



Dr. Reddy's

Investor Presentation 2015

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 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 Form 20-F for the fiscal year ended March 31, 2014, and Form 6-K for the quarter ended June 30, 2014, September 30, 2014, December 31, 2014 and its other filings with the Securities and Exchange Commission. 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

1. Company Overview

2. Strong performance over the past decade

3. Exciting future

We have a vertically Integrated business model with 3 distinct segments

Pharmaceutical Services & Active Ingredients

Partner of Choice

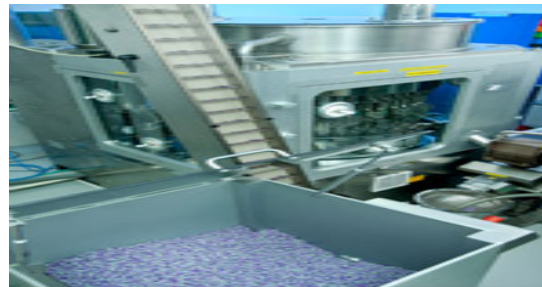


- Amongst the leaders in supply of generic APIs globally
- Customers include generic manufacturers, innovator companies

FY15 Revenue mix 18% of total

Global Generics

Access to affordable medicines



- Finished dosage businesses in distribution-driven as well as detailing-driven markets
- North America (54%), India (15%), Russia (12%) are key markets in this segment.
- Building a sustainable Biosimilar business

FY15 Revenue mix 81% of total

Proprietary Products

Meeting unmet medical needs



- Focus on building sustainable and profitable proprietary products business
- Strong pipeline of differentiated formulations

FY15 Revenue mix 1% of total

Dr. Reddy's Today ...

- FY15 global revenues of \$2.4Bn. Well diversified across India, US, Emerging markets & Europe.
- Steady improvement in capital efficiency & productivity over the last five years.
- Excited about profitable growth opportunities in the future. Well placed to harness these opportunities.
- R&D driven strategy [spend at ~12% to sales]. 1200+ scientists involved in process & product innovation.
- Last three years characterized by sustained focus on Portfolio management, Operations excellence, Science & Technology capabilities and superior Commercial choices across markets.
- Strong visibility of realizing full potential of our Emerging businesses of Proprietary products, Biologics and Aurigene.

Key strengths and capabilities

❑ Industry leading chemistry skills

- *Several niche product opportunities (tacrolimus , metoprolol succinate, azacitidine, divalproex sodium ER, sumatriptan auto-injector)*

❑ Vertically integrated organization with modern Infrastructure

- *R&D centers in India, UK, Netherlands and US*
- *10 formulation manufacturing facilities (5 USFDA inspected) with 25+ billion units in generics capacity*
- *9 USFDA inspected API manufacturing facilities*
- *Biologics development and manufacturing in India*

❑ Deep market presence

- *Branded generic markets - India, Russia (entry in 1991), CIS countries, Venezuela and others*
- *Generic markets – USA (1997 – first ANDA filing), UK and Germany*

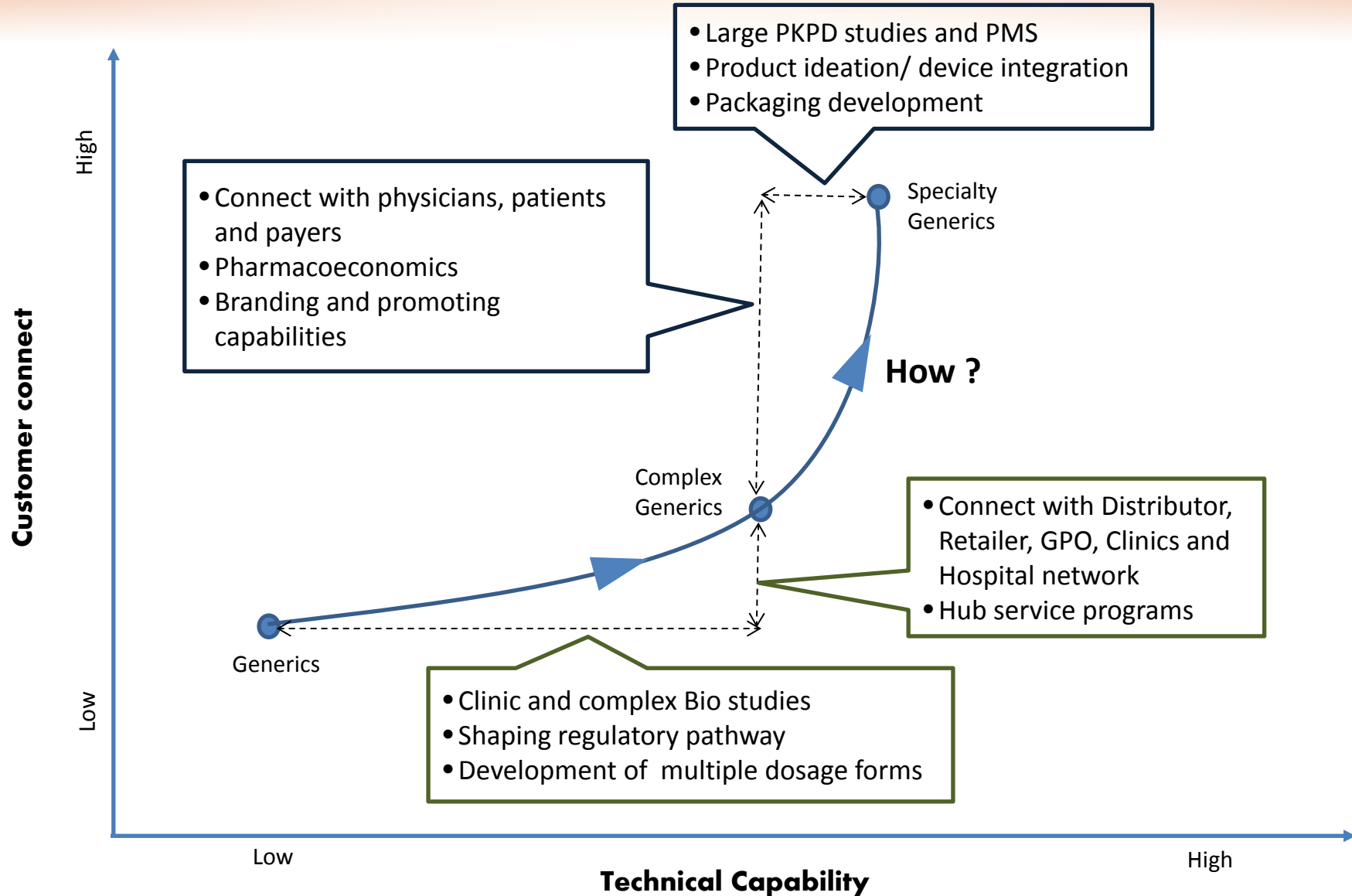
❑ Early mover advantage in Biosimilars

- *First to launch Biosimilar rituximab in 2007*
- *4 biosimilar* products being marketed*

