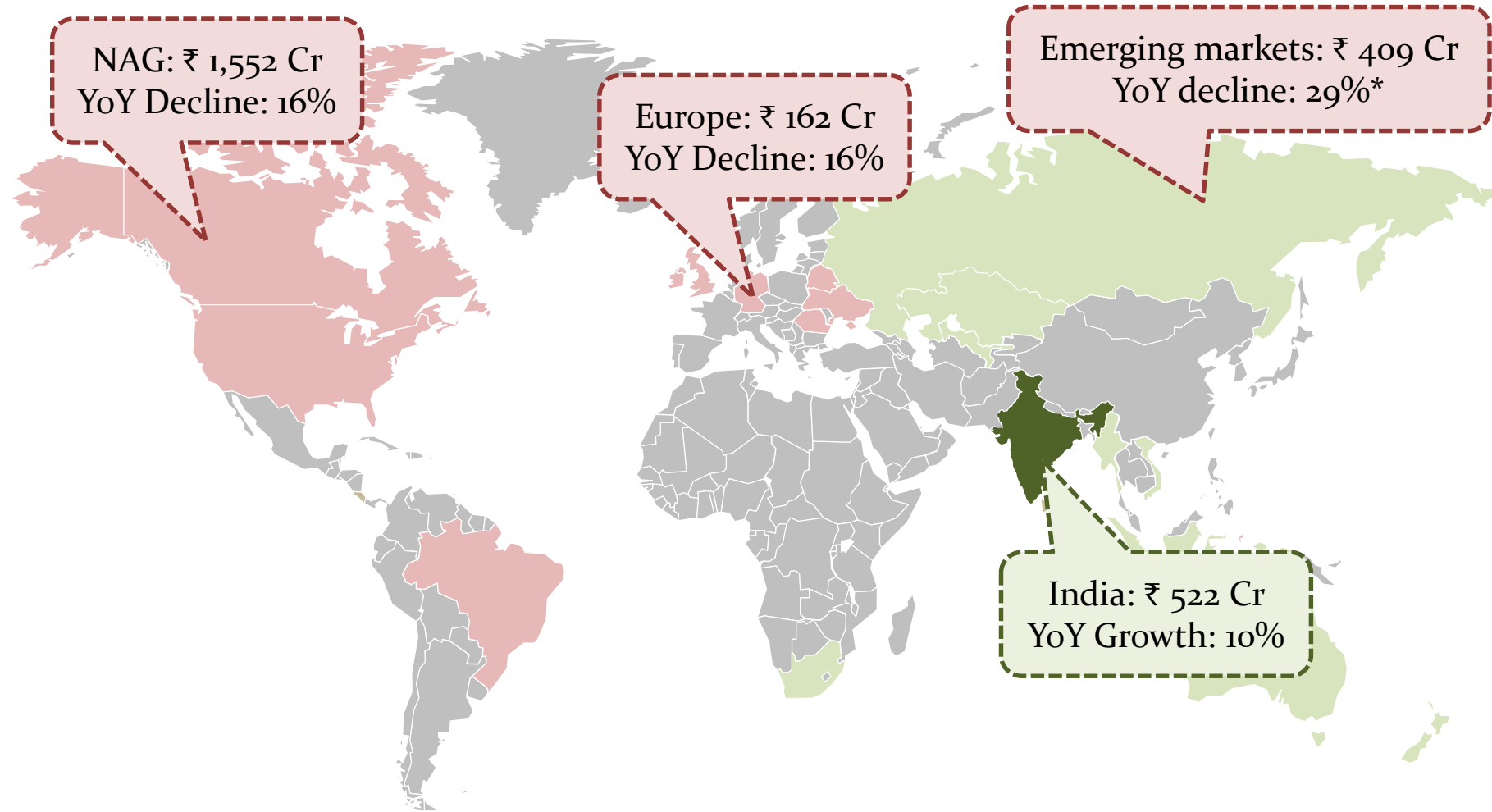
26.5%

60%

398

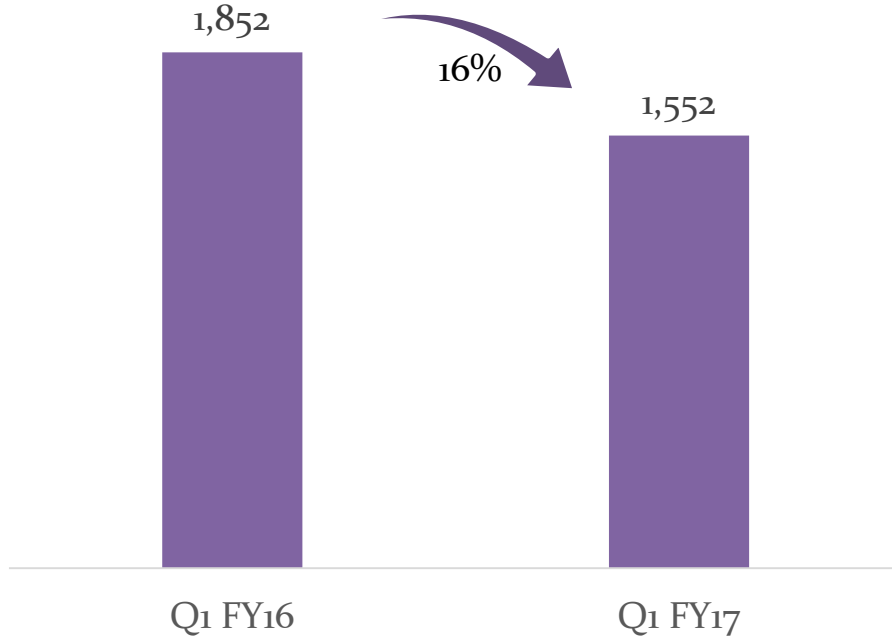
12.3%

Global Generics: Q1 FY17 Revenues of ₹ 2,664 Cr (YoY 14% Decline)



Global generics: US

Revenues (₹ Cr)

