Investor Presentation

2016

Dr. Reddy's Laboratories Limited
Hyderabad, India
NYSE: RDY | NSE: DRREDDY | BSE: 500124

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, 2015, and Form 6-K for the quarters ended June 30, 2015, September 30, 2015, December 31, 2015 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


Our Purpose
We accelerate access to affordable and innovative medicines
Because
Good Health Can’t Wait.

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Update on the ongoing US FDA matter

- Received warning letter covering three sites – two API sites at Srikakulam and Miryalaguda and one Formulation site at Duvvada, Vizag.
- Observations are largely categorized around
  - documentation practices and control,
  - laboratory testing procedures,
  - incident investigation practices as well as
  - standard operating procedures.
- First priority is remediation and detailed risk assessment to assure the quality standards of products in the marketplace.
- Simultaneously focus on critical upcoming launches and filings through systemic site transfer process.
- Comprehensive Corrective and Preventive Action (CAPA) plan submitted to USFDA on 7th December 2015
- Status update to the Warning Letter response submitted to USFDA on January 28, 2016

Continue to strengthen our quality management systems and processes and enhance the infrastructure for training and development of our staff on the current cGMP practices

Executive Summary

- During the last decade, our **top line grew at 18% CAGR with healthy profitability**, on the back of strong performance from US generics and branded formulations in Emerging markets.

- We are **cautiously optimistic 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 dependable on-the-shelf medicine availability.
  - Investment in biologics and proprietary products to power growth beyond FY20.

Company Overview

We have a vertically integrated business model with three 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

Fulfilling unmet medical needs

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

FY15 Revenue mix 1% of total

Key strengths and capabilities

Industry leading chemistry skills

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

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

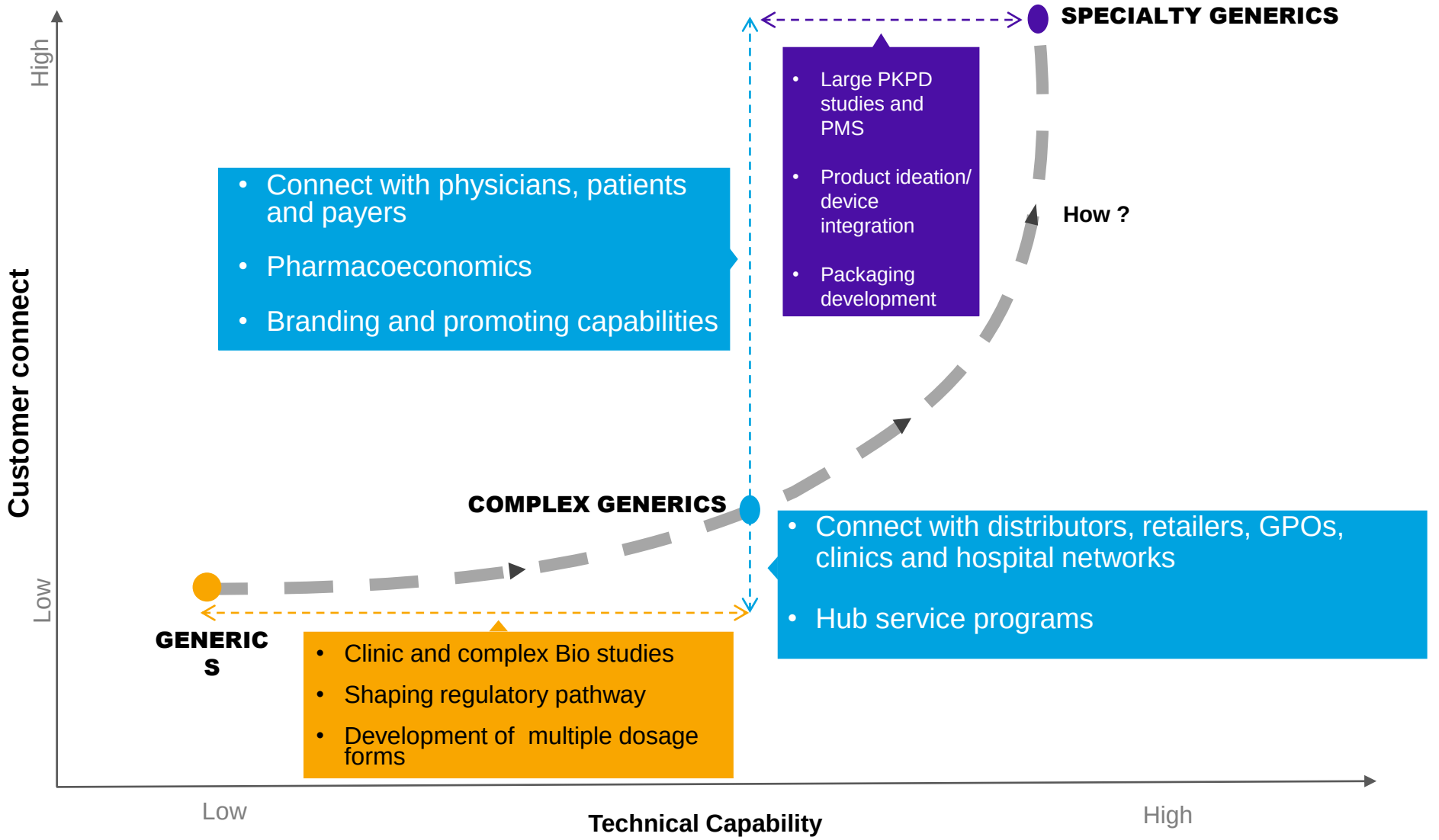
*Similar biologic approved under abbreviated processes preceding the establishment of formal biosimilar regulatory guidelines

