



# Investor Presentation

November 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



## **Our Purpose**

We accelerate access  
to affordable and  
innovative medicines

Because

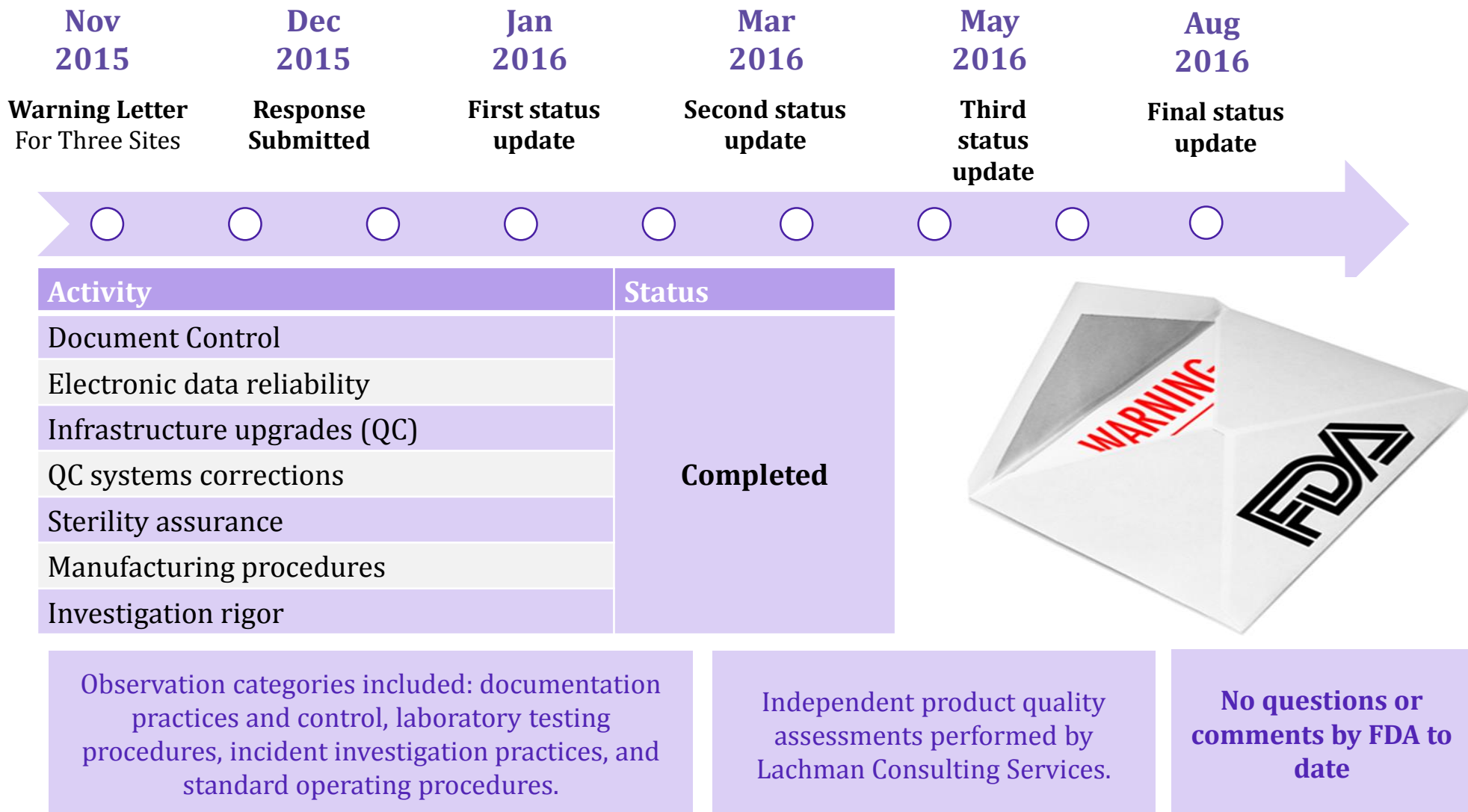
**Good Health  
Can't Wait.**

# Contents

---

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

# Update on ongoing US FDA matters



# Executive Summary

---

1

Differentiated APIs for key customers and internal commercialization

2

Growth in unbranded markets via complex & limited competition assets

3

Growth in branded markets via differentiated products and services

4

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 Complex Generics, Proprietary Products and Biologics