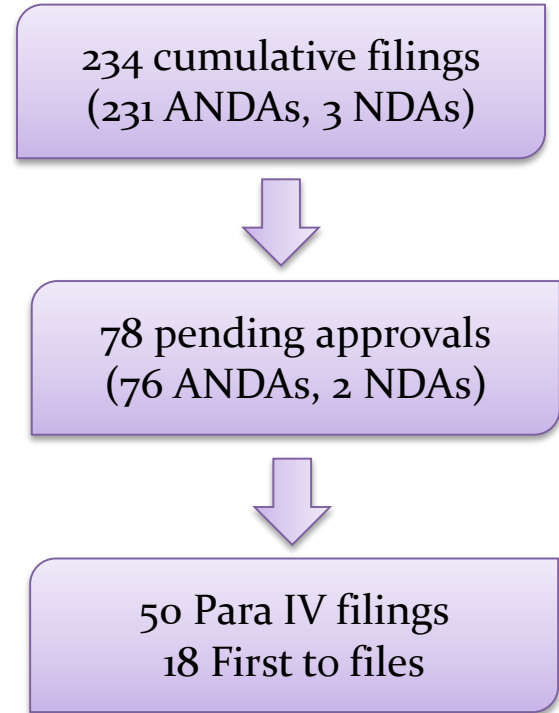


Market share

Product	Feb-16	May-16
Decitabine Injection	71%	66%
Azacitidine	47%	47%
Metoprolol ER	35%	28%
Esomeprazole	1%	15%^
Valgancyclovir	40%	36%
Sumatriptan Inj	30%	44%