**Similar biologic approved under abbreviated processes preceding the establishment of formal biosimilar regulatory guidelines*

❑ Collaboration across business units

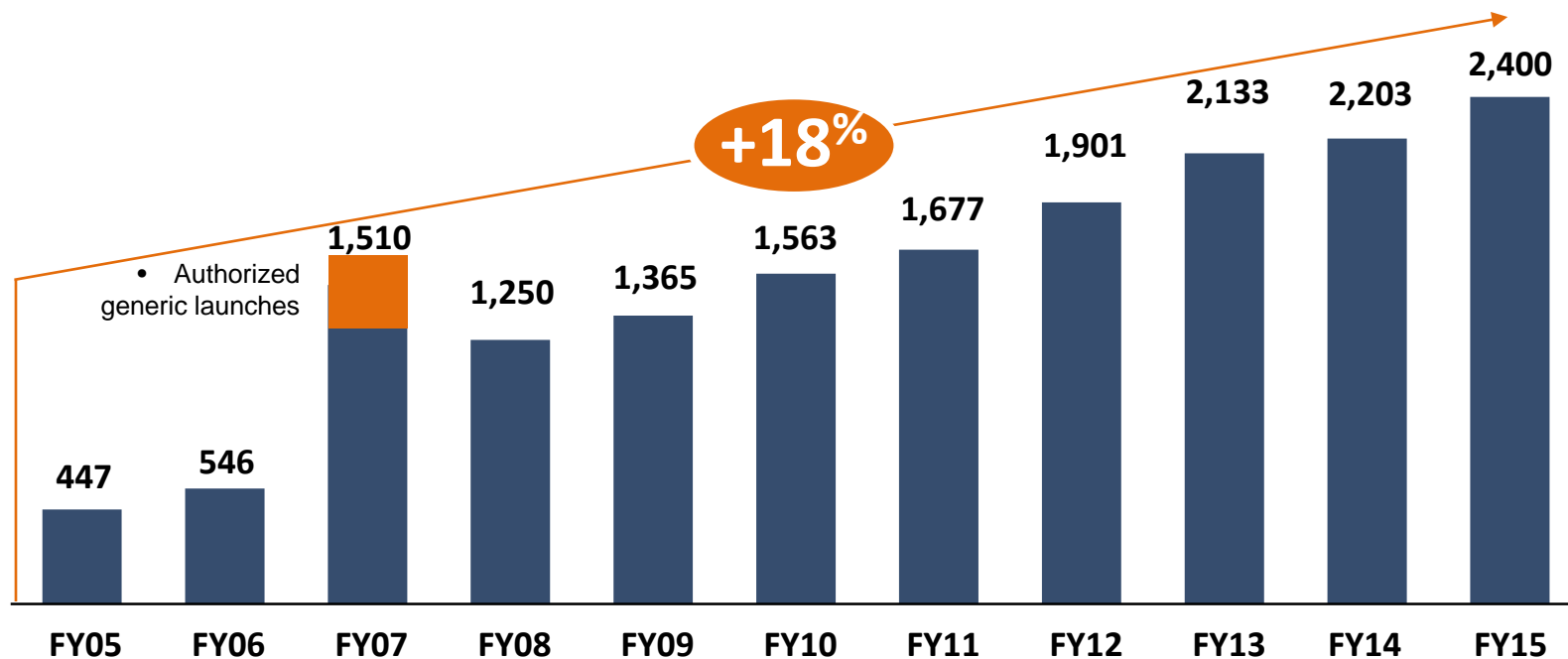
Our Journey



1. Company Overview
- 2. Strong performance over the past decade**
3. Exciting future

Strong revenue growth over the last decade

Revenues
Million USD

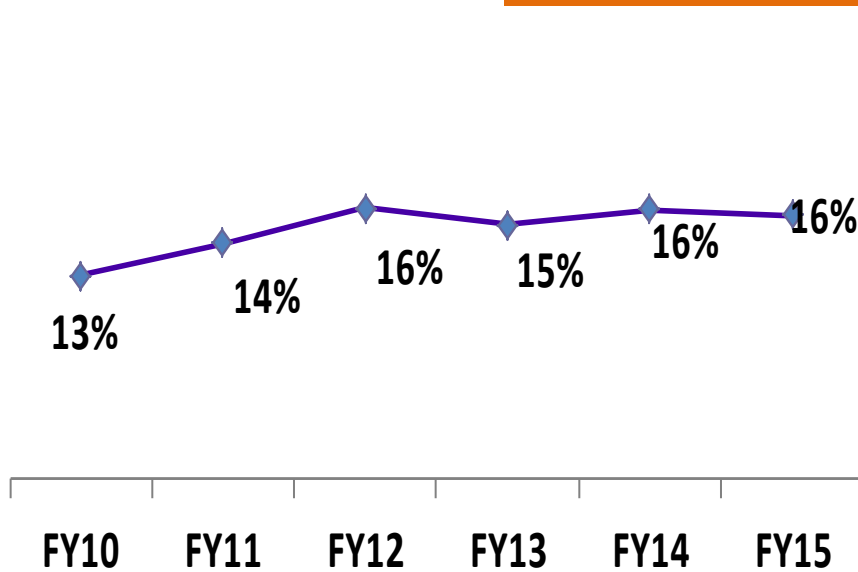


Our capital efficiency and profitability steadily improved and has remained stable over the last 5 years

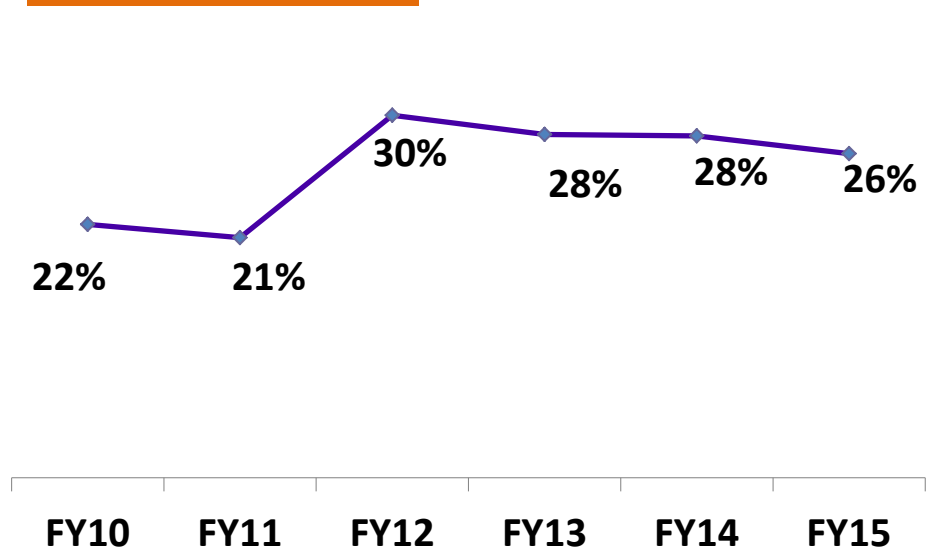
Percent

PAT % to sales

RoCE %



PAT adjusted for one time non cash impairment charges primarily related to betapharm