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

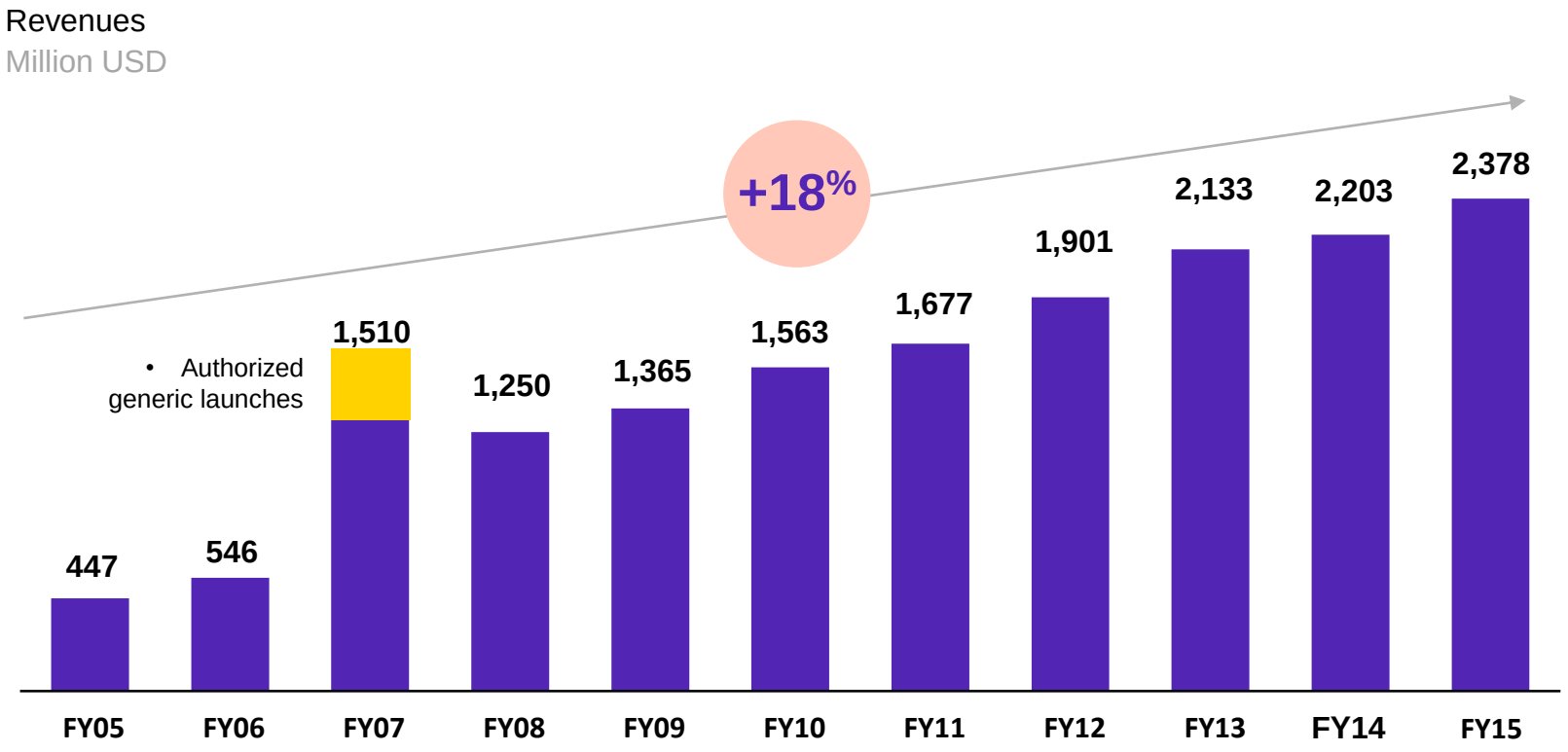
Collaboration across business units

Our Journey


SPECIALTY GENERICS
• Large PKPD studies and PMS
• Product ideation/ device integration
• Packaging development
How ?
• Connect with physicians, patients and payers
• Pharmacoeconomics
• Branding and promoting capabilities
COMPLEX GENERICS
• Connect with distributors, retailers, GPOs, clinics and hospital networks
• Hub service programs
GENERICS
• Clinic and complex Bio studies
• Shaping regulatory pathway
• Development of multiple dosage forms
High
Low
Customer connect
Low
High