^ -Based on Total Market

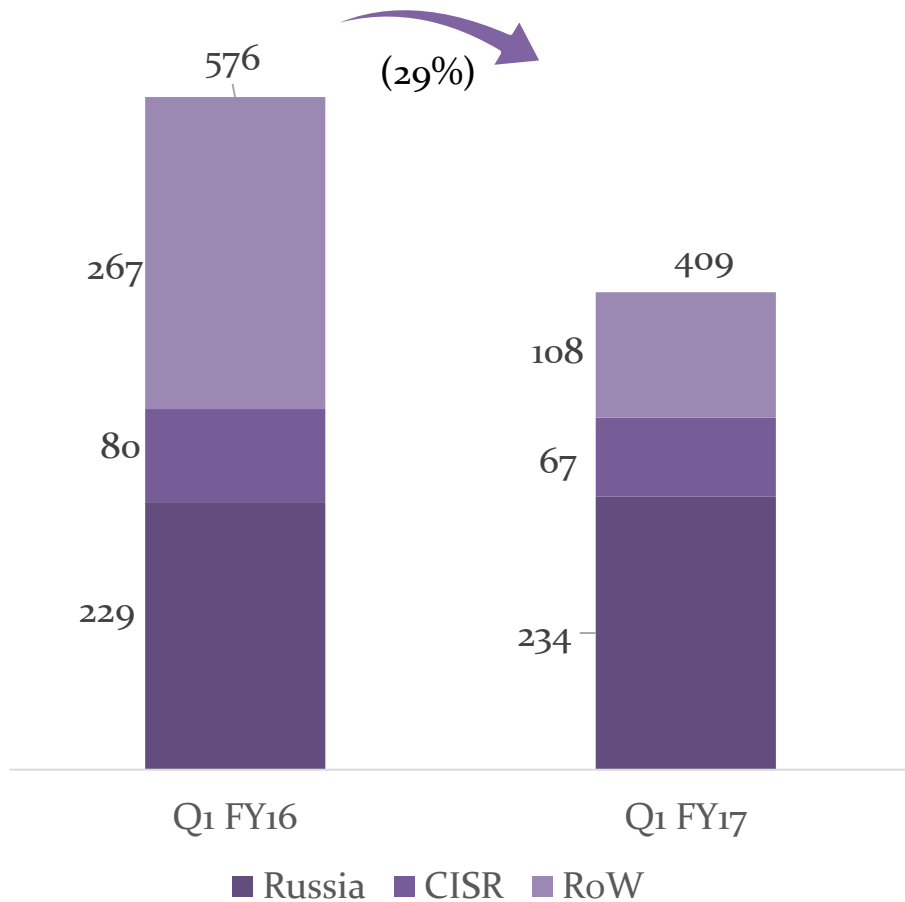
Generics filings Pipeline



- Competitive intensity increasing across key molecules namely Valgancyclovir and Azacitidine
- Opportunistic market share gains for esomeprazole DR
- Focus on pipeline augmentation continues

Global generics: Emerging Markets

Revenues (₹ Cr)



Russia

- In constant currency terms, sales grew by 23% YoY and stable sequentially.
- Focus on mega brands and portfolio augmentation continues.
- OTC revenues at ~40% of total revenues.
- YTD May'16 Dr. Reddy's volume growth at 6.5% vs. Russian market volume growth of 0.5%.

CISR

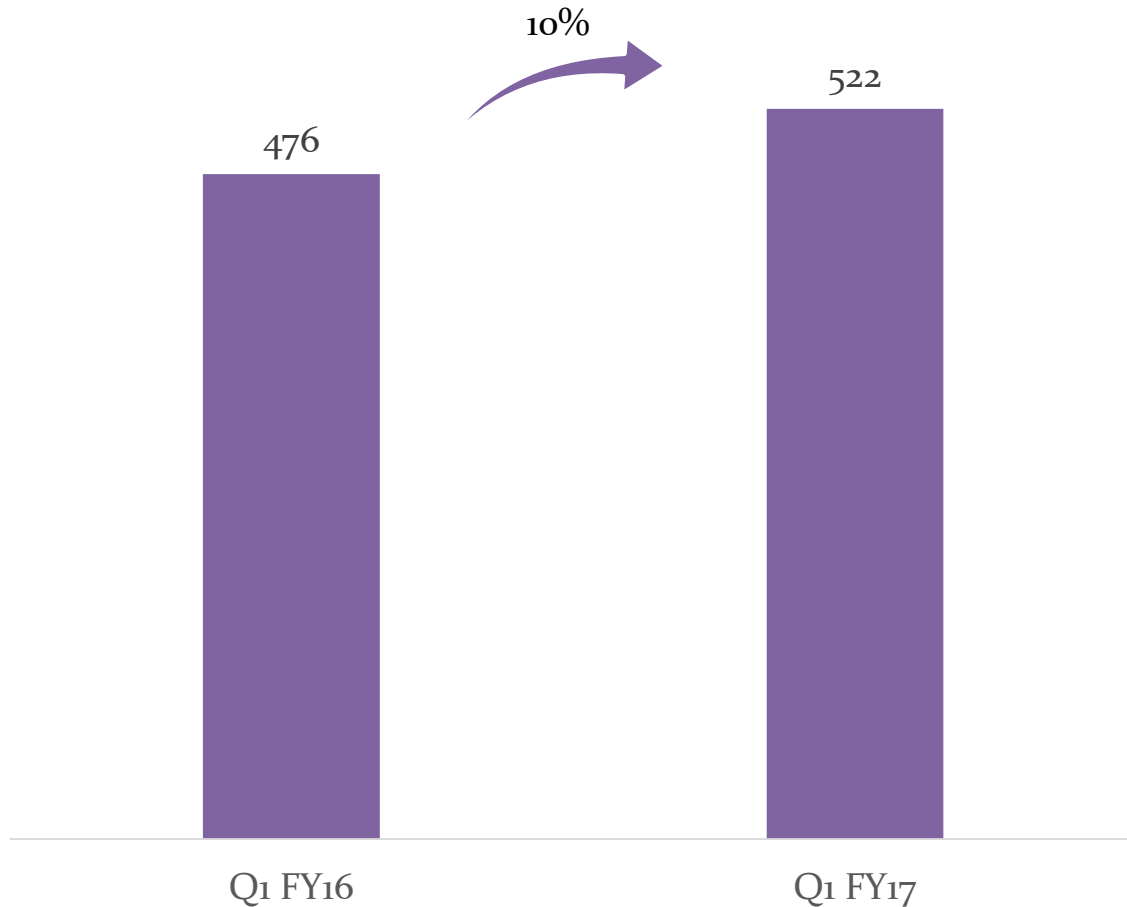
- Performance in line with expectations.