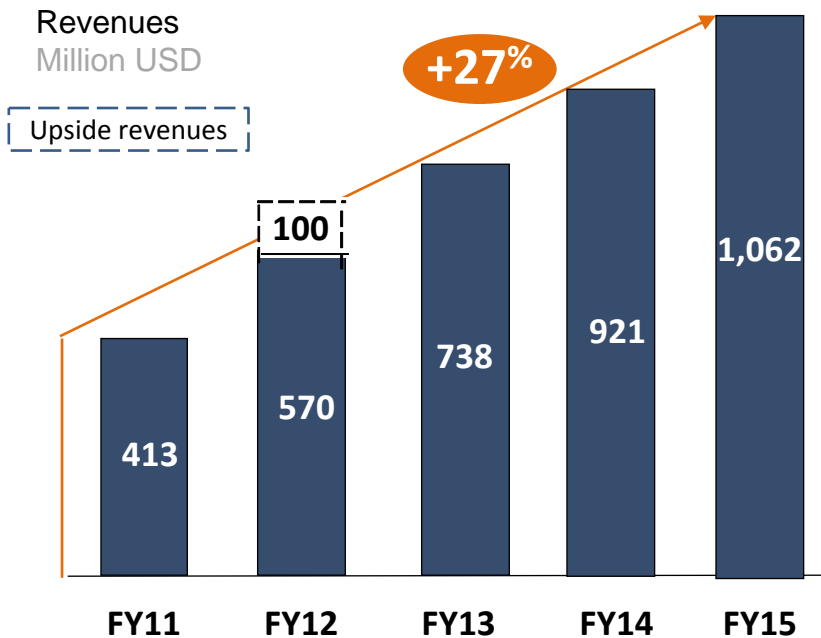
RoCE mentioned above is pre-tax RoCE

In FY15, we achieved several important milestones

- US Generics crossed \$1Bn in revenues
- US Injectables business scaled-up to \$280mn+ in 3 years.
- Superior supply chain enabled strong market share gains in US and serviced significant scale-up in demand from Venezuela market.
- Improvement in global generics margins.
- High-quality pending ANDA pipeline. Increasing share of complex molecules.
- Our new businesses of Proprietary products & Biologics are stepping closer to their desired milestones. PP filed 3 NDAs with the US FDA. Biologics phase-1 trials of Peg-filgrastim & Rituximab on track.
- Aurigene & Curis Inc.: Collaboration agreement focused on immuno-oncology and selected precision oncology targets.
- Continue to explore strategic Business Development and M&A as levers for growth: Habitrol in US and UCB's select portfolio in India

Our North America Generics base business grew at 27% CAGR (FY15 gr:15%) while building a pipeline of limited competition products

Base Revenues grew at 27% CAGR



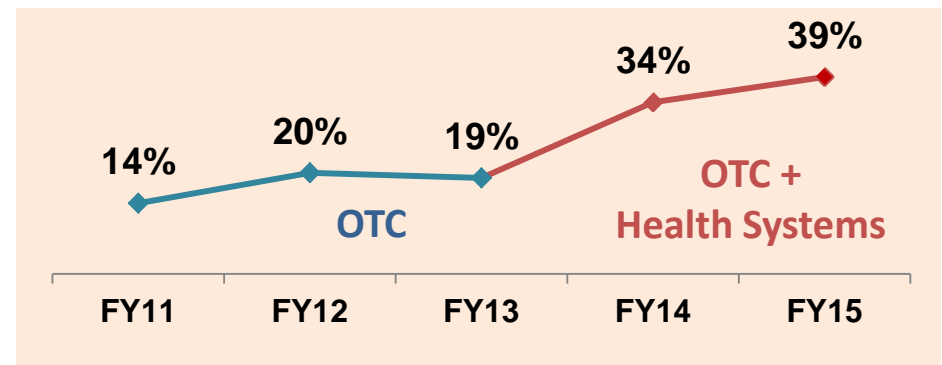
- Dr. Reddy's: Now ranked# 9th among the leading US generics companies
- 47 Rx products ranked top 3 in market share
- Leading private label- OTC player; strong No: 2 after Perrigo

Market shares of limited competition products have been stable

Product	Jan'15	Mar'15
Decitabine	76%	85%
Azacitidine	66%	50%
Divalproex ER	20%	20%
Zoledronic Acid (Reclast)	61%	63%
Sumatriptan Autoinjector	33%	23%