# **Company Overview**

# 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 and other countries
- Non-branded markets – USA , UK and Germany

### Early mover advantage in Biosimilars

- First to launch Biosimilar rituximab in 2007
- 4 Biosimilar products being marketed, 2 in clinical development and 3 entering toxicology phase

### 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
<b>Oral Solids</b> <b>(22 bn pills annual)</b>	Tablets, Capsules, Pellets, bi-layers, Modified / Extended release, ODTs	<b>10 Facilities out of which</b> <ul style="list-style-type: none"><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>
<b>Injectable</b> <b>(110 mn units annual)</b>	Vial / PFS including complex products	<b>3 Facilities out of which</b> <ul style="list-style-type: none"><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>
<b>Ointments</b> <b>(10mn units annual)</b>	Tubes/creams/ Gel	<b>2 Facilities out of which</b> <ul style="list-style-type: none"><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

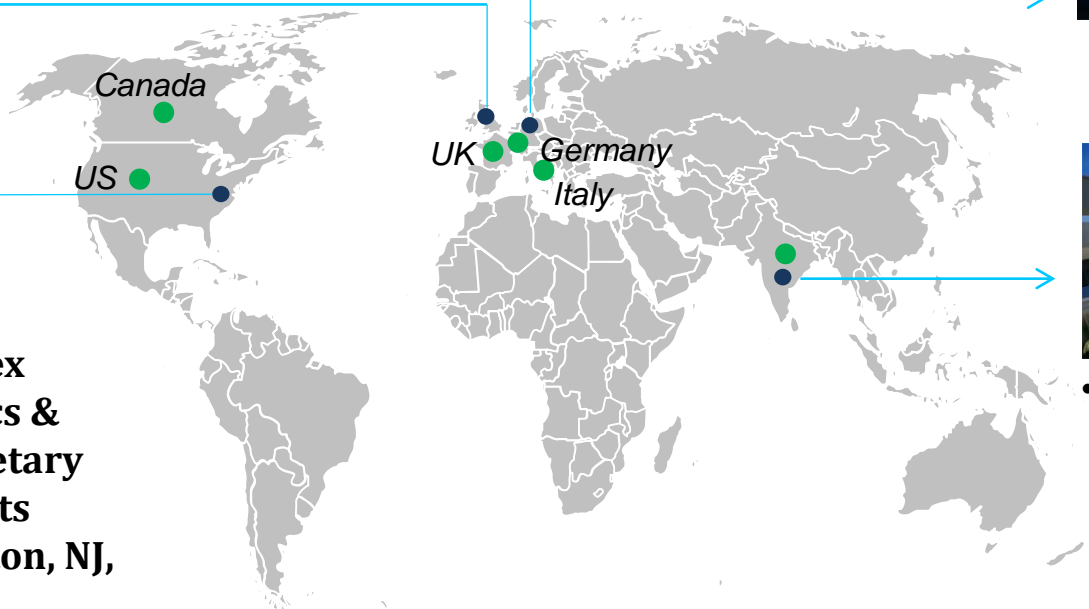


**Complex Chemistry Centre of Excellence  
Cambridge, UK**

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



**Complex generics & Proprietary products  
Princeton, NJ, USA**



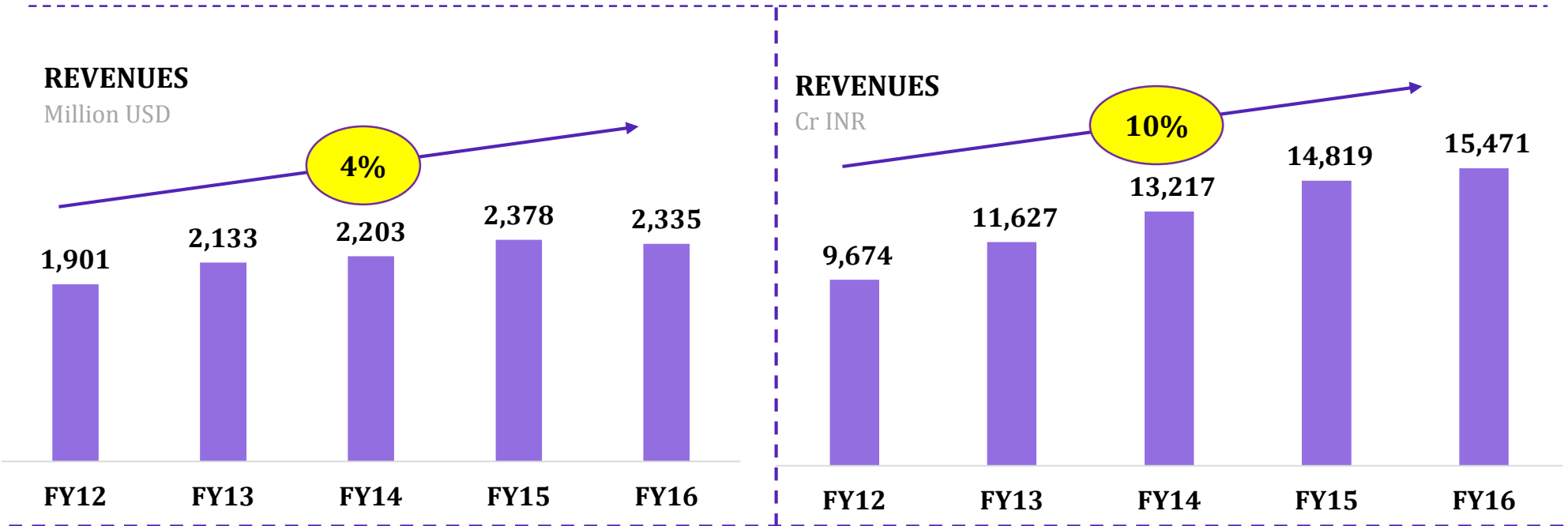
● External partners



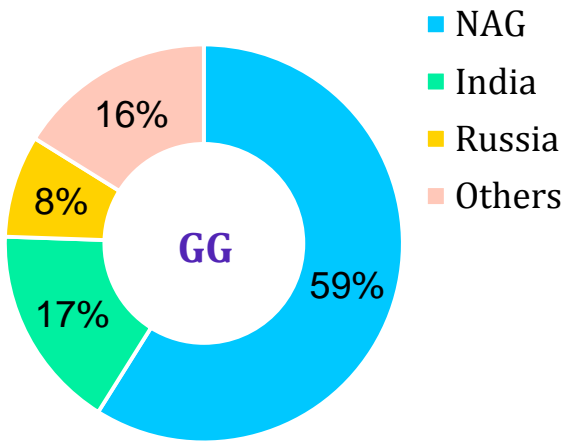
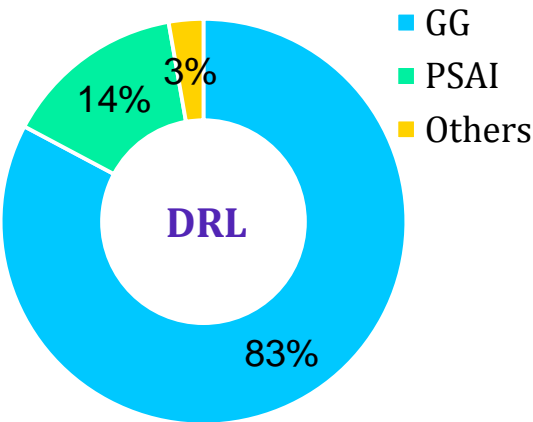
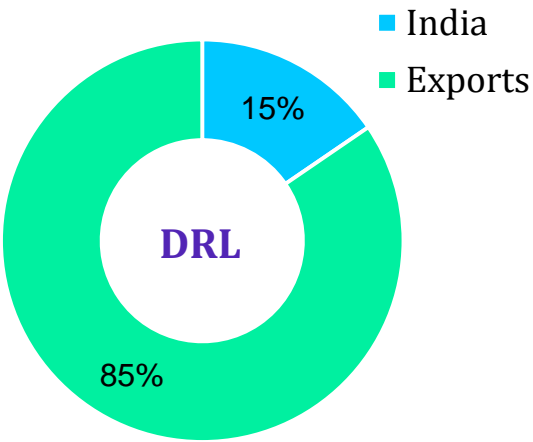
- **Product Development Centres, Hyderabad & Bangalore**
- **Aurigene Discovery Technologies Ltd, Bangalore**