ROW

- Excluding Venezuela, the base business grew by ~19% YoY.
- Venezuela: No sales made during this quarter.

Global generics: India

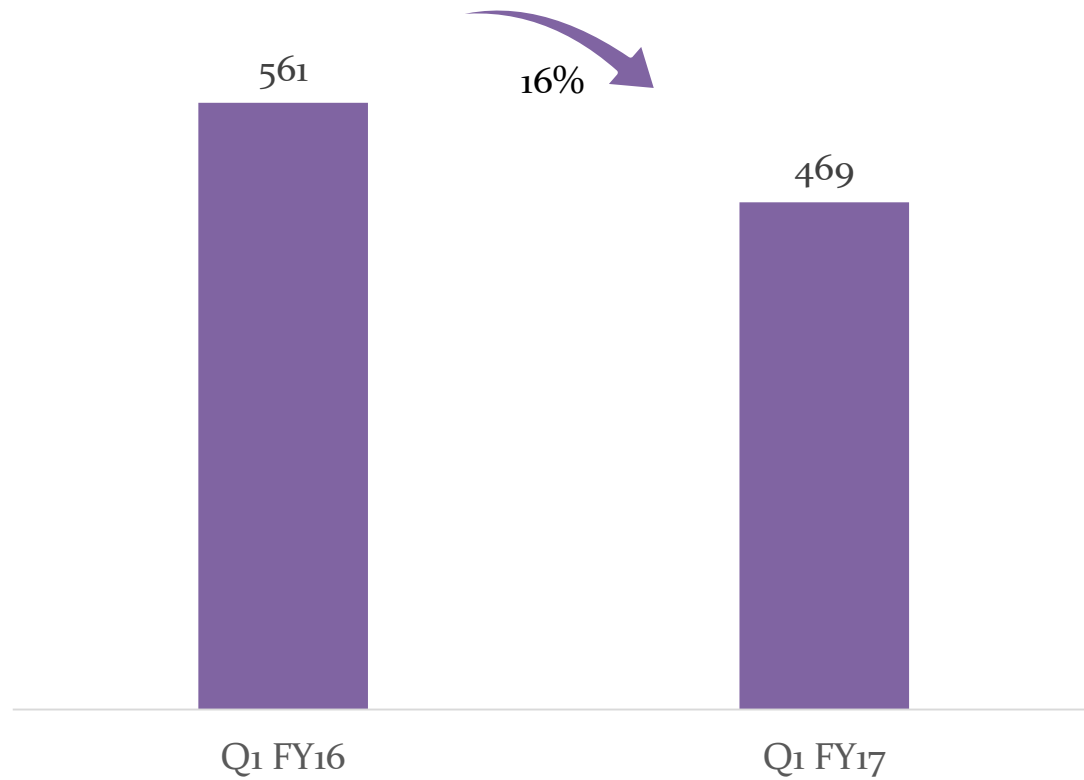
Revenues (₹ Cr)



- Continued momentum in MEGA brands.
- UCB fully integrated into supply chain, sales contribution in line with expectations.
- IMS: Dr. Reddy's MQT growth at 11.6% vs. market growth of 8.8%.

