



DR. REDDY'S

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Q3 FY09 Results Update

January 20, 2009

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.

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. 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.

Q3 FY09 Key Highlights

- **Overall revenue growth of 49% largely driven by the successful launch of sumatriptan**
 - Revenues at Rs. 1,840 crs (\$379 mn) in Q3 FY09 as against Rs. 1,232 crs (\$254 mn) in Q3 FY08
 - Growth excluding sumatriptan → 21% ; driven by key markets of North America & Russia
- **EBITDA at Rs. 345 crs (\$71 mn) in Q3 FY09 as compared to Rs. 218 crs (\$45 mn) in Q3 FY08 ; YoY growth of 58%**
- **Net Profit at Rs. 192 crs (\$40 mn) in Q3 FY09 as compared to adjusted* net profit of Rs. 77 crs (\$16 mn) in Q3 FY08 ; YoY growth of 150%**
- **Senior Management changes in line with strategic priorities**

Global Launches & Filings : Q3 FY09

New Launches

NA : 3

EU : 2

India : 10

RoW : 11

Promius : 1

Global Filings

ANDAs : 5

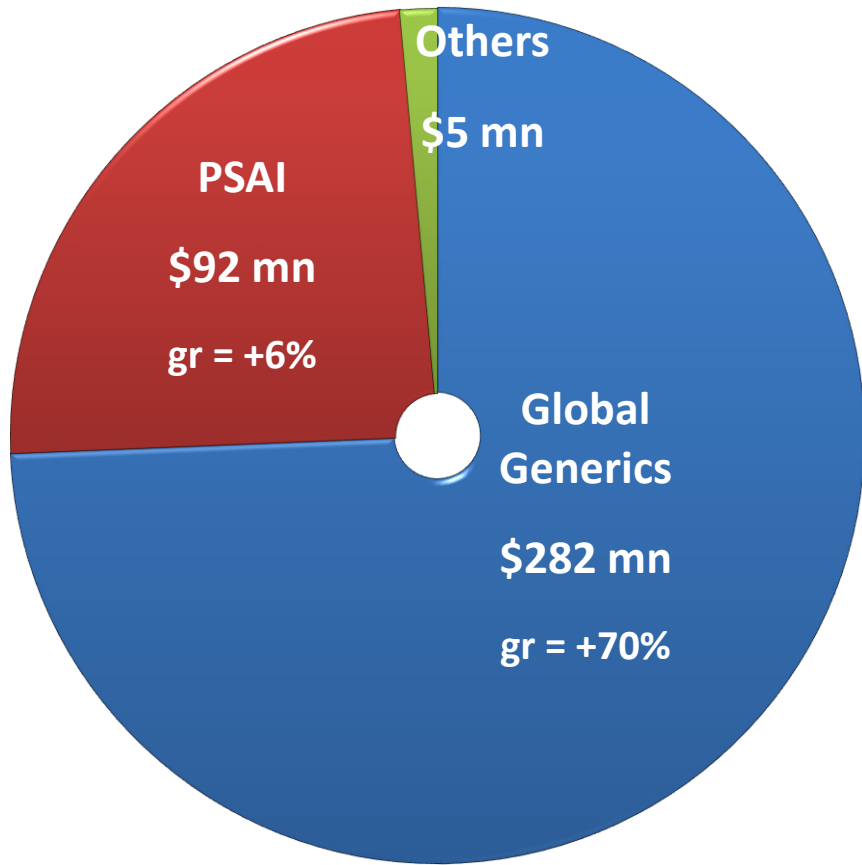
ANDS : 1

Dossiers (EU) : 4

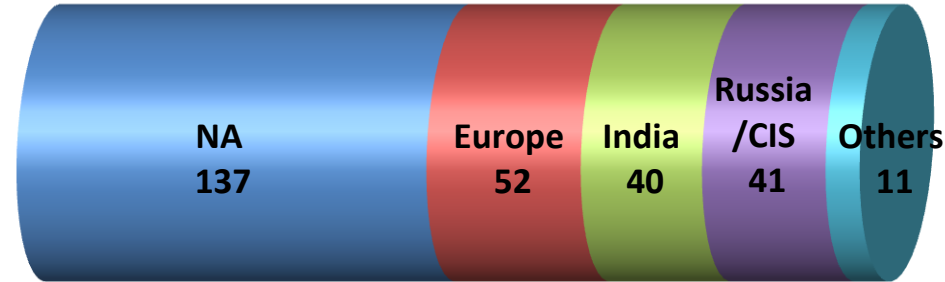
Dossiers (RoW) : 22

DMFs : 6

Consolidated Revenue

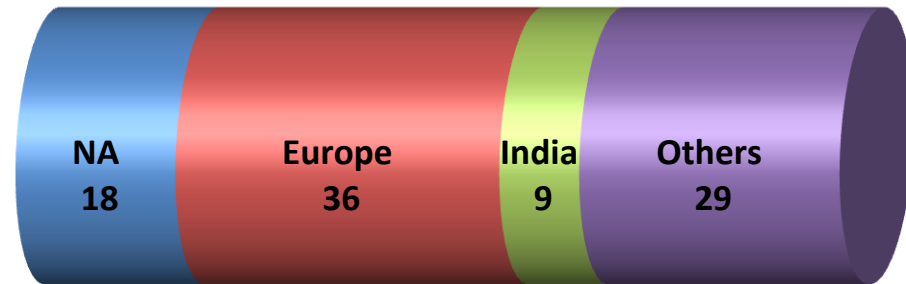


Global Generics



growth → 286% -2% -1% 33% 121%

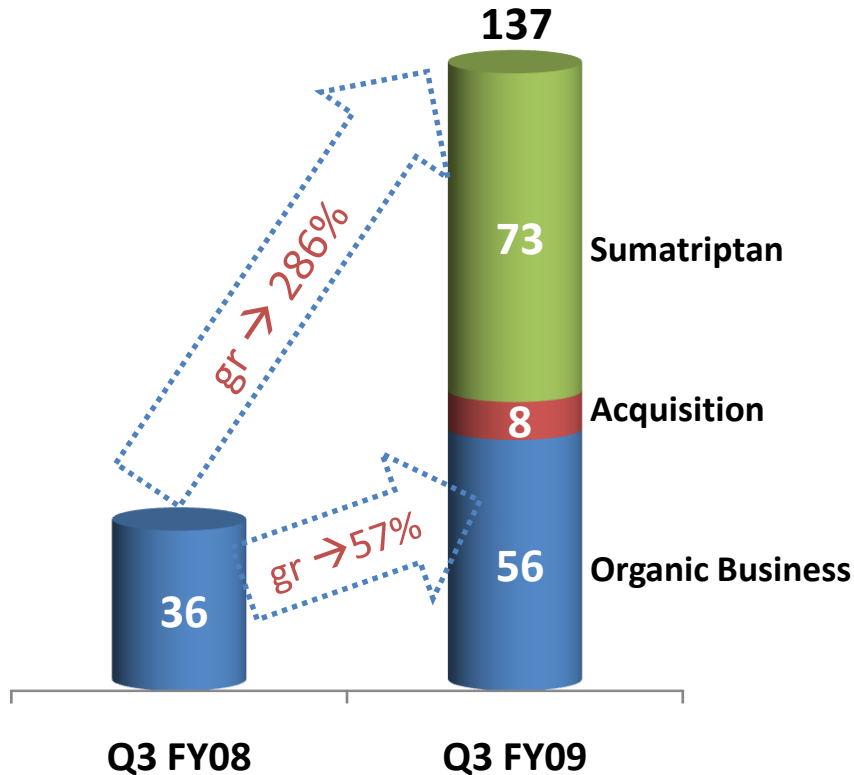
PSAI



growth → -31% 18% -24% 56%

Global Generics North America

Revenue (\$ Mn)

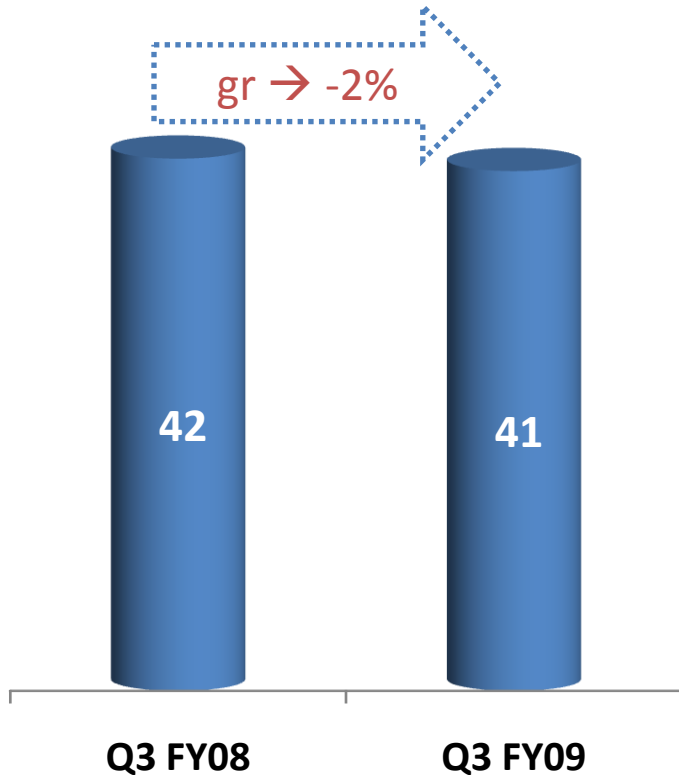


9 Months → \$272 mn
gr → 128%

- Successful launch of the AG version of GSK's Imitrex®
 - Overwhelming market share captured
- \$ growth of 46% excluding sumatriptan
 - driven by high volume growth in Top products
- Settled Desloratadine → IMS \$50 mn
- 16 products in the Top 3 ranks
- 3 new product launches
- Filed 5 ANDAs ; 69 pending approval addressing innovator sales of \$47 bn

