



DR. REDDY'S

LIFE
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FY10 & Q4 FY10 Results Update

May 6, 2010

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Safe Harbor Statement

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;
- The ability to successfully implement our strategy, our research and development efforts, growth and 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 Government;
- 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.

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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.

Consolidated Key Financial Highlights

❑ **FY10 Revenues at Rs. 7,028 crs ; YoY growth of 1%**

➤ Q4 FY10 Revenues at Rs. 1,642 crs

❑ **FY10 Adjusted EBITDA at Rs. 1,584 crs ; YoY growth of 4%**

➤ Q4 FY10 Adjusted EBITDA at Rs. 352 crs

❑ **FY10 Adjusted PAT at Rs. 921 crs ; YoY growth of 10%**

➤ Q4 FY10 Adjusted PAT at Rs. 195 crs

❑ **FY10 → Globally 103 new product launches & 157 product filings**

P&L → FY10 & Q4 FY10

All figures in Rs. Crs. except EPS

| | FY10 | FY09 | Gr% | Q4 FY10 | Q4 FY09 | Gr% |
|-----------------|-------|-------|-----|---------|---------|------|
| Revenue | 7,028 | 6,944 | 1% | 1,642 | 1,985 | -17% |
| Gross Profit | 3,634 | 3,650 | 0% | 864 | 1,077 | -20% |
| % to sales | 52% | 53% | | 52% | 54% | |
| SG&A | 2,251 | 2,102 | 7% | 581 | 527 | 10% |
| % to sales | 32% | 30% | | 35% | 27% | |
| R&D | 379 | 404 | -6% | 95 | 114 | -16% |
| % to sales | 5% | 6% | | 6% | 6% | |
| Adjusted EBITDA | 1,584 | 1,530 | 4% | 352 | 547 | -34% |
| % to sales | 23% | 22% | | 21% | 28% | |
| Adjusted PAT | 921 | 835 | 10% | 195 | 323 | -38% |
| % to sales | 13% | 12% | | 12% | 16% | |
| Adjusted EPS | 54.3 | 49.6 | 11% | 11.5 | 19.2 | -38% |

Leading EBITDA generator amongst the Indian pharmaceutical companies

Key Balance Sheet Items

| | <i>Rs. Crs.</i> | |
|--|-----------------|---------------|
| | Mar 10 | Mar 09 |
| Cash & Cash Equivalents | 658 | 560 |
| Trade & Other receivables | 1,196 | 1,459 |
| Inventories | 1,337 | 1,323 |
| Property, plant & equipment | 2,246 | 2,088 |
| Loans & borrowings (current & non current) | 1,470 | 1,970 |
| Trade accounts payable | 664 | 599 |

- Amongst the best managed working capital in the industry
- Significant improvement in Debt – Equity ratio at 0.19 in Mar 10 from 0.34 as of Mar 09