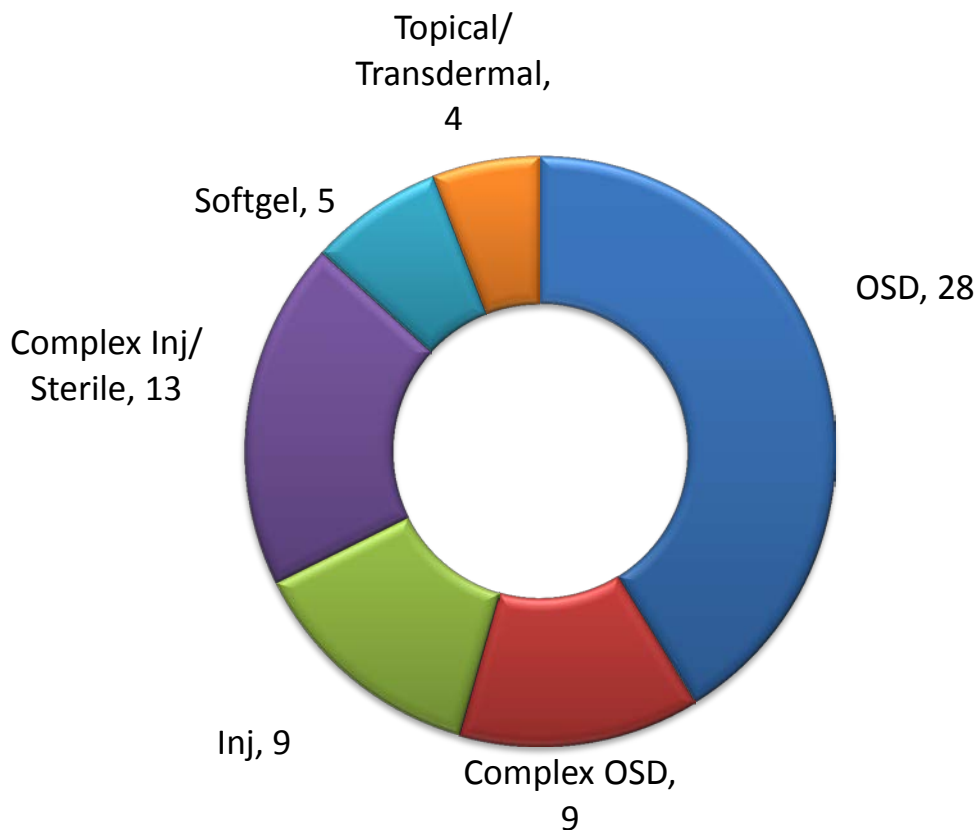
Source: IMS generic volume market share

Increasing mix of non-retail channels of OTC & Health systems



Healthy pipeline of high entry barrier products while building a pipeline of limited competition products

Number of pending ANDAs by Dosage form



Market shares of limited competition products have been stable

68 pending ANDAs & 3 pending NDAs (505b2s) of ~\$36 billion of innovator brand sales value

- incl. 43 para-IV and 13 *first to file* products

Portfolio of products based on –

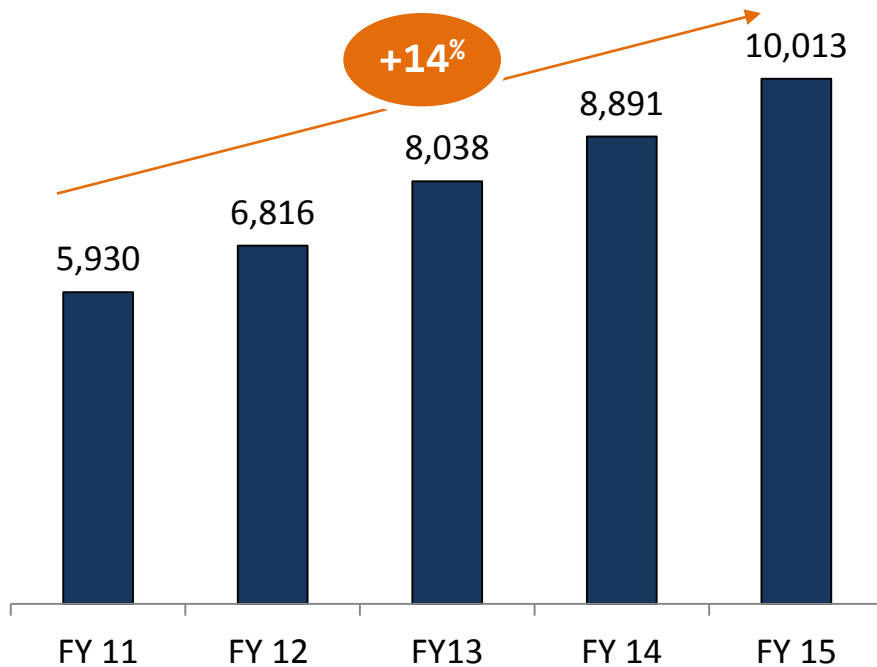
- Complex Characterization / Analytical chemistry
- Novel regulatory pathway
- Large & complex clinical / Bio-studies
- High technology barrier in development & manufacturing

Fast-following on Potential OTC switches leveraging developed Rx assets

Our Russia business grew at 14% CAGR (FY15 gr:13%) while building a growing OTC business

Revenues grew at 14% CAGR

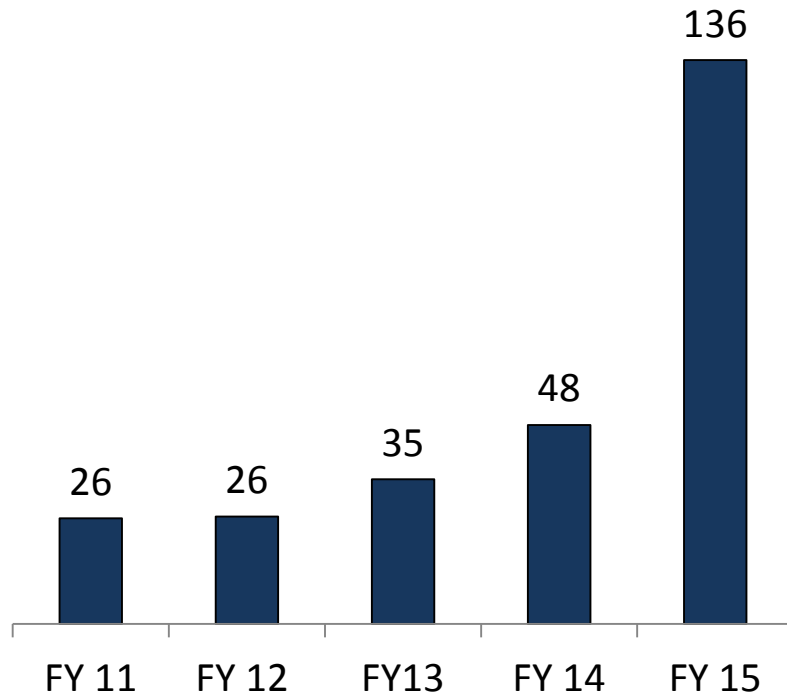
Revenues
Million Ruble



- Established strong presence in Pain Management, Gastro Intestinal and Anti-infectives therapies
- Top 5 brands occupy the No. 1 spot in their respective INNs and 12 brands in the top 3 ranks
- Increasing mix of OTC sales.
- A number of products launched through BD efforts – converted into mega brands

Venezuela: fastest growth across all companies in both units and value

Revenues
USD Million.