Global Generics Germany

Revenue (\$ Mn)

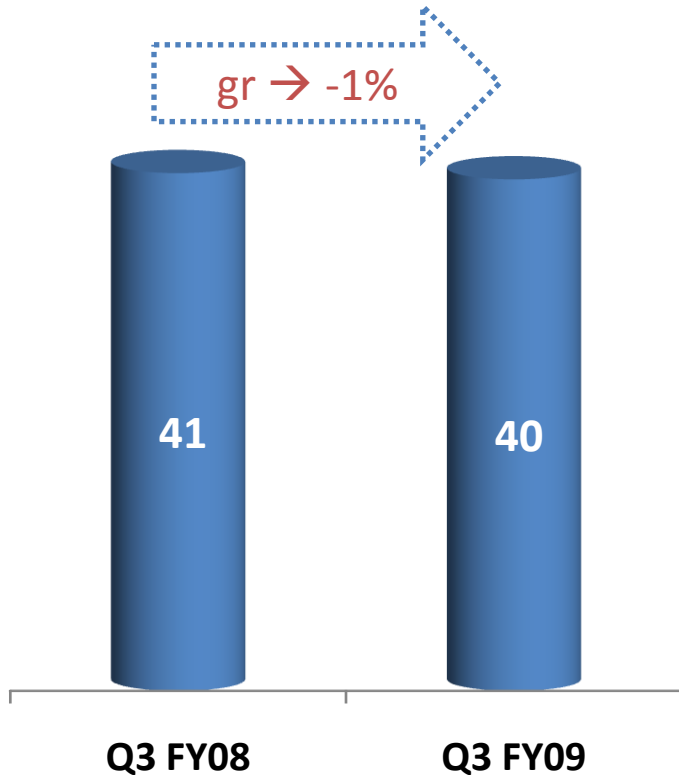


9 Months → \$160 mn
gr → 26%

- High volume growth in existing products offset by price declines and destocking due to AOK tender
 - betapharm volume growth → 15%
 - Market volume growth → (3.3%)
- AOK Tender : Among Top 3
 - 8 products/33 contracts ~ 17% of AOK volumes
- Filed 4 dossiers and launched 1 new product
- Withdrawal of Olanzapine stocks

Revenue (\$ Mn)

gr → -1%

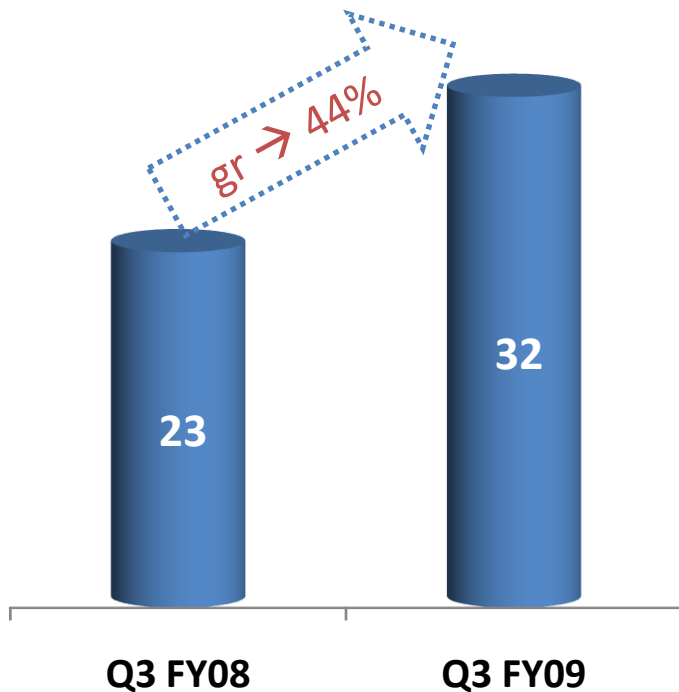


9 Months → \$140 mn
gr → 6%

- Growth flat → change in supply chain model → replenishment based model
- 69 brands in Top 3 in respective segments
(ORG IMS Nov 08)
 - Supanac, Atocor-R moved → Rank 3
 - Telsartan-H - No.1 prescribed brand
(CMARC Jul-Oct 08)
- Launched 10 new products
 - New product launches in the last 36 months contributed 23% to total sales