Key Business Updates

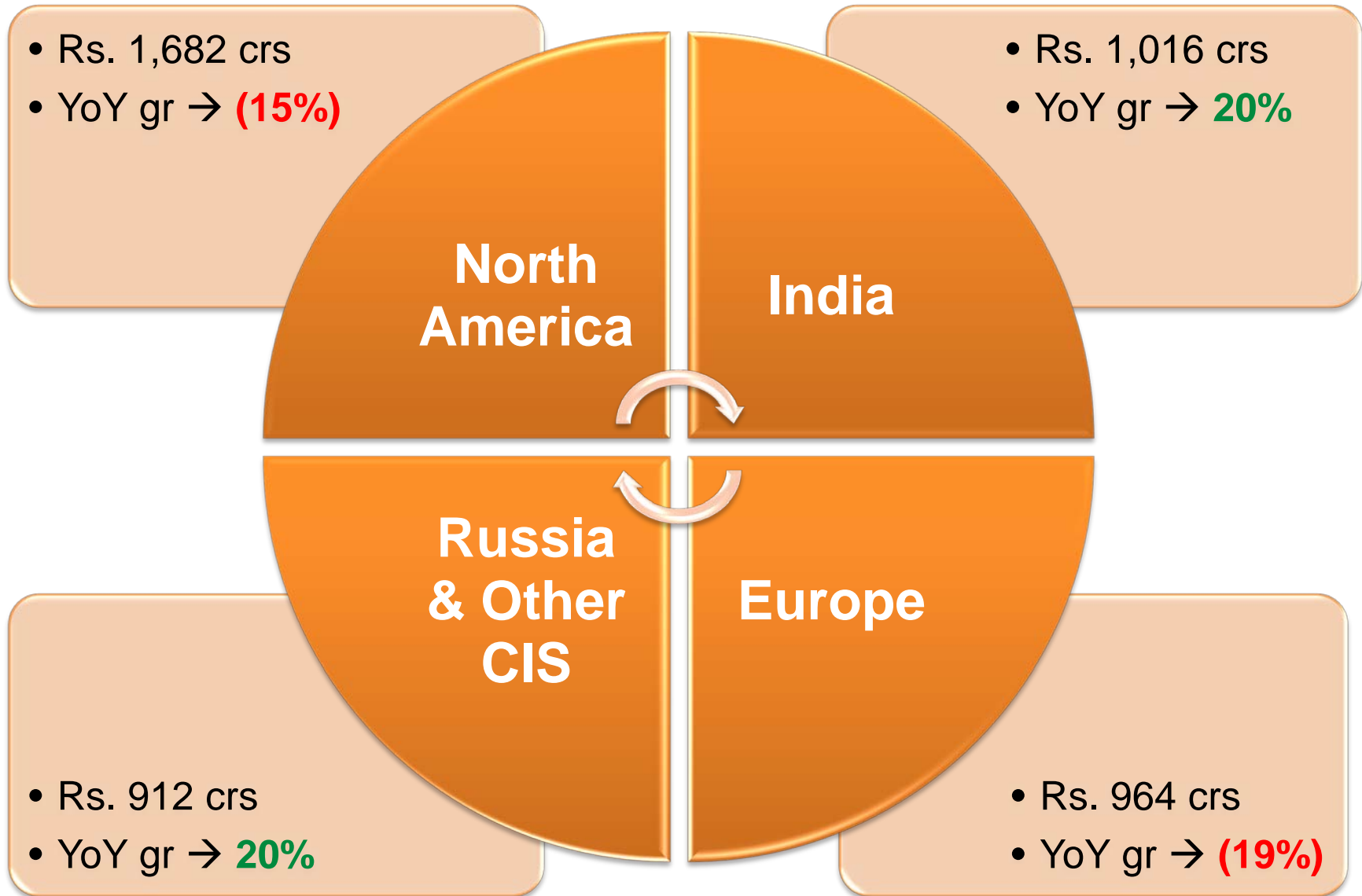
- ❑ **Achievement of FY10 RoCE guidance** (*adjusted RoCE of 17% in FY10*)
- ❑ **Improvement in profitability driven by optimization of operating costs across organization**
- ❑ **Year of consolidation**

Some major restructuring efforts:

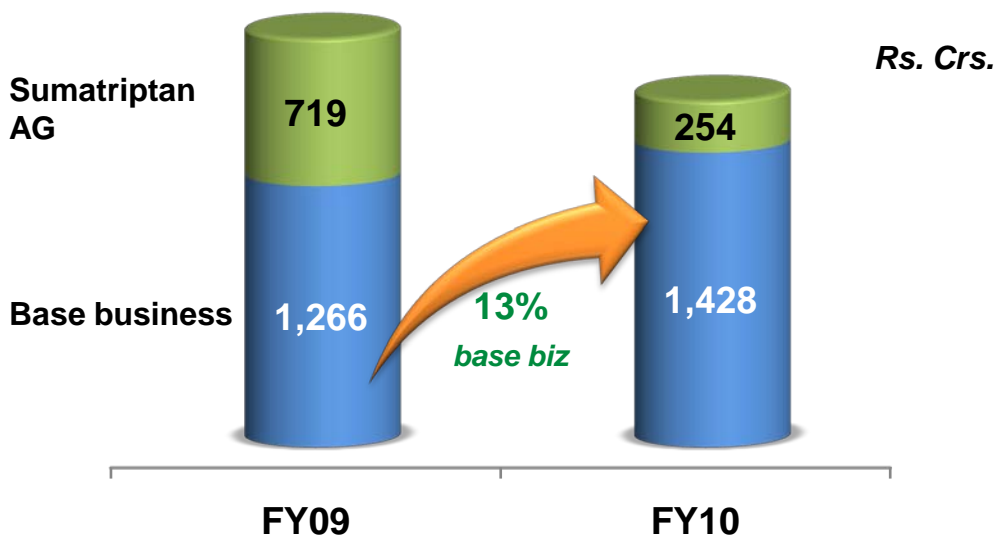
- Reduction of betapharm's workforce by more than 200 in FY10
 - Integration of our discovery R&D centers across locations
 - Centralization of commercial operation at New Jersey office
- ❑ **Strategic alliance with GSK progressing well**
 - Shipment of 8 products in 2 markets ; filing of 50+ dossiers