Technical Capability

Strong performance over the past decade

Strong revenue growth over the last decade

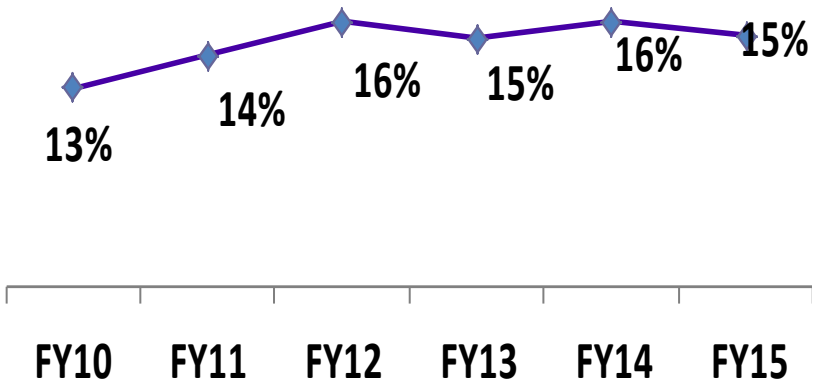


All figures converted at respective periods' convenience translation rates (as reported in our Form 20-F)

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

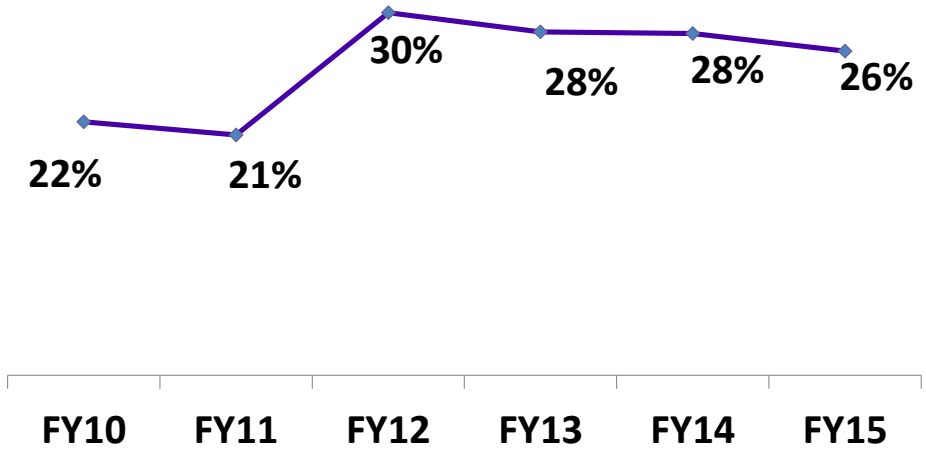
Percent

PAT % to sales



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

RoCE %



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 in **Venezuela** market.

Improvement in **global generics** margins.

High-quality pending **ANDA** pipeline. Increasing share of complex molecules.