Global Generics Russia

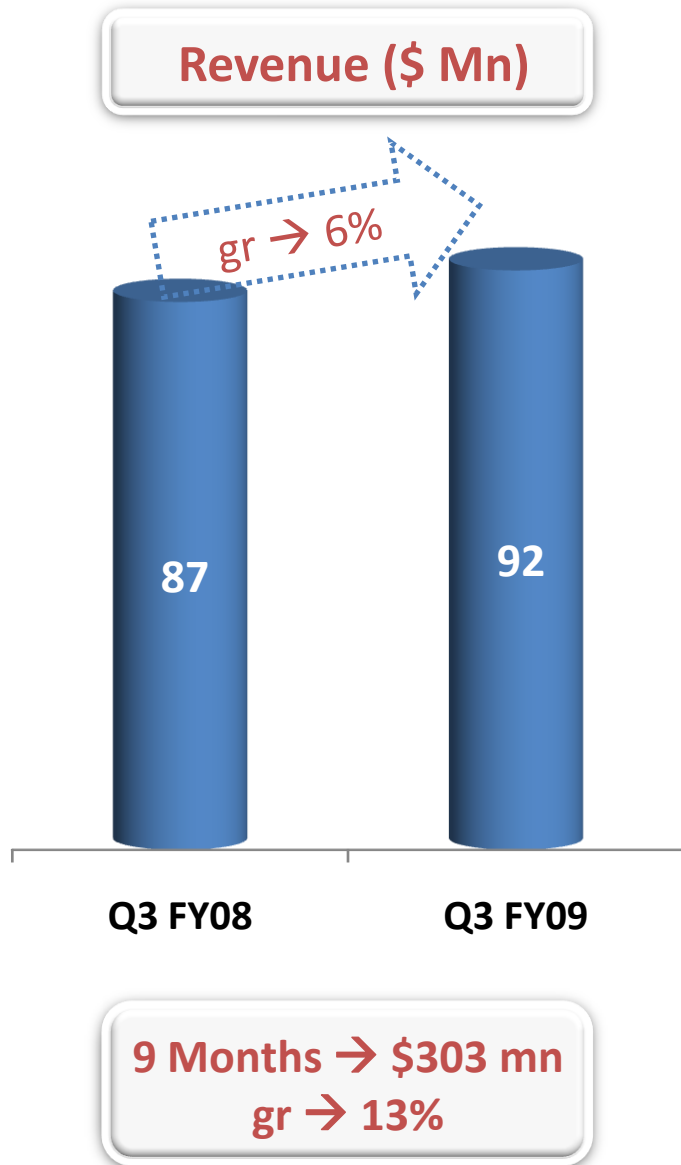
Revenue (\$ Mn)



9 Months → \$96 mn
gr → 33%

- \$ growth of 17% ; led by key brands of Omez, Nise, Ketorol & Cetrine
- Fastest growing international branded generic company by volumes (*Source: Pharmexpert Apr-Nov 08*)
 - Dr. Reddy's volume growth → 16%
 - Industry's volume growth → (1%)
- Top 5 brands → Rank #1 in respective segments
 - 12 brands in the Top 3 ranks
- OTC & hospital segment contribute 26% to total revenues

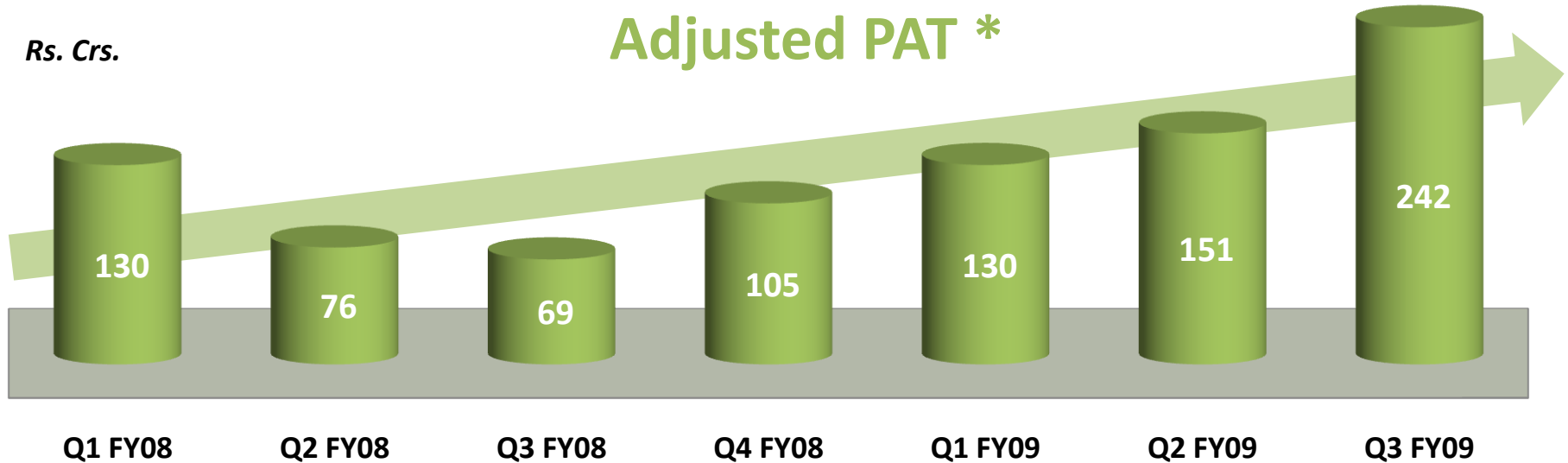
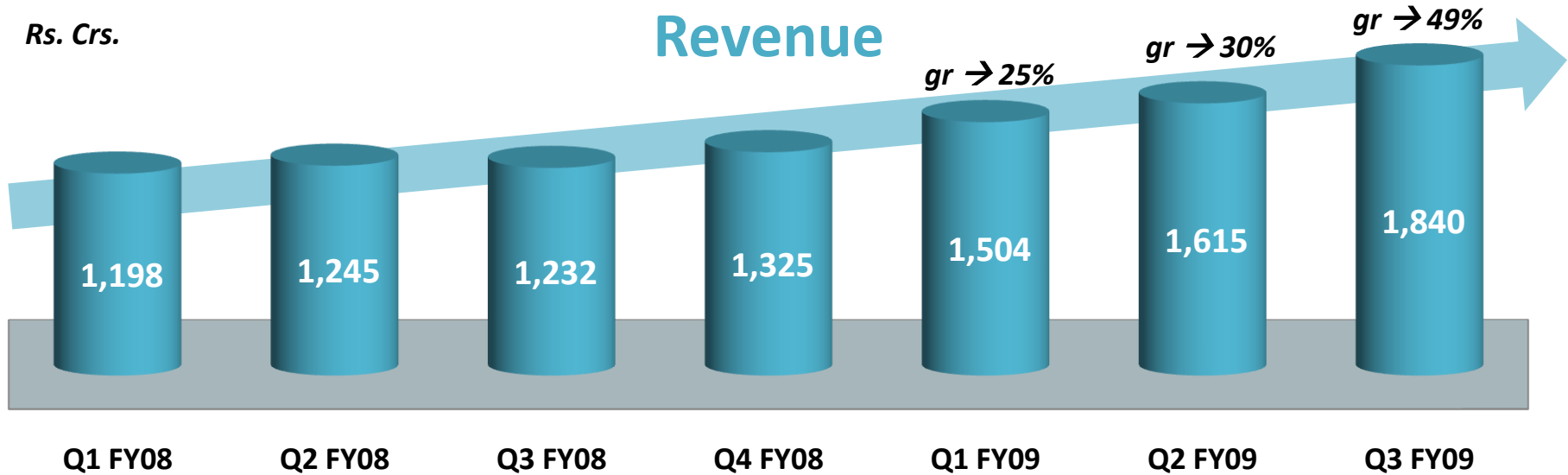
Pharmaceutical Services & Active Ingredients