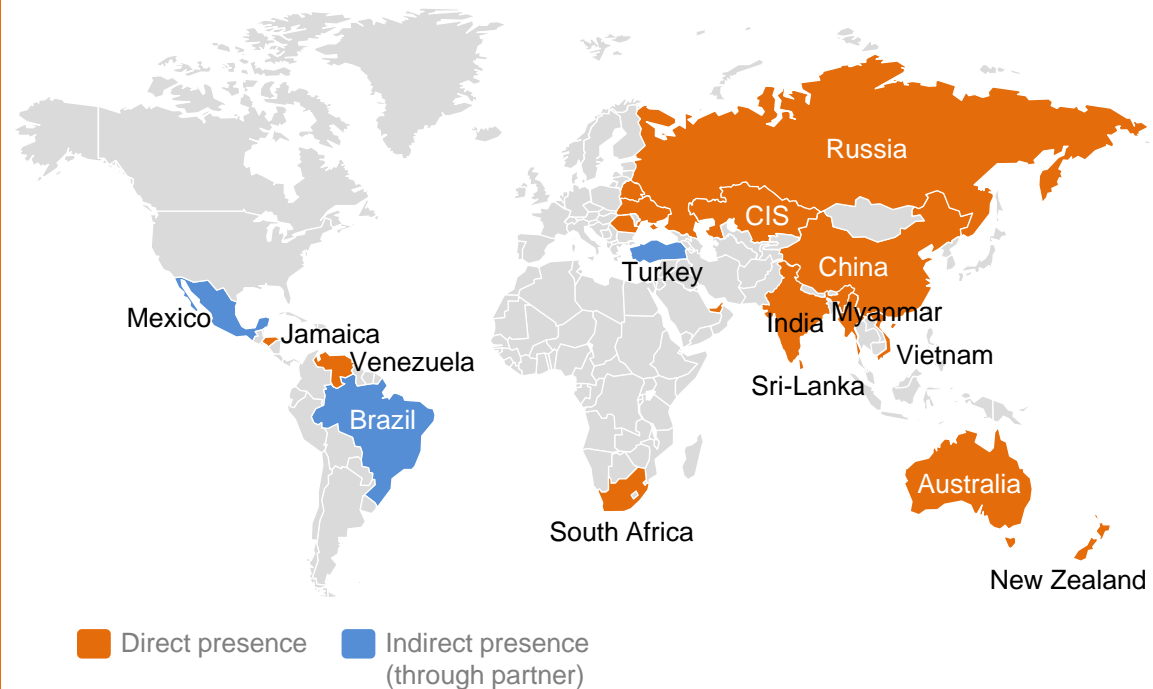
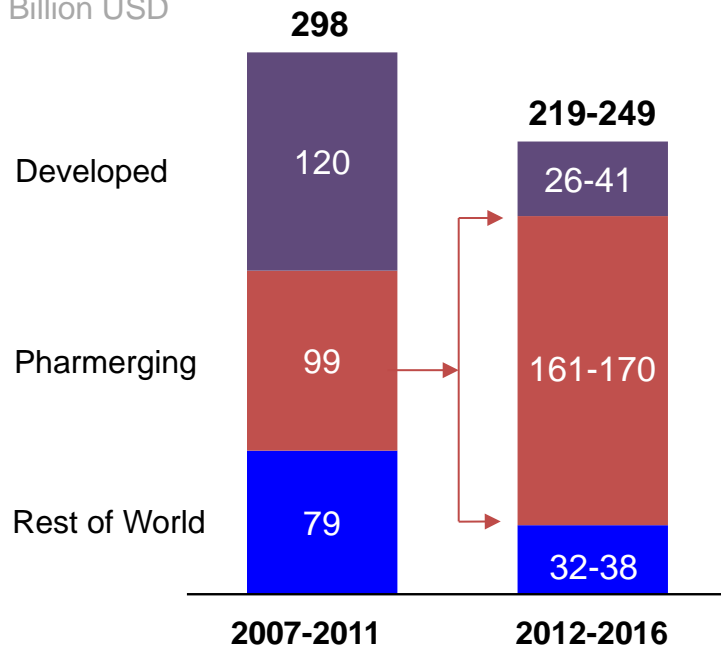
- Committed to the market to ensure availability
- Economic turmoil → an opportunity to stay invested in the market and strengthen the base for future
- Ranked 20th in value terms and 12th in unit terms, which clearly highlights our endeavor to provide affordable medicines to patients
- A balanced portfolio across therapeutic areas of Cardio-Vascular, Central Nervous system, Anti-Infectives and Oncology

Further, we are well positioned to increase access in the growing Emerging markets

Pharmerging market is expected to account for majority of the absolute growth

We enjoyed 28% revenue growth during 2008-13 in our emerging markets

Absolute growth
Billion USD

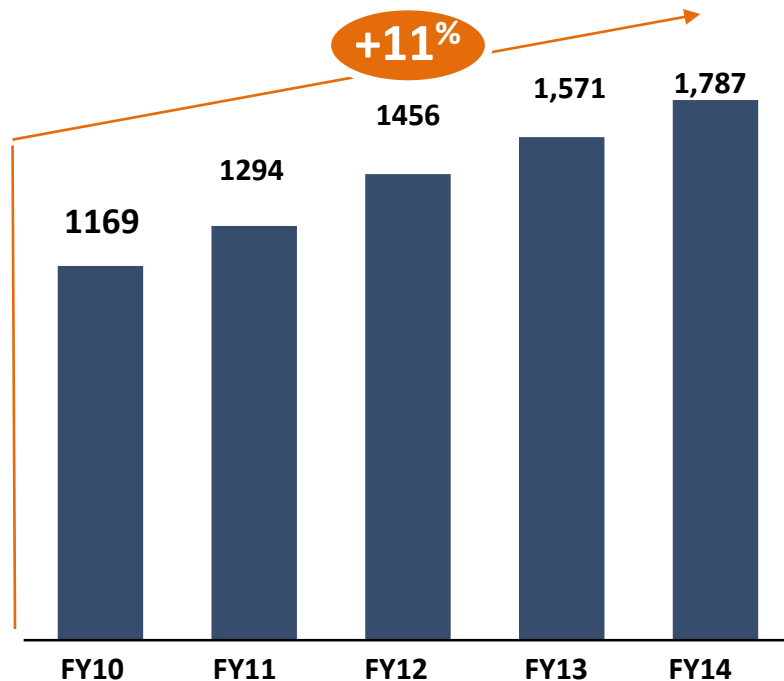


Note: 17 high-Growth 'Pharmerging' Markets: China, Brazil, Russia, India, Venezuela, Poland, Argentina, Turkey, Mexico, Vietnam, South Africa, Thailand, Indonesia, Romania, Egypt, Pakistan and Ukraine

Source: IMS, The Global Use of Medicines: Outlook Through 2016

Our India business grew at 11% CAGR (FY15 gr:14%) while improving business health