**Sustainable  
performance  
over  
five years**

# Sustainable revenue growth over the last 5 Years



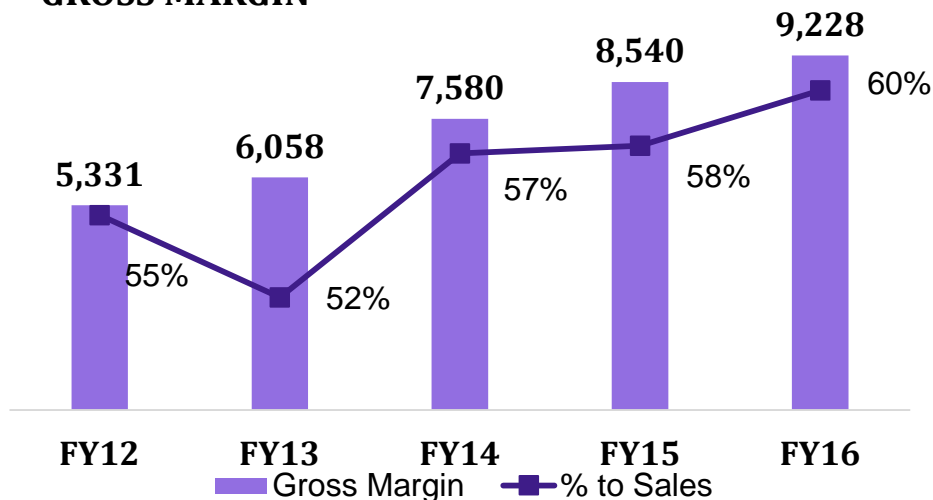
## FY 2016



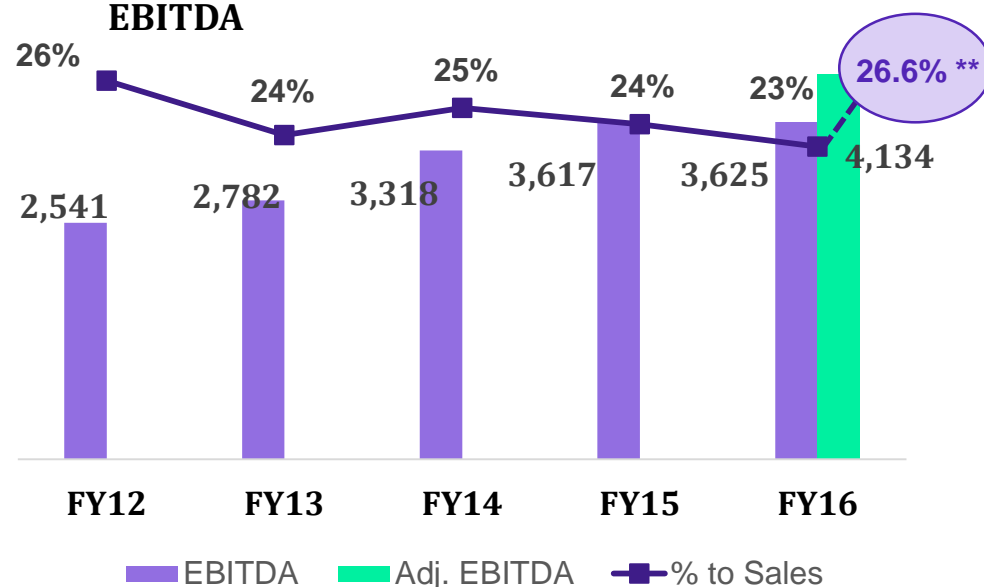
# Profitable growth trends

All values in Rs Cr.