- Loss of certain product orders from generic customers in the US & Europe
- Custom Services → Slowdown of orders in Biotech & Large Pharma
- Current growth trend → temporary
- Building a strong pipeline
 - DMF filings for the quarter
 - US → 4 ; Canada → 2

Outlook

Consistent Growth Momentum

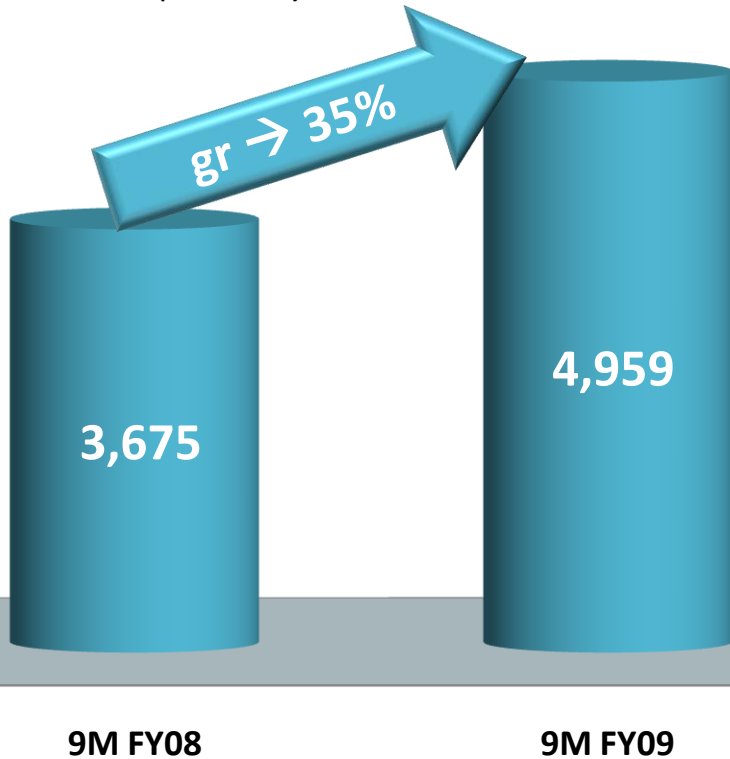


* Adjusted for forex, one time write downs & tax benefits

FY09 Guidance Tracking

Revenue Guidance → 25% Growth