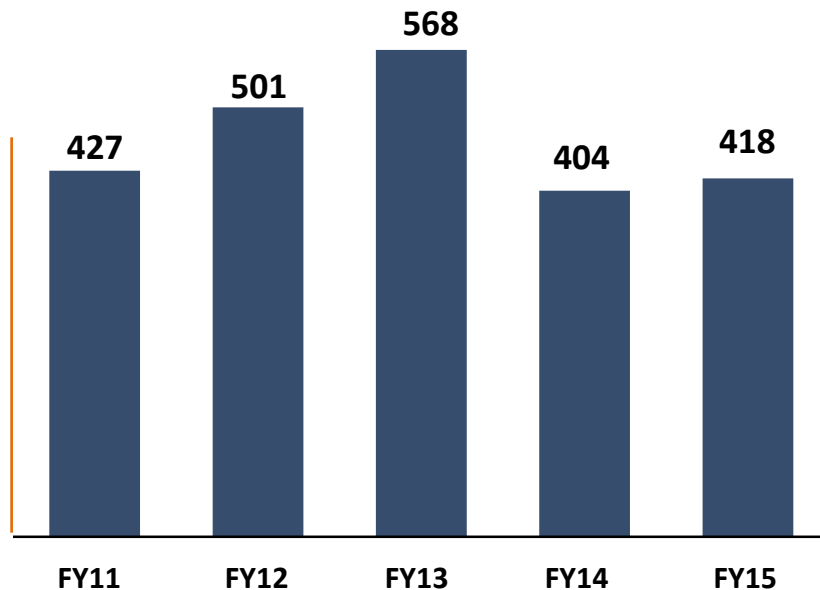
Revenues
INR Cr.



- **MQT April 2015 growth of 25.9% vs IPM growth of 17.7%** (Source: IMS)
- Turnaround on the back of
 - Focused sales & marketing efforts on mega brands
 - Improving new launch productivity
 - Scale-up in institutions sales
- Deep focus on Chronic and Super-specialty therapies
- Strategic business development and M&A efforts
 - Differentiated assets in relevant therapies
 - Growth through inorganic opportunities

Despite modest growth, Pharmaceutical Services & Active Ingredients continues to be strategic business

Revenue
Million USD



Business faced demand challenges on the external front this year

All figures converted at respective years' average translation rate

- Effective partnerships with top global Generics players : ~40% of sales contributed from global top 5 players
- >60% of Global Generics segment's sales from the vertically integrated APIs

- **Our value proposition**

- Accelerate first to market access for our partners through non-infringing IP positions
- Invest in technology platforms to develop complex APIs
- Flexible to meet customer demands

1. Company Overview
2. Strong performance over the past decade
- 3. Exciting future**

Our purpose has guided our customer value proposition leading to specific strategic choices

Purpose

To accelerate access to affordable and innovative medicines

because

GOOD HEALTH CAN'T WAIT

Customer value proposition

- Bring expensive medicines within reach
- Address unmet patient needs
- Help patients manage disease better
- Equip partners to succeed
- Ensure products are always on the shelf

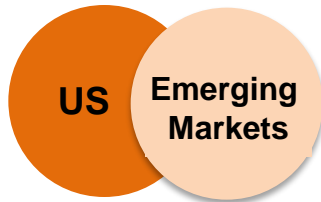
Key Strategic choices

- First-to-market, Tough-to-make products
- Differentiated formulations for unmet medical needs
- Value added services for patients and customers
- Reliable & flexible supply chain

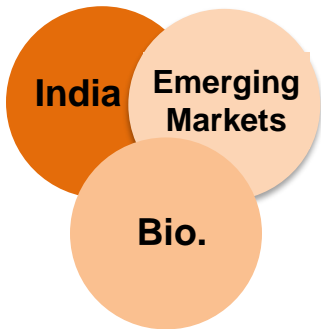
Drivers for future growth

Beyond the core API-GG integration, there is significant ongoing collaboration across business units

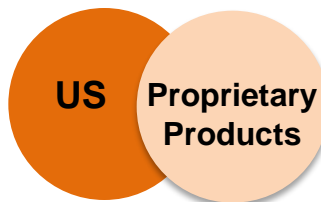
Market/ Commercial collaborations



- Complex generics leverage to Russia, CIS, Venezuela
- Drive market expansion to Latin America
- Expand potential in China

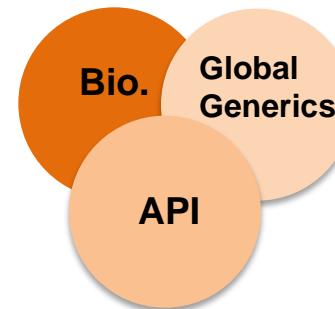


- Leverage India BD deals to Emerging markets



- Overlap between Complex generics and Proprietary Products Assets

R&D collaborations



- Characterization of complex molecules
- Purification technologies



- Differentiated products for India & EM

Be *First to market* with tough-to-make products and Differentiated formulations



- IP- and technology-driven active ingredients (API business)



- Complex generics and biologics (Pure generics and Biologics)



- Differentiated formulations and novel products for unmet needs (Branded generics and Proprietary products)

Key R&D shifts for product differentiation

Clear technology choices



Strengthening Manufacturing



Globalizing R&D



External R&D relationships



Product differentiation

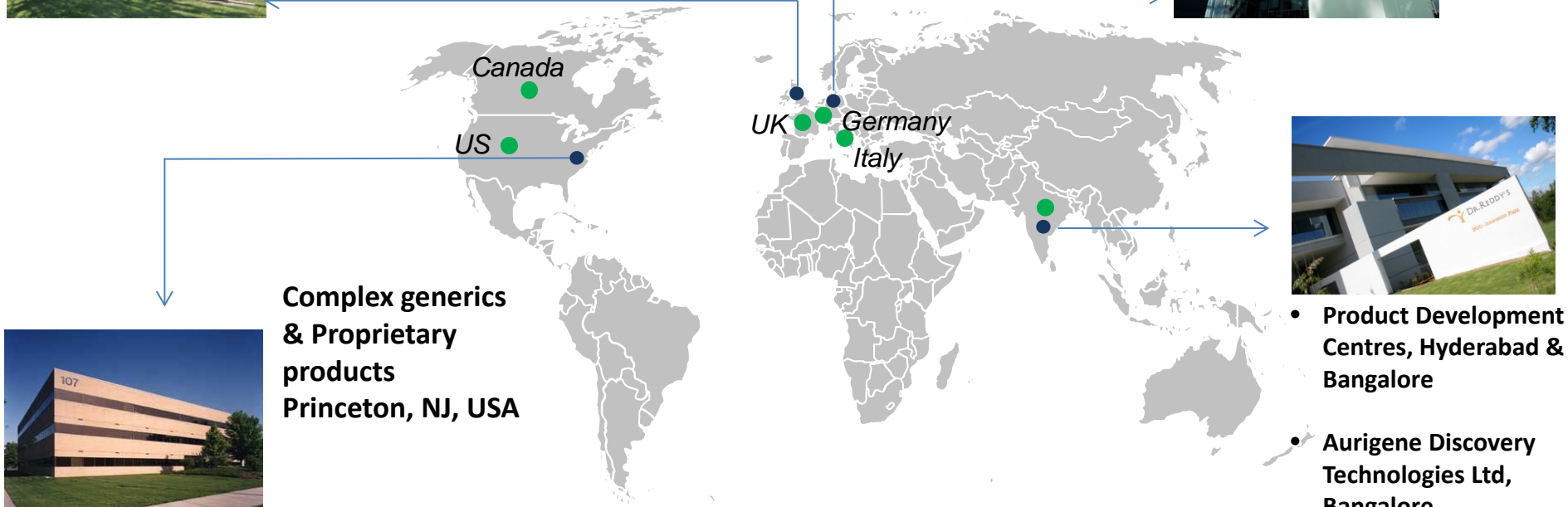
We globalized R&D to get access to right talent to solve complex scientific challenges