Segmental Analysis : Revenues

Global Generics FY10 Revenues at Rs. 4,861 crs



Global Generics : North America



Product Pipeline : ANDAs

Cumulative → 158

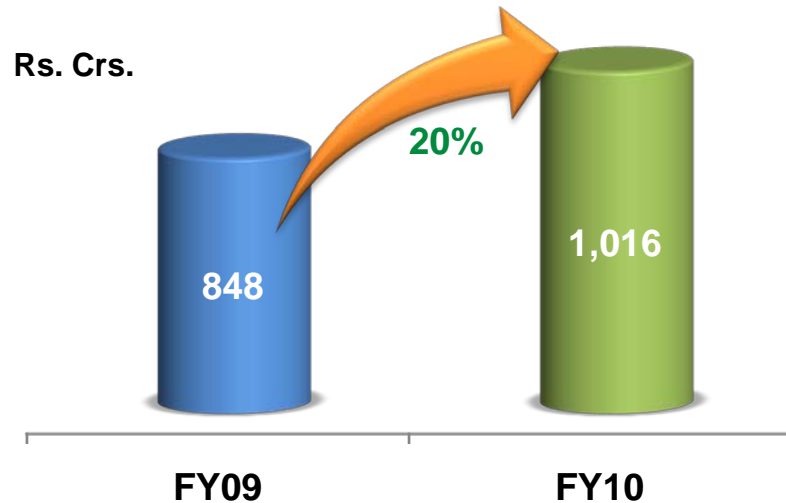
Pending approvals → 73

Para IVs → 38

FTFs → 12

- ❑ 17 → ANDA approvals (*including tentative*) ; 12 → ANDA filings ; 8 → product launches
- ❑ Successful inspection of three finished dosage facilities by US FDA in FY10
- ❑ Recent launches of limited competition products such as Omeprazole Mg OTC, Fluoxetine 90 mg & Amlodipine Benazepril
- ❑ Growth in FY11 fueled by attractive launches (*combination of limited / no generic competition*)