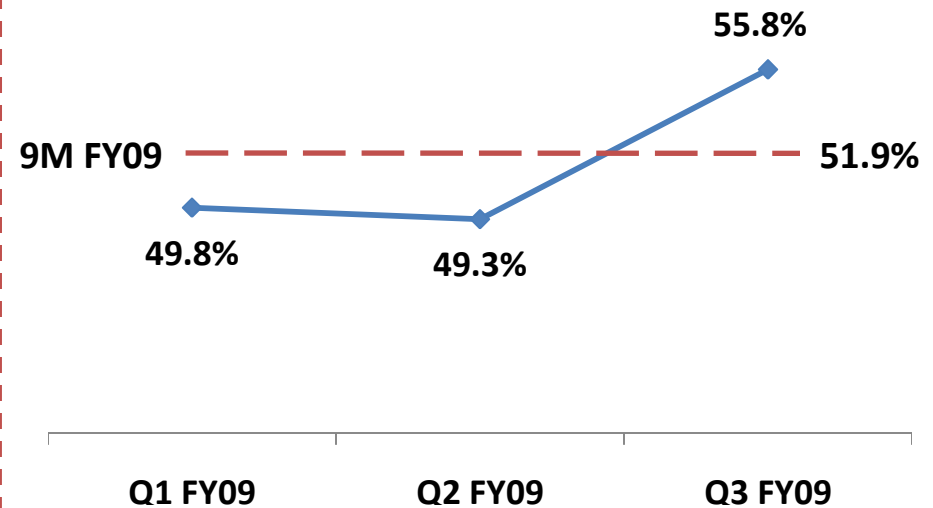
Revenue (Rs. Crs.)



Guidance → 

Gross Margin Guidance → ~ 50% levels

Gross Margin (% to sales)

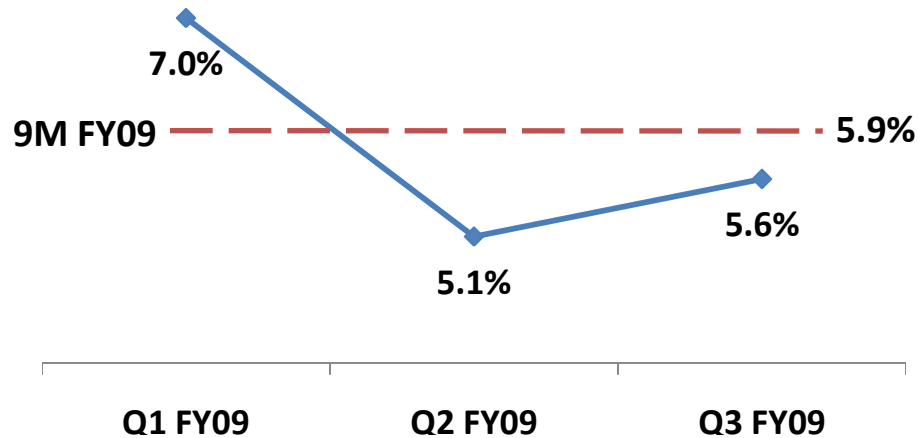


Guidance → 

FY09 Guidance Tracking

R&D Margin Guidance → 7% of sales

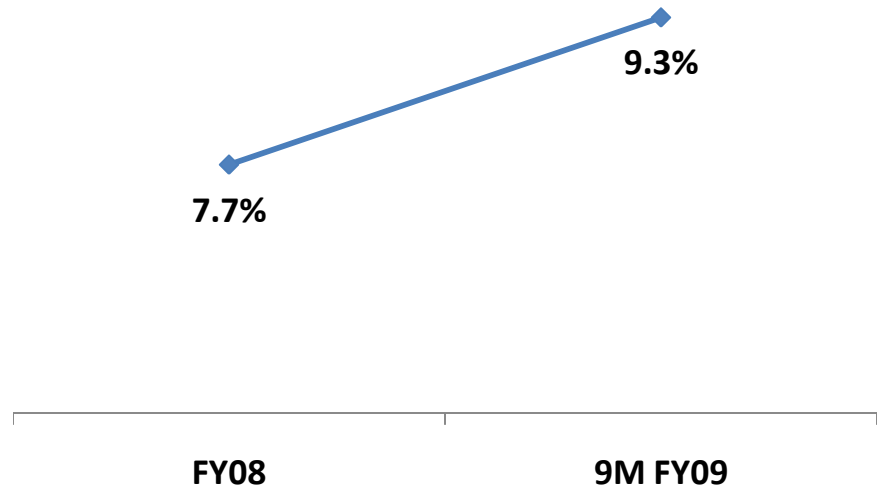
R&D Margin (% to sales)



Guidance → 

Guidance → Improved Profitability

PAT (% to sales)

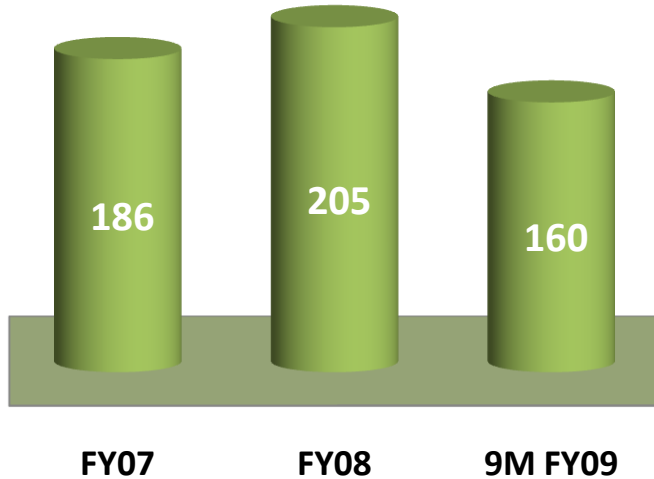


Guidance → 

Germany

Revenue

\$ Mn.



