



### **Investor Presentation**

September 2016

Dr. Reddy's Laboratories Limited

Hyderabad, India

BSE: 500124 | NSE: DRREDDY | NYSE: RDY

### 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, 2016, and Form 6-K for the quarters ended September 30, 2015, December 31, 2015 and June 30, 2016, 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



### **Contents**

- Update on US FDA matter
- Executive Summary
- Company Overview
- Sustainable performance over the past 5 years
- Optimistic future
- FY17 Priorities

### **Update on ongoing US FDA matters**

Nov Jan Mar Dec May Aug 2015 2015 2016 2016 2016 2016 Second status Third status **Warning Letter** Response First status Final status For Three Sites Submitted update update update update **Status Activity Document Control** Of the Electronic data reliability **Warning Letter** Infrastructure upgrades (QC) Commitments, 94% will be QC systems corrections Completed completed by Sterility assurance June. Manufacturing procedures Investigation rigor Observation categories included: documentation

Observation categories included: documentation practices and control, laboratory testing procedures, incident investigation practices, and standard operating procedures.

Independent product quality assessments performed by Lachman Consulting Services.

No questions or comments by FDA to date

### **Executive Summary**

### **Top Line Growth with Healthy Profitability**

- Differentiated APIs for key customers and internal commercialization
- Growth in unbranded markets via complex & limited competition assets
- Growth in branded markets via differentiated products and services
- Investment and approvals in biologics (EMs) and Proprietary Products (US) to drive mid to long-term growth

Well-positioned
for sustained profitable
growth given our proven
capability in complex
generics with strategic
investments in R&D
for Proprietary Products
and Biologics

### Recent Highlights:

### Proprietary Products

### Our first set of NDAs Zembrace & Sernivo launched in the US





Closed three deals to In-license assets Xeglyze, XP23829 E 7777







### Recent Highlights:

**North America Generics** 

Entered definitive agreement with Teva / Allergan

- Acquired eight ANDAs (One approved and seven under review with FDA)
- Majority of the molecules being acquired are complex products and/or expected to have limited competition
- Across multiple dosage forms i.e. sublingual film,
   Vaginal ring, inhalation respule, topical cream and oral solids
- combined sale of the branded versions of the products in the U.S. is approximately \$3.5 billion MAT April 2016 (IMS)
- Expect to launch half of them in fiscal 2018

Acquisition
of 6 OTC
brands with
strong brand
equity









NUPERCAINAL



# **Recent Highlights:**

**Emerging Markets** 





### **Integrated business model**

Pharmaceutical Services & Active Ingredients



**Partner of Choice** 

FY16 Revenue mix 14%

**Global Generics** 



Access to affordable medicines

FY16 Revenue mix 83%

**Proprietary Products** 



Fulfilling unmet and under-met needs

FY16 Revenue mix 3%

### **Key strengths and capabilities**

### Collaboration across business units

Industry
leading
product
development
skills

 Several niche product opportunities (decitabine, azacitidine, fondaparinux) first to market in USA Deep market presence

- Branded generic markets -India, Russia), CIS countries
- Generic markets USA, UK and Germany

Early mover advantage in Biosimilars

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

Vertically integrated organization with modern infrastructure

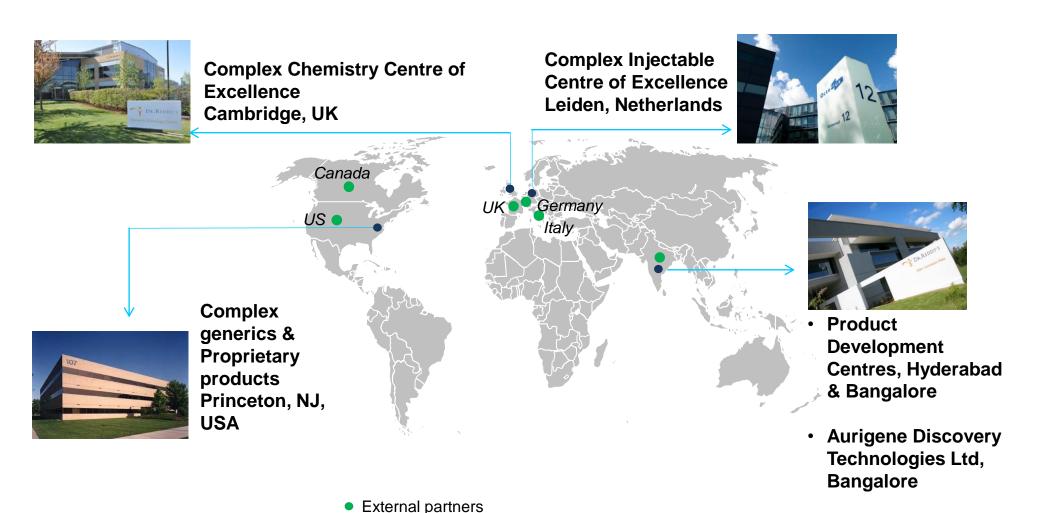
- R&D centers in India, UK, Netherlands and US
- 13 USFDA inspected formulation & API manufacturing facilities