Global Generics : India

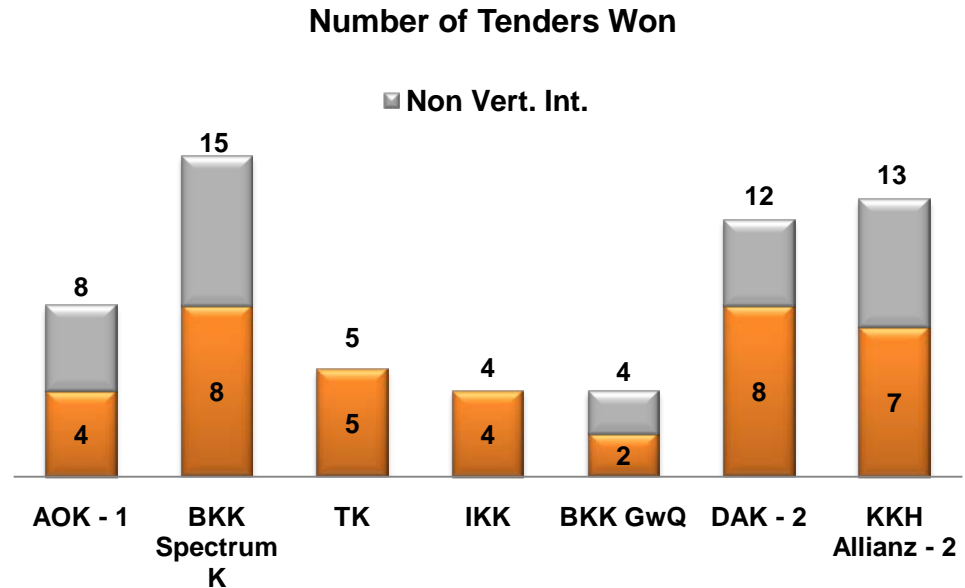
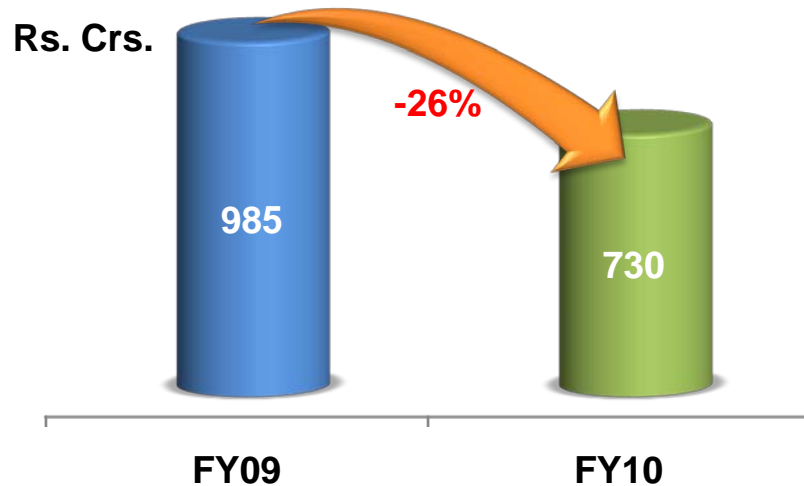


ORG IMS (MAT Mar 10)

- ❑ Secondary Sales Growth :
 - Dr. Reddy's → 23%
 - Industry → 18%
 - Top 10 → 20%
- ❑ Dr. Reddy's Rank → 13th

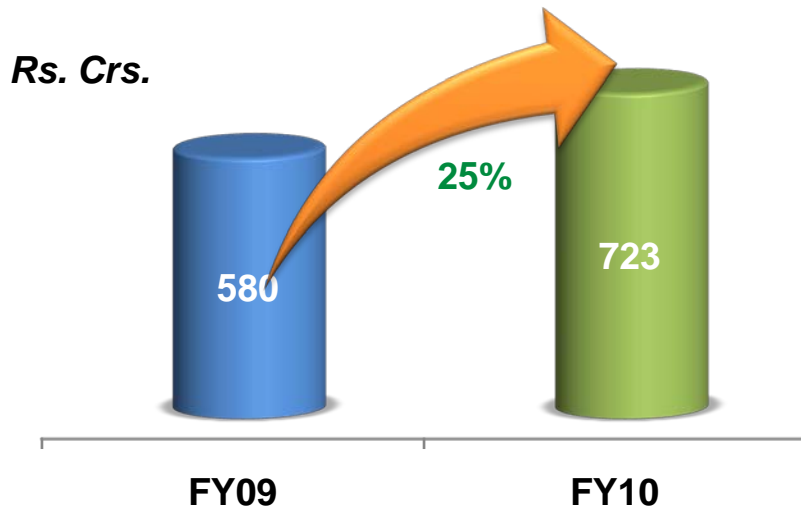
- ❑ Crossed the Rs. 1,000 crs landmark in FY10 ; Growth largely driven by volume growth of 16% by key brands such as Nise, Omez, Stamlo, Omez D, Razo D and Reditux
- ❑ Highest ever new product launches of 62 in FY10 (*contributing 5% to sales*)
 - Significant rise in new product ranking from 25 in previous year to 8 in FY10
- ❑ Key growth drivers for the year ahead → to widen geographic coverage and focus on GPs/CPs through expansion of field force, increase portfolio offerings in rural markets and continue to maintain the momentum in new products through in-house / in-licensed products
- ❑ Expect to launch the third biosimilar, Darbepoetin in Q1 FY2011