Pharmaceutical services and active ingredients

Revenues (₹ Cr)



PSAI

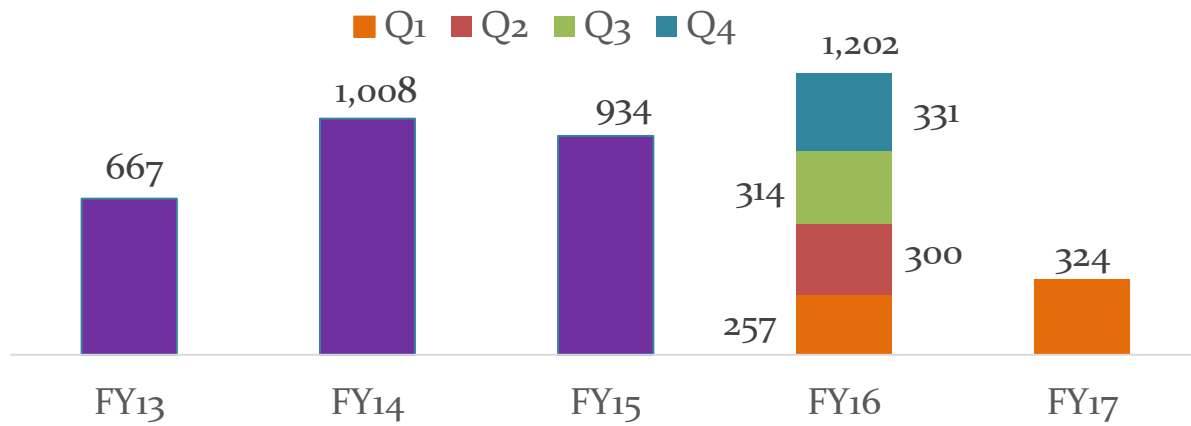
- Lower sales in the API business due to delayed dispatches on account of on-going quality improvement initiatives.

DMF filings

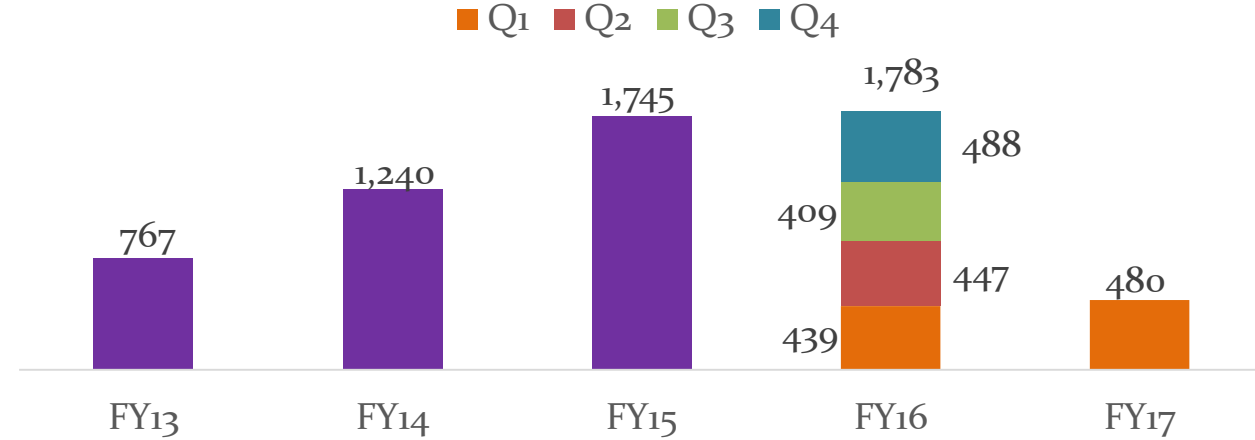
Region	Filings
US	218
Europe	208
Canada	72
RoW	286
Cumulative	784