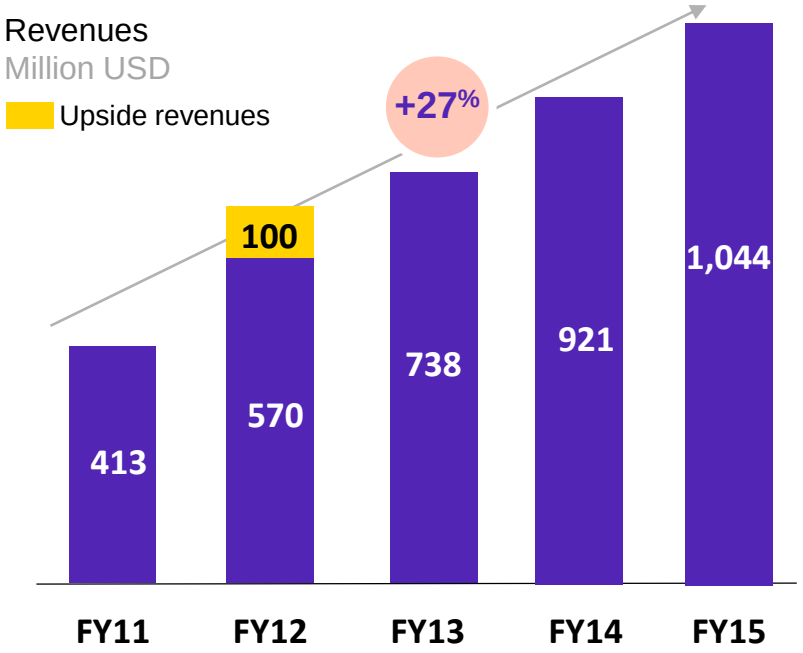
Our new businesses of **Proprietary products** & **Biologics** are stepping closer to their desired milestones. PP filed 3 NDAs with the US FDA. Biologics phase-1 trials of Peg-filgrastim & Rituximab on track.

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



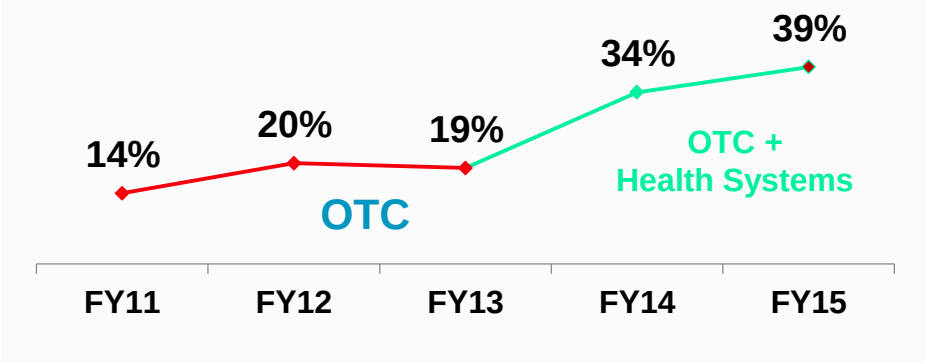
- Dr. Reddy's: Now ranked# 9th among the leading US generics companies
- Leading private label- OTC player; strong No. 2 after Perrigo

Market shares of limited competition products have been stable

Product	Sep'15	Nov'15
Decitabine	68%	69%
Azacitidine	50%	51%
Fondaparinux	51%	51%
Zoledronic Acid (Reclast)	50%	47%
Valgancyclovir	39%	45%

Source: IMS generic volume market share

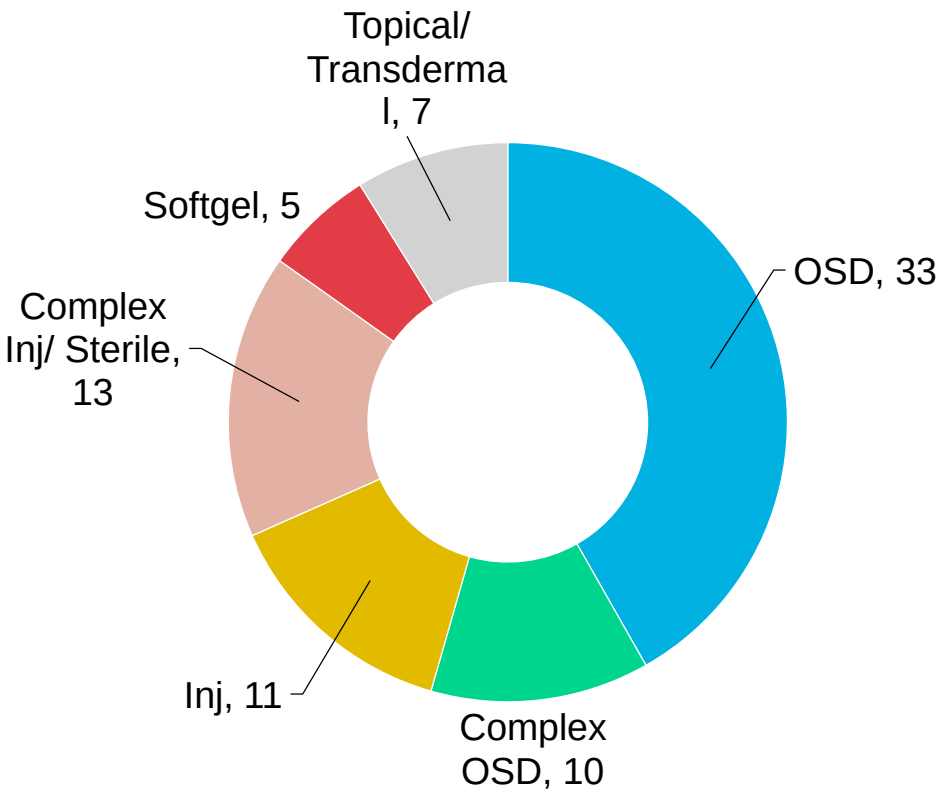
Increasing mix of non-retail channels of OTC & Health systems