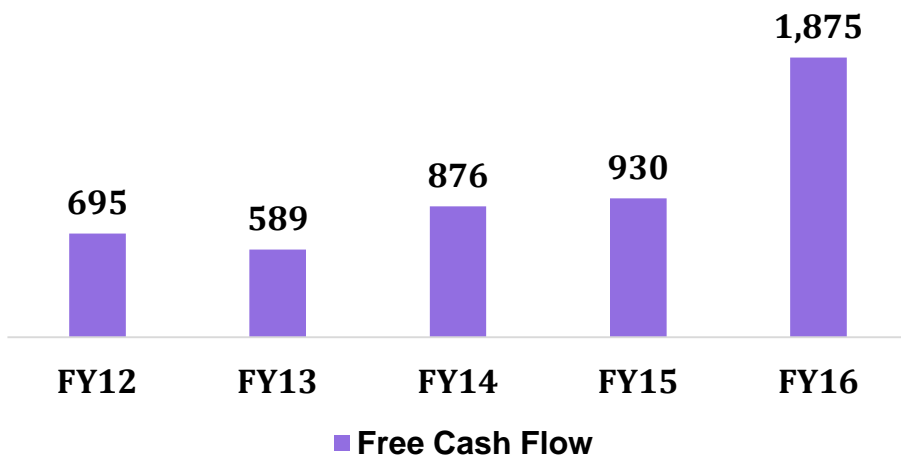
## GROSS MARGIN



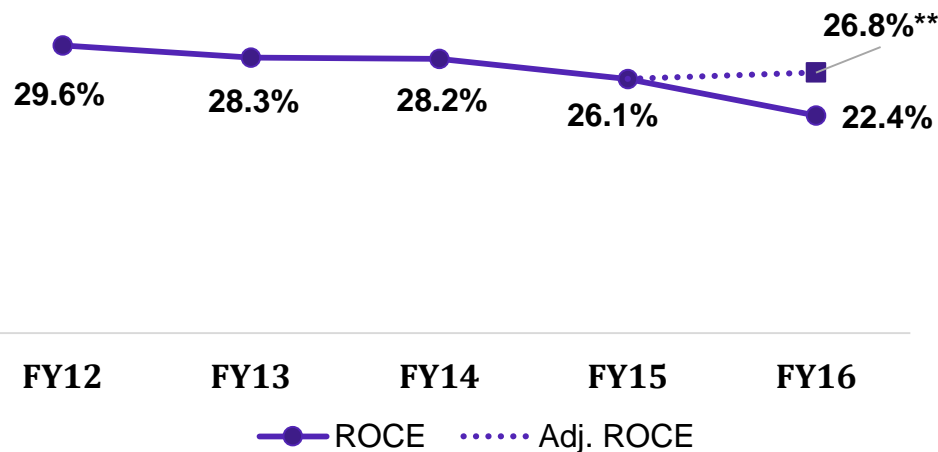
## EBITDA



## FREE CASH FLOWS



## RoCE



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

## STRATEGIC FOCUS

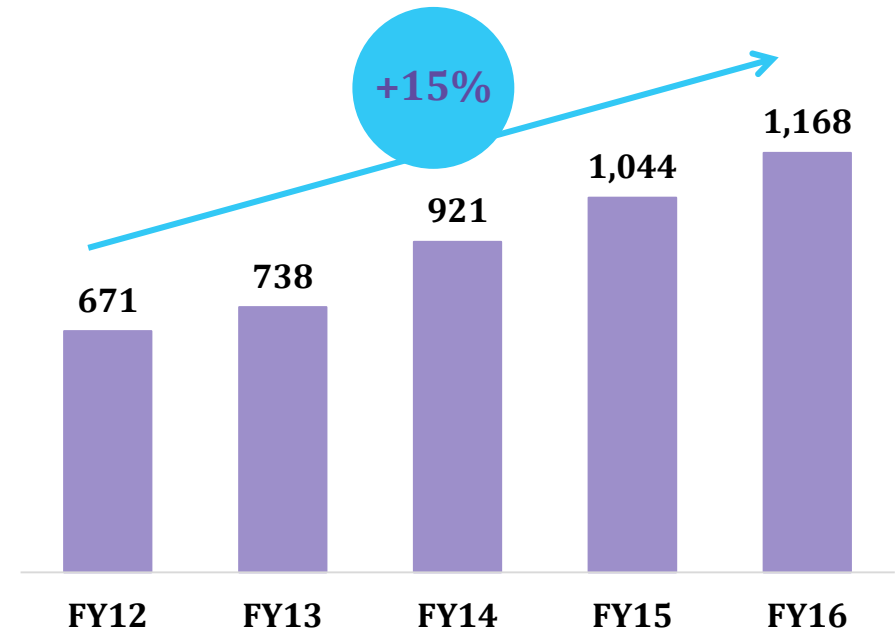
### Investments in capacity and facilities

- 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)