# Formulation manufacturing infrastructure and capabilities

DOSAGE FORM	CAPABILITIES	DETAILS
Oral Solids (22 bn pills annual)	Tablets, Capsules, Pellets, bi-layers, Modified / Extended release, ODTs	<ul> <li>10 Facilities out of which</li> <li>4 USFDA approved of which 2 are located in USA</li> <li>3 MHRA approved</li> <li>1 state of art facility is ready for USFDA approval</li> </ul>
Injectable (110 mn units annual)	Vial / PFS including complex products	<ul> <li>3 Facilities out of which</li> <li>1 oncology facility, USFDA/MHRA/ANVISA approved</li> <li>1 State of the art facility commissioned</li> <li>1 facility approved by ANVISA/Romania focused on emerging markets</li> </ul>
Ointments (10mn units annual)	Tubes/creams/ Gel	<ul> <li>2 Facilities out of which</li> <li>1 facility for emerging and domestic market and</li> <li>1 facility for US market coming on-stream</li> </ul>

Multiple strategic alliances for manufacturing variety of dosage forms

# Globalized R&D to access the right talent to solve complex scientific challenges



# Sustainable performance over five years

# Sustainable revenue growth over last 5 years

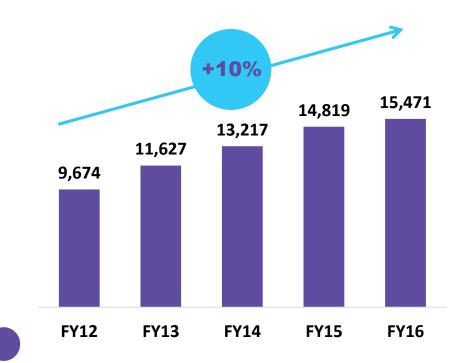
Well placed to harness profitable growth opportunities in the future

#### Sustained focus on -

- Portfolio management
- Operations excellence
- Science & Technology capabilities
- Superior Commercial choices across markets

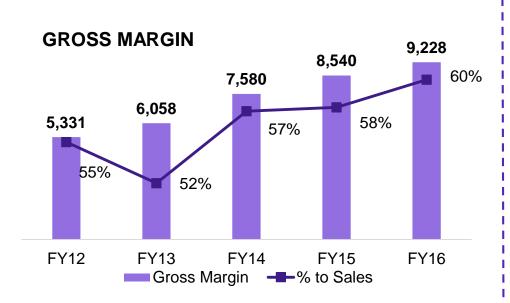
**Poised for growth** in emerging businesses of Proprietary Products, Biologics and Aurigene

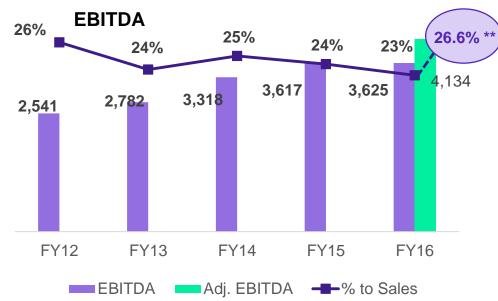
### **REVENUES (Rs Cr)**

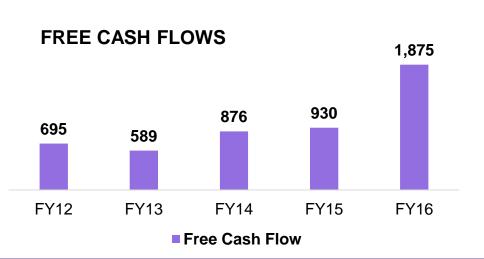


FY16 global revenues of \$2.4Bn

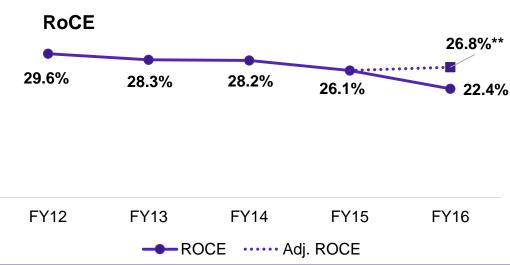
Steady improvement in capital efficiency & productivity over the last five years