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

79 pending ANDAs & **3** pending NDAs (505b2s) of **~$45 billion** of innovator brand sales value

- incl. **52 para-IV** and **18 first to file** products

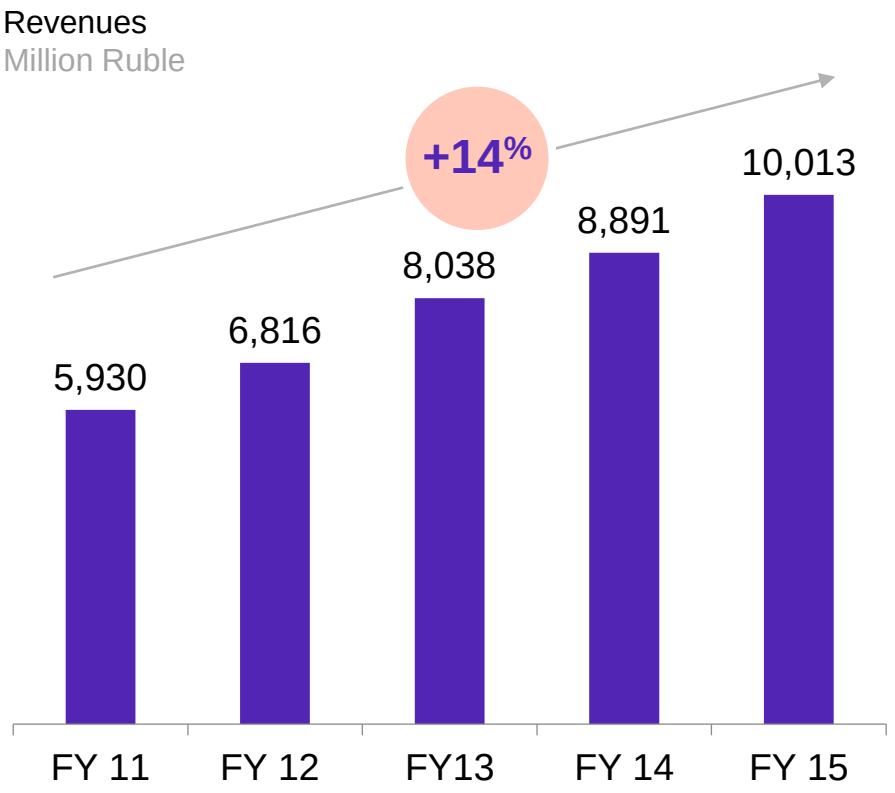
Portfolio of products based on –