Global Generics : Germany



- ❑ Germany continues to be a challenging and a highly tender based competitive market
- ❑ Plan to increase vertical integration of portfolio value to compete more effectively in a tender based model
- ❑ 6th largest in volumes among generic companies with 3.3% market share
- ❑ Significant reduction of SG&A with the reduction of workforce by more than 200 people in the last one year

Global Generics : Russia

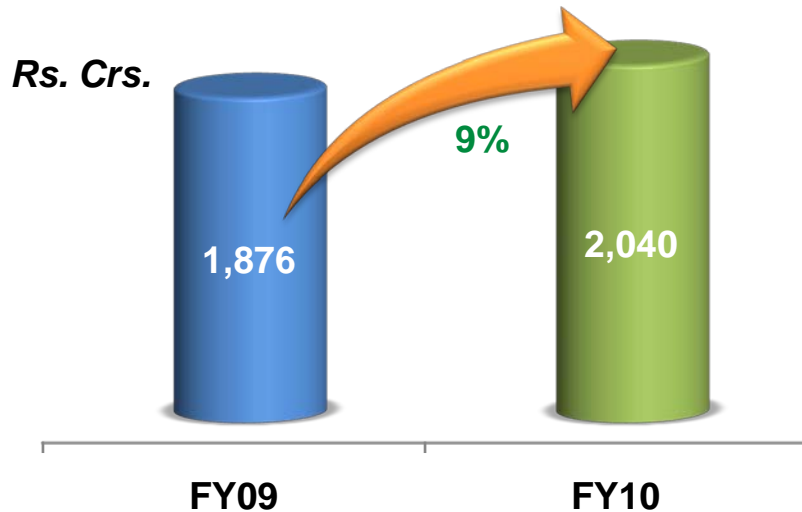


Pharmexpert (MAT Mar 10)

- ❑ Secondary Sales Growth :
 - Dr. Reddy's → 21%
 - Industry → 8%
- ❑ Dr. Reddy's Rank → 16th

- ❑ YoY Rouble growth of 38% driven largely by price increases and by key brands such as Nise, Omez, Ketorol, Ciprolet & Cetrine
- ❑ Reference pricing applicable to products listed in EDL in Russia ; No significant impact to our business
- ❑ Growth strategy → to expand our OTC portfolio & clear focus on differentiated products such as biosimilars ; growth will also be advantaged by various in-licensing deals

Pharmaceutical Services & Active Ingredients



DMFs Pipeline :

| | |
|------------|-------|
| Cumulative | → 375 |
| US | → 156 |
| Europe | → 90 |
| Canada | → 59 |
| RoW | → 70 |

- ❑ Muted growth with no major launches in FY10, as a result of global industry trends
- ❑ Current order book status has shown slight improvement since last year
- ❑ 36 DMF filings in FY10 (*19 in US, 8 in Europe, 5 in Canada & 4 in RoW*)

Proprietary Products

❑ NCEs

- Good traction of portfolio
 - Balaglitazone (Phase III asset) : Initial trial demonstrated better safety and efficacy results ; continue to await guidelines from the European regulators for the next steps
-

❑ Differentiated Formulations

- The pipeline includes several differentiated formulations, which we intend to commercialize through a mix of in-licensing, co-development and internal R&D
-

❑ Biosimilars

- In the process of expanding our presence in Emerging markets through various partnerships
- Expect to launch third biosimilar, Darbepoetin in Q1 FY2011

Outlook

❑ FY11 Guidance

- *“Revenues in the range of \$1.75 to \$1.8 billion and RoCE in the range of 18 to 22%”*
-

❑ FY13 Goal

- “Remain confident of getting close to \$3 billion revenue goal by FY13”
-

❑ Significant new Product Launches

- Pipeline progressing well by prioritizing selection & development of advantaged products (*difficult to make or limited competition*) for portfolio
-

❑ Proprietary Products

- Biosimilars → In the process of finalizing alliances in several emerging markets
-

❑ Capital Expenditure

- Expanding capacities through investments in SEZs and extensions of existing plants



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Q&A Session

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