**Complex Chemistry Centre of Excellence
Cambridge, UK**



**Complex Injectable
Centre of Excellence
Leiden, Netherlands**



● External partners

We are well positioned to participate in the Biosimilar opportunity...

Successfully commercialized products in Emerging Markets

~35% CAGR growth in Biologics revenues from India & other Emerging Markets over the past 4 years (\$94 Mn. Sales)

First biosimilar* filgrastim
(G-CSF) in India

2001



Filgrastim

First approved biosimilar*
monoclonal antibody

2007



Rituximab

First biosimilar*
darbepoetin alfa

2010



Darbepoetin alfa

Break-through in affordable
pegfilgrastims

2011



Pegfilgrastim

*Similar biologic approved under abbreviated processes preceding the establishment of formal biosimilar regulatory guidelines

Exciting future opportunity for us

Market opportunity of around \$20 Bn through a large number of biotech drugs (\$75-85 Bn.) coming off-patent by 2020.

Our current portfolio covers most of the top biologics coming off patent.

EMERGING MARKETS

- Growth arising from the need for access to expensive treatments
- In the near term (FY'17), almost all revenues are expected to come from Emerging Markets

DEVELOPED MARKETS

- Growth arising from payer pressure to reduce healthcare costs
- Two assets in clinical development with three others in pre-clinical development
- Revenues to scale significantly post FY'20

Our Key Capabilities

- Fully integrated development team skilled in end-to-end development of biosimilars
- Advanced cGMP manufacturing capabilities across drug substance manufacturing and fill-finish
- Expertise in understanding and interpreting evolving biosimilar guidelines and regulations

Key Capabilities harnessed from our partner, Merck Serono

- Significant expertise and capacity in biologics manufacturing and experience with large clinical development programs
- Strong presence in EU and large emerging markets with long standing experience and relations with specialty physicians

Building targeted Dermatology and Neurology franchises powered by lower risk innovation model

Potential sales of \$100-300MM per opportunity if target label is achieved, with first filings in FY18

Key business choices & approach

- Target only specific segments of patients, with specific conditions within **Dermatology and Neurology**
- Pursue an **innovative R&D approach with lower risk**
- Develop and bring these **products all the way to the patient** – not through a licensing partner
- Complement products with **patient-oriented solutions that can further improve outcomes** for these conditions

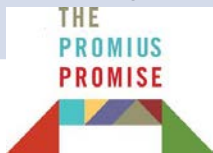
Key milestones

- | | |
|---|-------------------------|
| • Commercial footprint for Dermatology | In place already |
| - \$ 40 mn in sales | |
| - 54 sales reps | |
| - Portfolio of steroid responsive dermatoses and Acne | |
| • First set of NDA filings | 2015/16 |
| • 1-2 NDA filings per year | 2016/17 onwards |

Services aimed at improving patient outcomes or customer needs



- Provide innovative services around our products (Proprietary Products)



- Enable doctors & pharmacists to create better outcomes (Branded generics)



- Value added service offerings. (API and pure generics businesses)

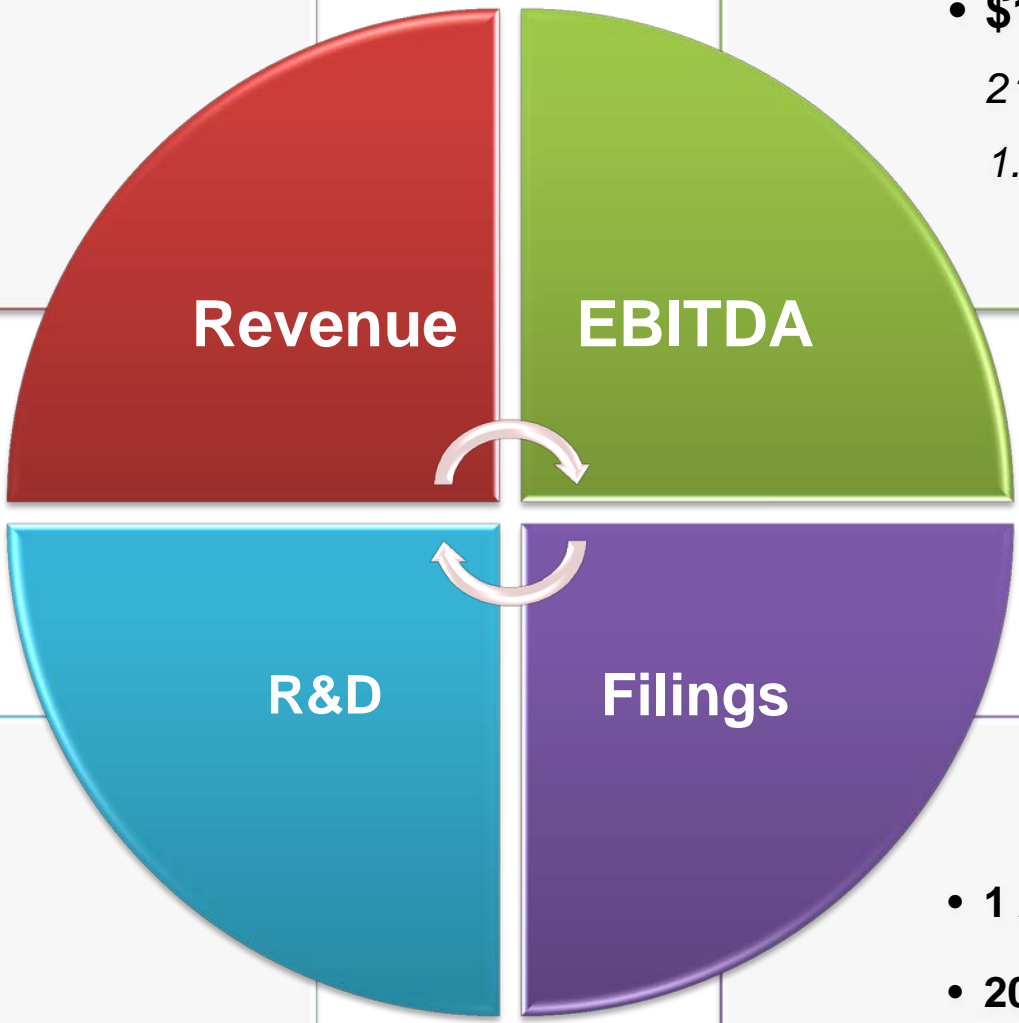
In summary...