- 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

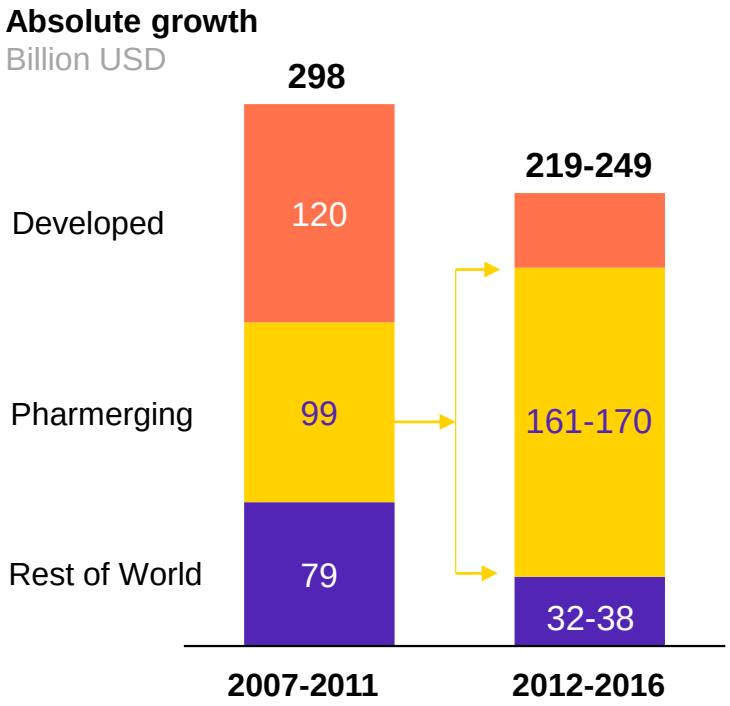
Revenues grew at 14% CAGR



- 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

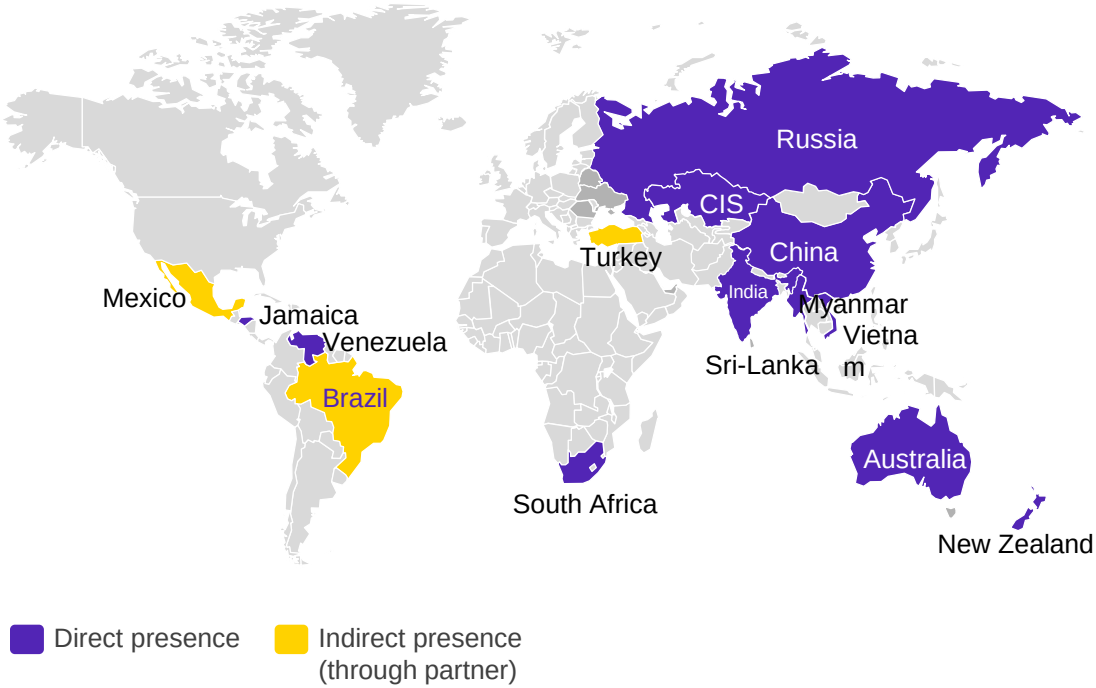
Further, we are well positioned to increase access in the growing emerging markets