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### Our North America Generics base business grew at 15% CAGR (FY16 Gr:12%)

### STRATEGIC FOCUS

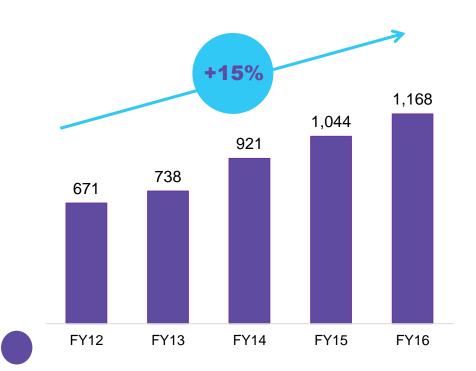
### **Investments in capacity and facilities**

- Build capabilities for complex dosage forms
- Augment capacities for Oral Solids and Injectables

### **Deepening go-to-market model**

- Demand generation for non-substitutable products in clinics & hospitals
- Moving towards branded OTC franchise

### **REVENUES (US \$ Mn)**



Now ranked #11th among the US generics companies

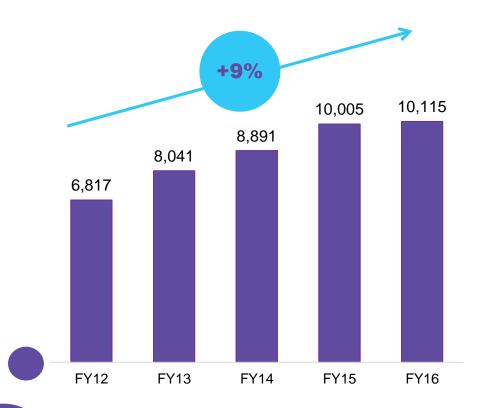
Leading private label OTC player; strong #2 after Perrigo

# Russia business sustaining uncertain macro economic conditions

### **STRATEGIC FOCUS**

- Focus on portfolio augmentation and productivity improvement
- Continue to Scale-up the OTC business
- Establish Biosimilar business with launch of Reditux

### **REVENUES (Rouble mn)**



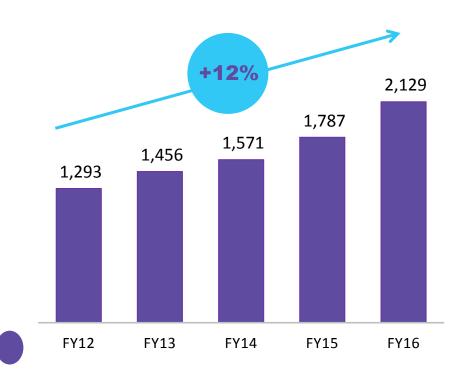
- Established strong presence in Pain Management, G.I. & Anti-Infectives therapies
- Top 5 brands rank #1 in their respective segments & 10 brands in the top 3

# Our India business grew at 12% CAGR (FY16 Gr:19%)

### STRATEGIC FOCUS

- Deep focus on Chronic and Super-specialty therapies
- Strategic business development and M&A efforts
- Differentiated assets in relevant therapies

### **REVENUES (Rs Cr)**



Successful integration of the brands acquired from UCB

Improvement on the back of -

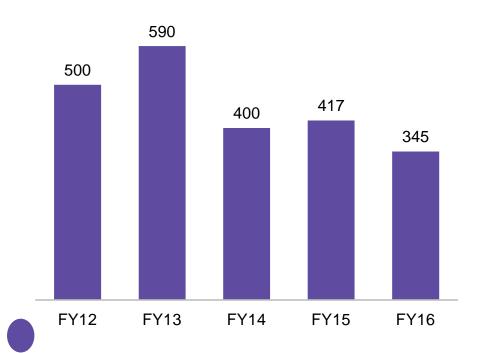
- Focused sales & marketing efforts on mega brands
- Improving new launch productivity
- Scale-up in institutions sales

# Despite modest performance, PSAI continues to be strategic differentiator

### STRATEGIC FOCUS

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

### **REVENUES (US \$ mn)**



Partnerships with top Generics players:

~30% of sales from global top 5

>50% of Global Generics segment's sales from vertically integrated APIs



# Our purpose guides 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

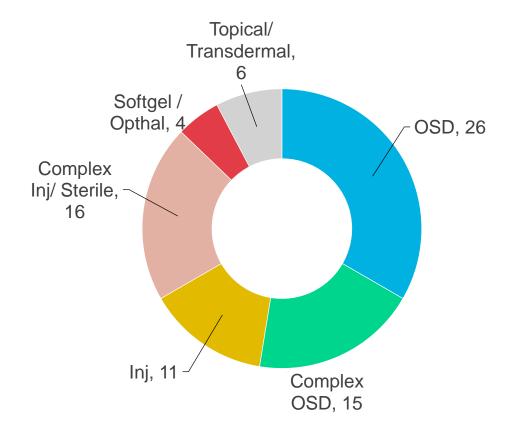
### Our strategic choices

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

### Healthy pipeline of high entry barrier products

Bringing expensive medicine within reach

### Number of pending Gx filings by dosage form



### Market shares of limited competition products have been stable

**76** pending ANDAs & **2** pending NDAs (505b2s) of **~\$45** billion of innovator brand sales value

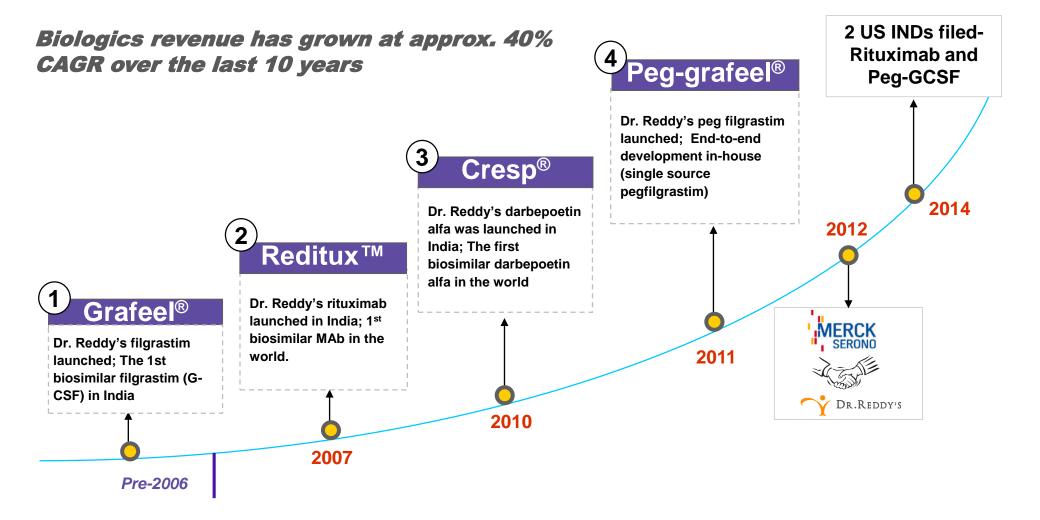
incl. 50 para-IV and 18 first to file products

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

# **Biologics: Maximizing value of current assets in near** to mid-term while pursuing global development



## Biologics: Creating substantial value in long term from new portfolio choices while driving R&D productivity

### **Product Portfolio**

- 6 existing products; > 50 filings across 14 major countries
- 5 new products in clinical development
- 5 new products in early development

### FY20 Business Profile

- Emerging Markets Revenue: \$150Mn \$ 200Mn
- Developed Markets Profits/Royalties expected to Kick-in
- EBITDA margin post R&D: > 25 %

## FY25 Business Profile

- Emerging Markets Revenue: \$300Mn \$400Mn
- Developed Markets Profits: ~ \$150 200Mn
- EBITDA margin post R&D: > 35 %

### Proprietary Products: Building \$500 million business by FY22 business through lower-risk innovation model

Reverse
Translation-based
Product
Development
Engine

Promius Pharma: A unique, unmet-need driven Specialty Dermatology and Neurology company

Commercialization
Model focused on
solving patient
challenges [focusing
directly on both
physician and
patient]

## Services aimed at improving patient outcomes or customer needs



 Provide innovative services around our products

PROPRIETARY PRODUCTS



 Enable doctors and pharmacists to create better outcomes

**BRANDED GENERICS** 



Value-added service offerings

API AND GENERICS

# **FY17 Priorities**

### **FY17 Priorities**



- Track progress on Strategic growth plan
- Accelerate Biologics and Proprietary Products commercialization to get to scale
- Improve R&D productivity and hit rate of filings



- Continue to build on Supply chain excellence initiatives
- Organization Simplicity and Design organization for success



- Strengthen quality management systems and processes
- Enhance the infrastructure for training & development of our staff on the current cGMP practices





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**About Dr. Reddy's:** Dr. Reddy's Laboratories Ltd. (BSE: 500124, NSE: DRREDDY, 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 gastrointestinal, cardiovascular, diabetology, pain management and dermatology. Dr. Reddy's operates in markets across the globe. Our major markets include – USA, India, Russia & CIS countries, and Europe. For more information, log on to: www.drreddys.com

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The company assumes no obligation to update any information contained herein.

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