- During the last decade, our **top line grew at 18% CAGR with a healthy profitability**, on the back of strong performance from US generics and branded formulations in Emerging markets.
- We are **excited about profitable growth opportunities in the future**. We are well placed to harness these opportunities, on the back of our **aggressive short-medium term investments in R&D and infrastructure**
 - Differentiated APIs for key customers early enough to create consistent first-to-market opportunities
 - Strong growth in pure generics through tough-to make products with significant ramp up in complex Injectables and Topicals
 - Growth in branded generics markets driven by differentiated products for addressing unmet patient needs, supported by services that enhance patient outcomes
 - Reliable and flexible supply chain, capable of meeting demand surges and ensuring on-the-shelf medicine availability always
 - Investment in biologics and proprietary products to power growth beyond FY20

Backup

Q4 FY15 Performance

- **\$ 621 Million**
11% YoY gr



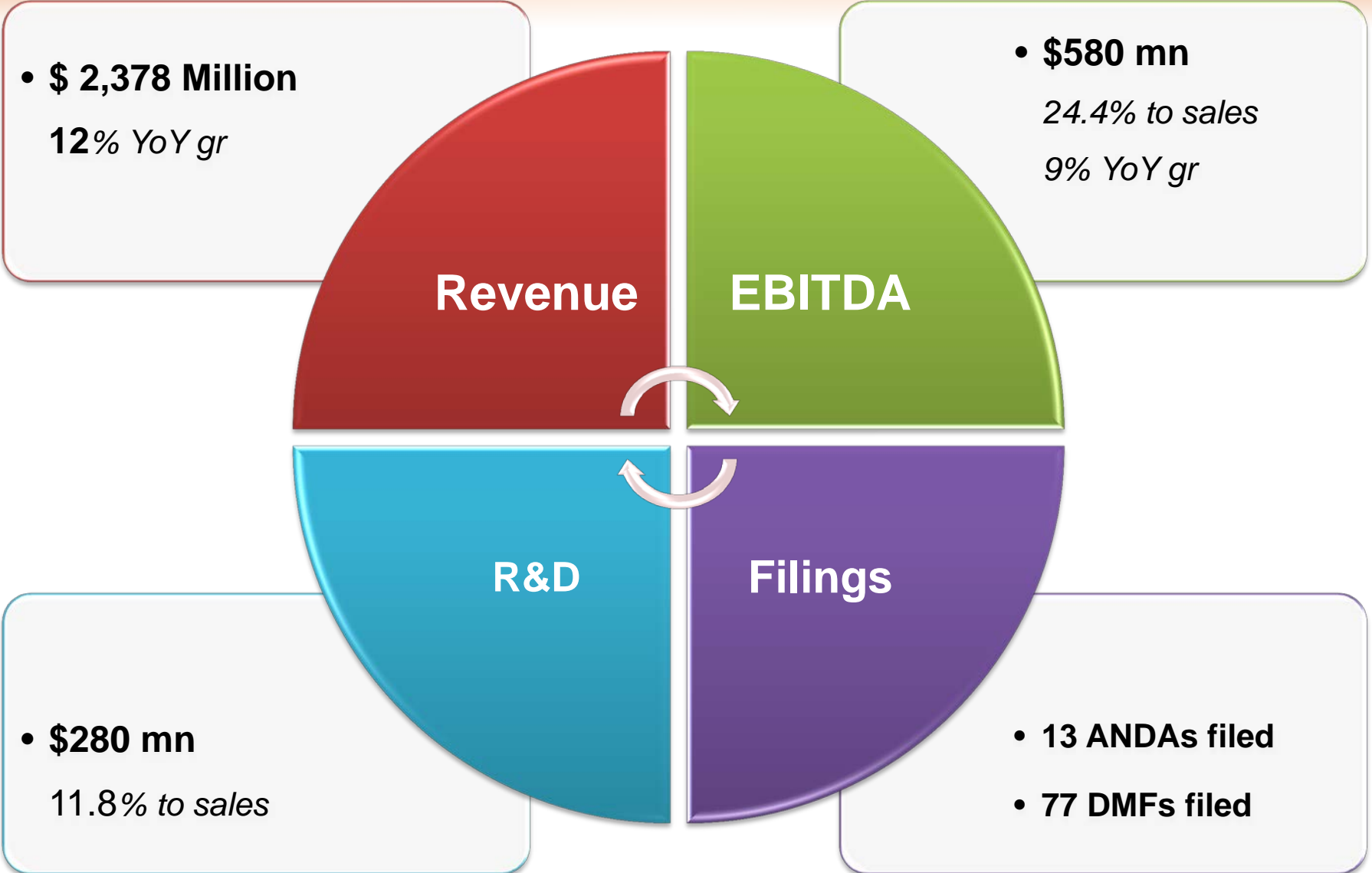
- **\$129 mn**
21% to sales
1.5% YoY gr

- **\$83 mn**
13.3% to sales

- **1 ANDAs filed**
- **20 DMFs filed**

All US dollar figures based on convenience translation rate of 1USD = Rs 62.31

FY15 Performance



All US dollar figures based on convenience translation rate of 1USD = Rs 62.31

Key Balance Sheet Items

	\$ mn	
	March'15	March'14
Cash & Cash Equivalents & current investments	636	538
Net Operating Working Capital	893	747
Property, plant & equipment	772	713
Goodwill & Intangibles	264	236
Loans & borrowings (current & non current)	692	718
Equity & Reserves	1,786	1,687

- Capital expenditure during FY15 → \$149 mn
- Current Cash flow hedge options of ~ \$440 mn [range of Rs 60 to Rs 64.5] and RUB 1760 Mn [Rs 1.16]