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



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

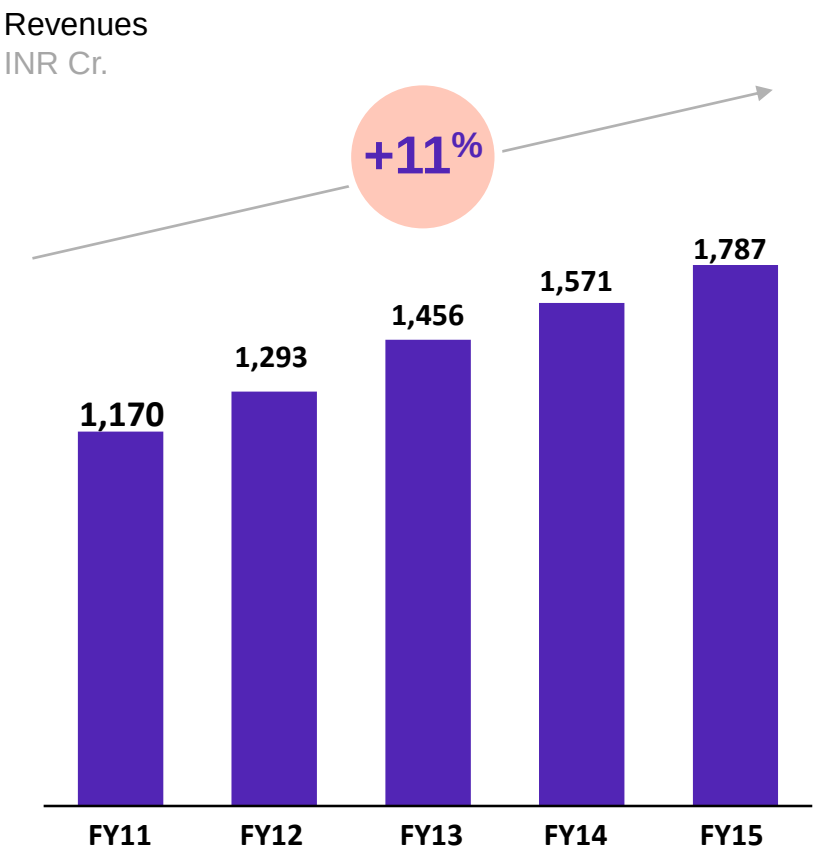
We enjoyed 28% revenue growth during 2008-13 in our emerging markets



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

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

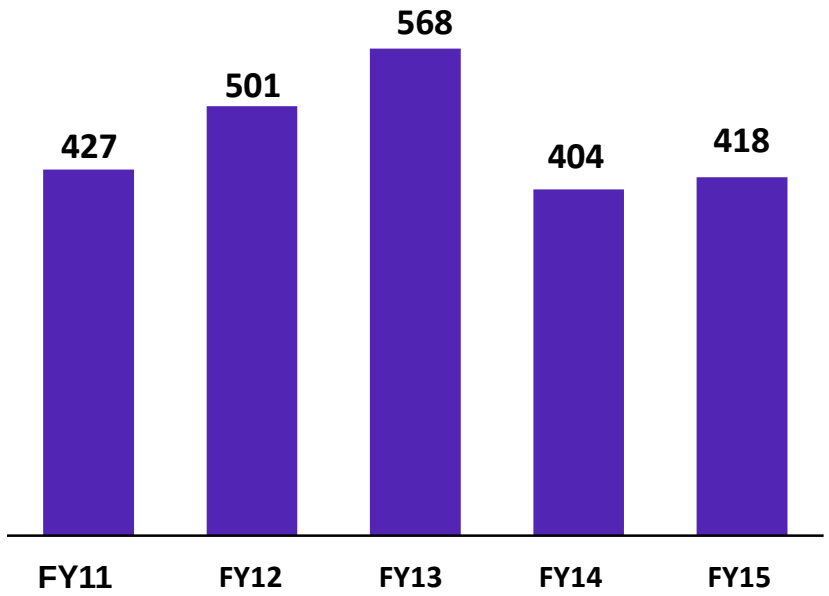
While improving business health



- Successful integration of the brands acquired from UCB
- Ex-UCB growth is satisfactory
- Improvement 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

Revenues
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

Optimistic future

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

Purpose

- We accelerate access to affordable medicines

Because

Good Health Can't Wait.

Our promises

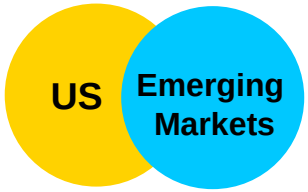
- Bringing expensive medicine within reach
- Addressing unmet patient needs
- Helping patients manage disease better
- Enabling and helping our partners ensure that our medicines are available where needed

Our strategic choices

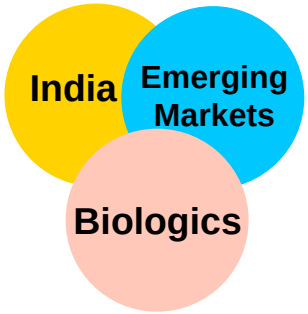
- First-to-market, tough-to-make products
- Differentiated formulations for unmet medical needs
- Value-added services for patients and customers
- Reliable & flexible supply chain