Capex, R&D and Free cash flows

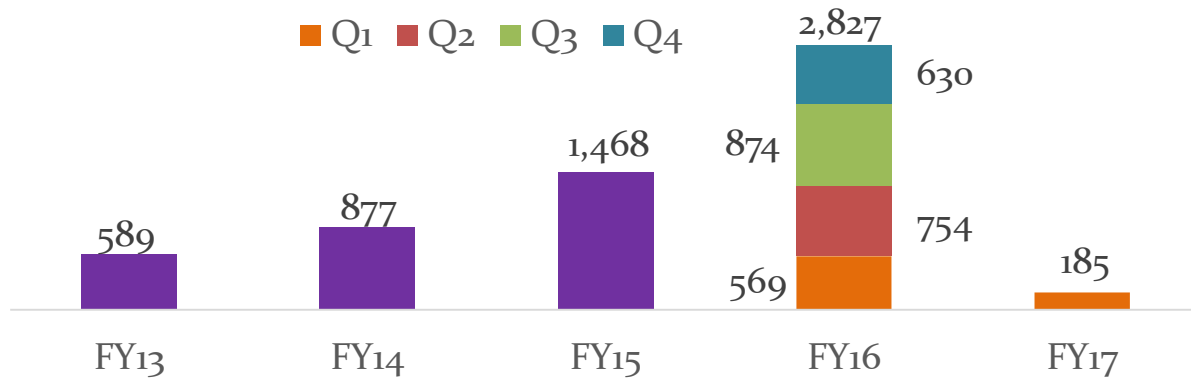
Capex (₹ Cr)



R&D (₹ Cr)

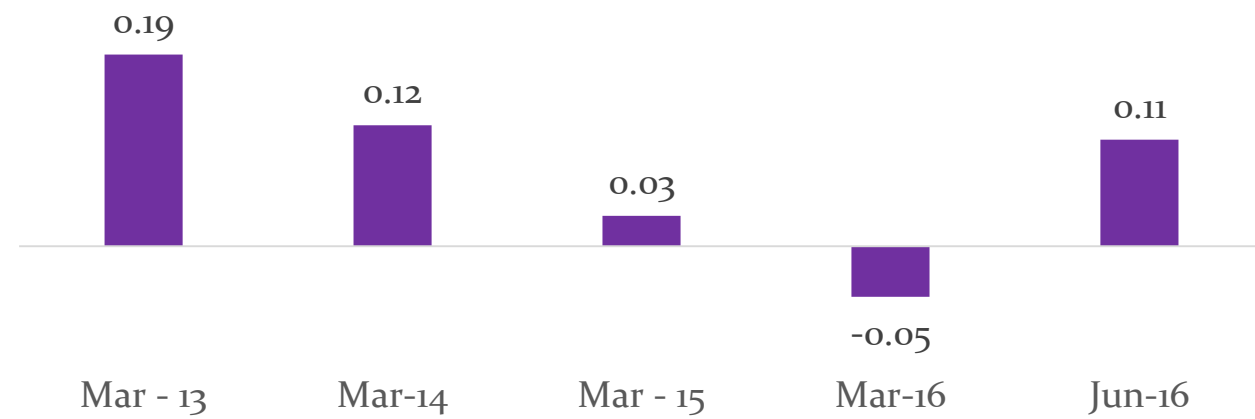


Free cash flows (₹ Cr)



FCF as above is before acquisition related pay-outs

Net debt/Equity



Reconciliation of profits between IFRS and IND-AS

Rs Cr.

	IFRS	IND AS	Difference
Profits before taxes	171	199	(28)

Variance in the consolidated PBT between IFRS and IND AS is primarily on account of :

- Difference in the accounting for the fair value changes (Mark-to-market) on Mutual funds resulted higher income under IND AS Consolidated – Rs.11 Cr; and
- Difference in the Depreciation and Amortisation amounts on PPE and intangible assets (primarily betapharm acquisition related) resulted in lower expense under IND AS Consolidated – Rs.24 Cr

Offset by

- Accrual of the share of profit of the equity accounted investee, net of tax in IFRS – Rs 7.4 Cr

Key Priorities



Closure of cGMP audit action items



Achievement of targeted development milestones / launches for complex/ specialty pipeline



Focus on the operational excellence to achieve cost leadership



Increase penetration in EM

Q&A SESSION



**GOOD
HEALTH
CAN'T
WAIT.**

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