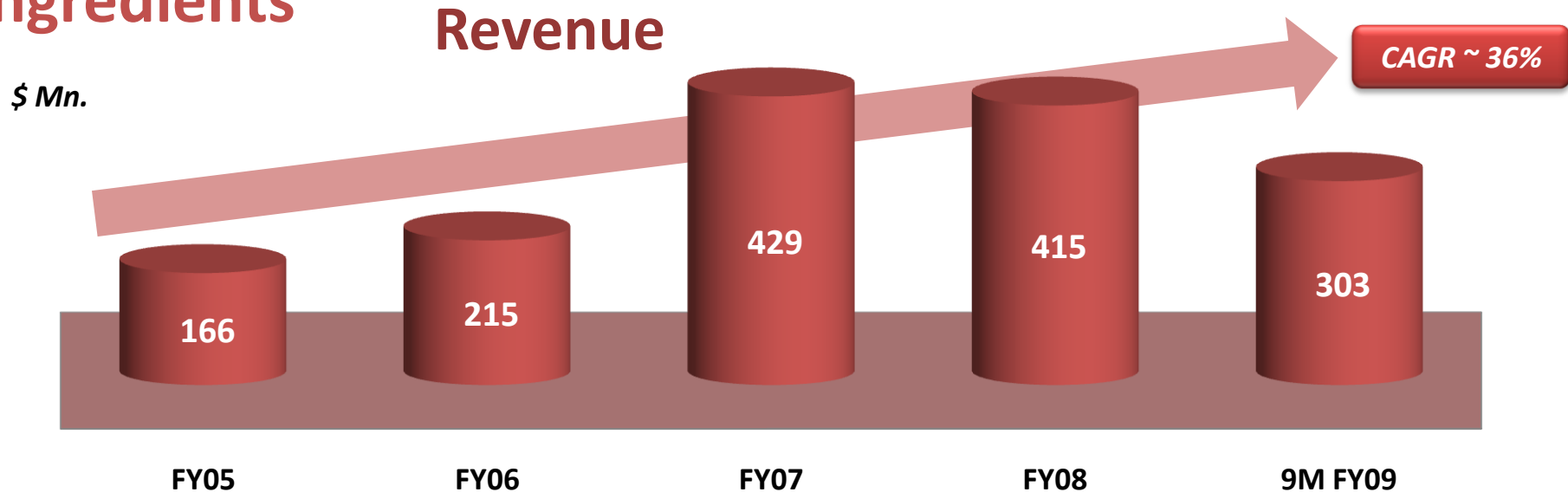
FY09 EBITDA Guidance → FY07 levels

➤ FY07 EBITDA → \$39 mn

Guidance → ●

- Generic Market Size → ~ \$15 bn
 - 4th largest generic market globally
 - betapharm amongst the Top 5 generic companies in Germany
- Highly paced market transitioning from branded generics to commodity generics
 - Health insurance companies > 90% of market
 - moving towards a tender based model
- German model: High volume, low margins
- AOK Tender (~ 40% of market share)
 - betapharm offered 8 products (33 contracts) – among Top 3 in contracts.
 - Products have high volume – will help stocking at Pharmacies for non AOK products
- > 50% value of products are vertically integrated
- Future strategy to focus on absolute profitability

Pharmaceutical Services & Active Ingredients



- Customers include generic manufacturers, innovator companies. Top 3 Generic customers ~ 60% of Business
- 2nd largest supplier to generic companies globally
- 2/3rd of the current API requirement for Global Generics sourced internally
- Custom business model transitioning well to Manufacturing Services from Pipeline services
- DMF positions and IP expertise → attractive potential in combination drugs being researched by Large Pharmas