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

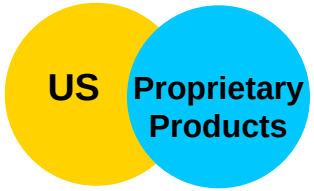
Market/ commercial collaborations



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

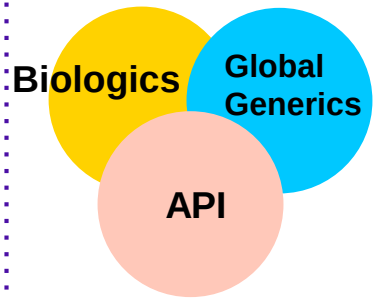


- Leverage India BD deals to Emerging markets

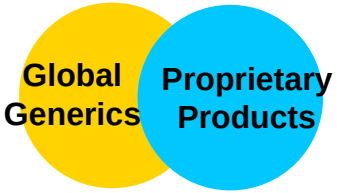


- Overlap between Complex generics and Proprietary Products Assets

R&D collaborations



- Characterization of complex molecules
- Purification technologies



- Differentiated products for India & EM

Product differentiation

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

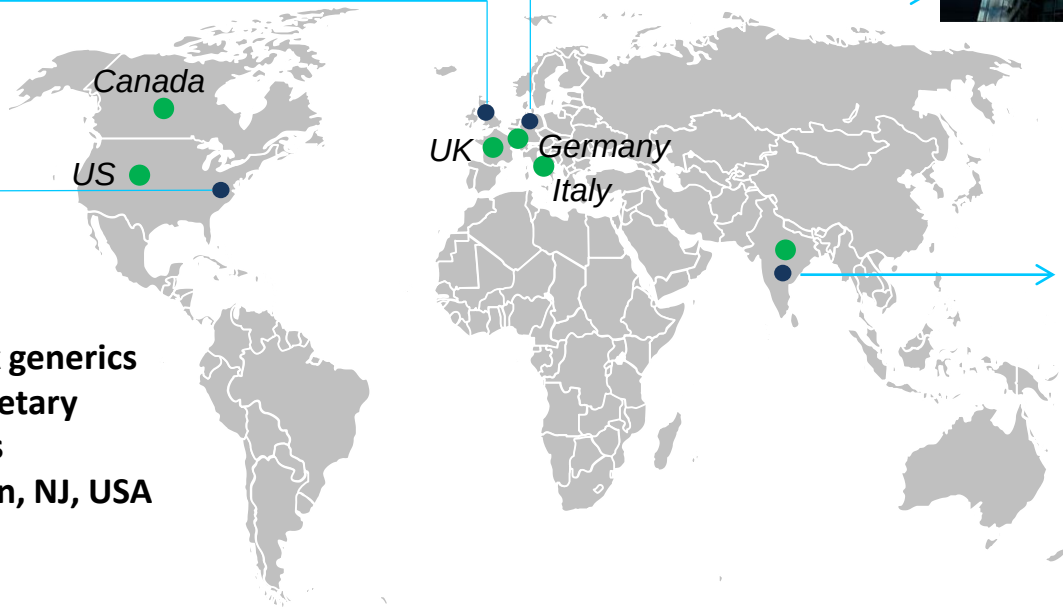
Globalizing R&D

External R&D relationships

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



Complex generics & Proprietary products
Princeton, NJ, USA

- **Product Development Centres, Hyderabad & Bangalore**
- **Aurigene Discovery Technologies Ltd, Bangalore**

● External partners

We are well positioned to participate in the Biosimilar opportunity…

Successfully commercialized products in Emerging Markets

~30% CAGR growth in Biologics revenues from India & other Emerging Markets over the past 5 years ($125 Mn. Sales)

First biosimilar* filgrastim (G-CSF) in India	First approved biosimilar* monoclonal antibody	First biosimilar* darbepoetin alfa	Break-through in affordable pegfilgratsims
2001	*2007*	*2010*	*2011*
			
Filgrastim	**Rituximab**	**Darbepoetin alfa**	**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, 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

… with our strengths well complemented by Merck Serono's

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

Key business choices & approach

- Target only specific segments of patients, with specific conditions within **Dermatalogy 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)

Back up

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About Dr. Reddy's: Dr. Reddy's Laboratories Ltd. (NYSE: RDY) is an integrated pharmaceutical company, committed to providing affordable and innovative medicines for healthier lives. Through its three businesses - Pharmaceutical Services & Active Ingredients, Global Generics and Proprietary Products – Dr. Reddy's offers a portfolio of products and services including APIs, custom pharmaceutical services, generics, biosimilars and differentiated formulations. Our major therapeutic areas of focus are gastro-intestinal, cardiovascular, diabetology, oncology, pain management and anti-infectives. Dr. Reddy's operates in markets across the globe. Our major markets include – USA, Russia & CIS, Venezuela and India. For more information, log on to: www.drreddys.com