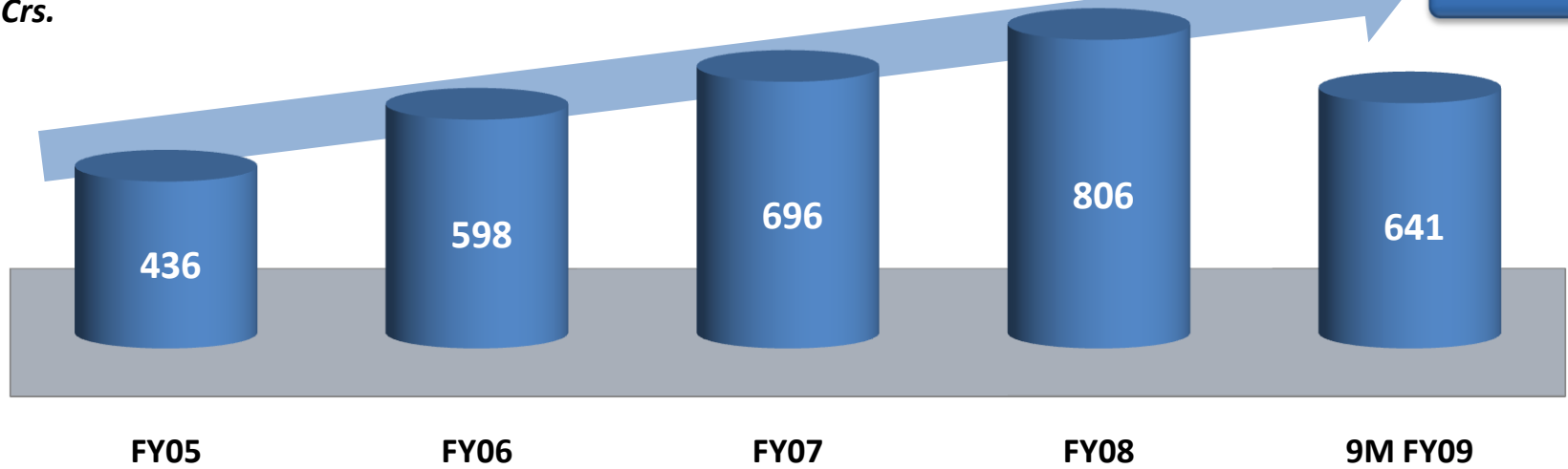
One of the largest portfolio of products globally

- US DMF filings - 138
- Canada DMFs - 53
- Europe DMFs - 78
- RoW DMFs - 66

Rs. Crs.

Revenue

CAGR ~ 23%

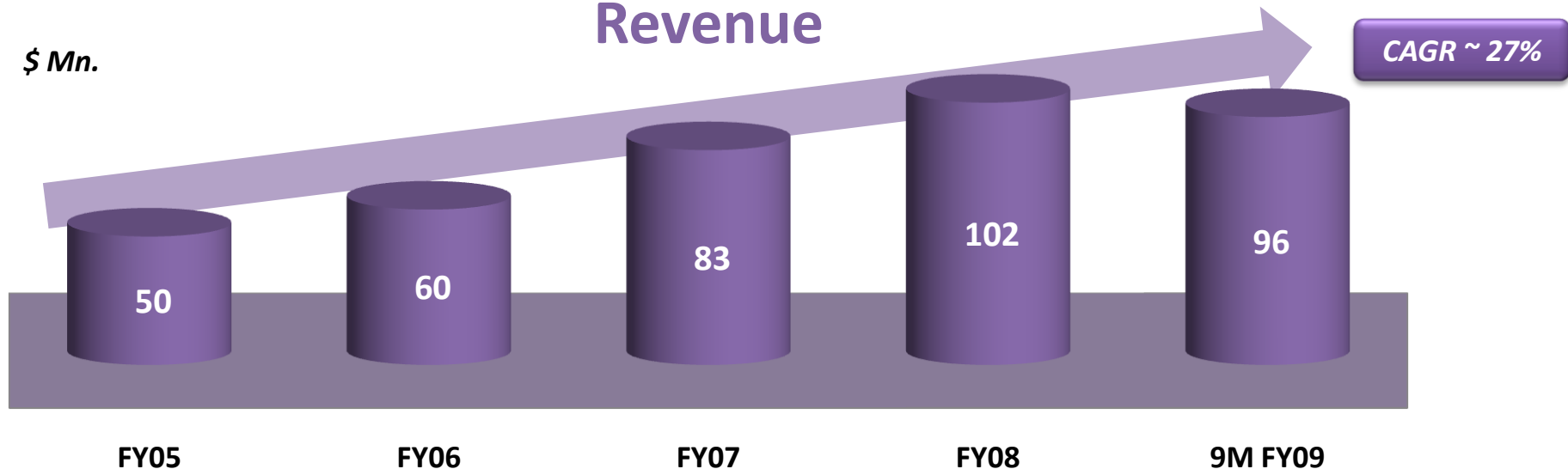


- Temporary slowdown in FY09 → delay in new product launches & change of supply chain model
- Shift of focus from topline volume to qualitative profits and niche product opportunities
 - EBITDA → among the leaders in the industry
- Biologics → niche segment → market leader → 9 products in pipeline
 - Launch of Rituximab → major success in India → FY09E sales ~ Rs. 20 crs.
 - launch of 2 products in FY10 and 1 product every year, thereafter

Russia

Revenue

\$ Mn.



- Market Rank : Pharma → 15th ; Generics → 7th ; Top 5 brands No 1 in respective INN; Fastest growing International Branded Generic company by volume
- Customers → Business consolidated with top 4 distributors > 80% of our revenue
- Supply Chain → Strong control on credit limits & credit period
- OTC & Hospital segment gaining traction → > 25% of revenue
- > 80% of products vertically integrated
- Aggressive in-licensing efforts to secure more pipeline



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Q&A Session

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