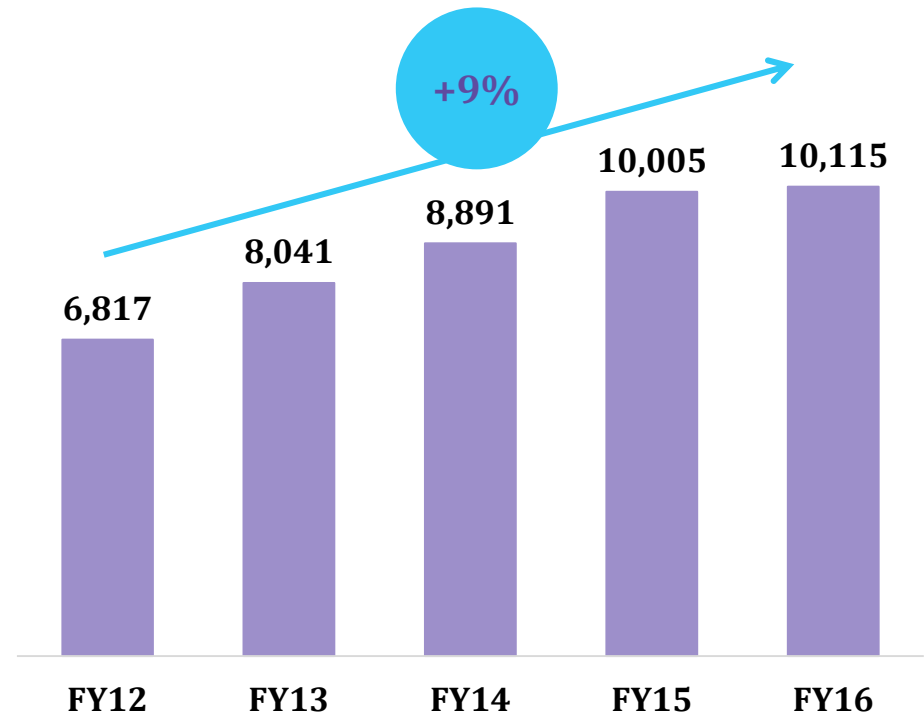
- Now ranked #11th among the US generics companies
- Leading private label OTC player; strong #2 after Perrigo

# Russia business sustaining uncertain macro economic conditions

## STRATEGIC FOCUS

- Portfolio augmentation and productivity improvement
- 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

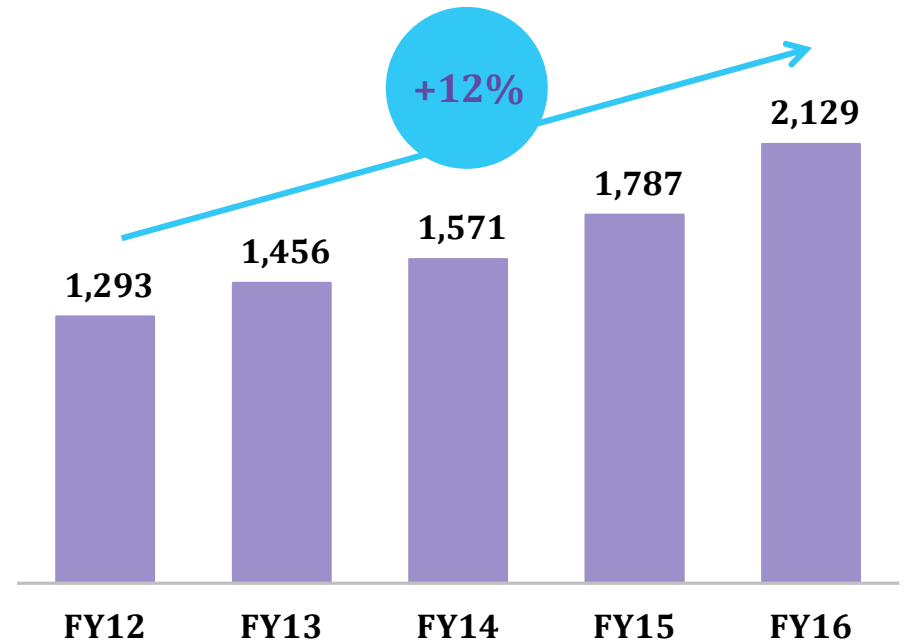


# Our India business grew at 12% CAGR (FY16 Gr:19%)

## STRATEGIC FOCUS

- Portfolio augmentation and productivity improvement
- Step up in Chronic and Super-specialty therapies
- Strategic business development and M&A efforts
- Differentiated assets in relevant therapies

## REVENUES (Rs Cr)



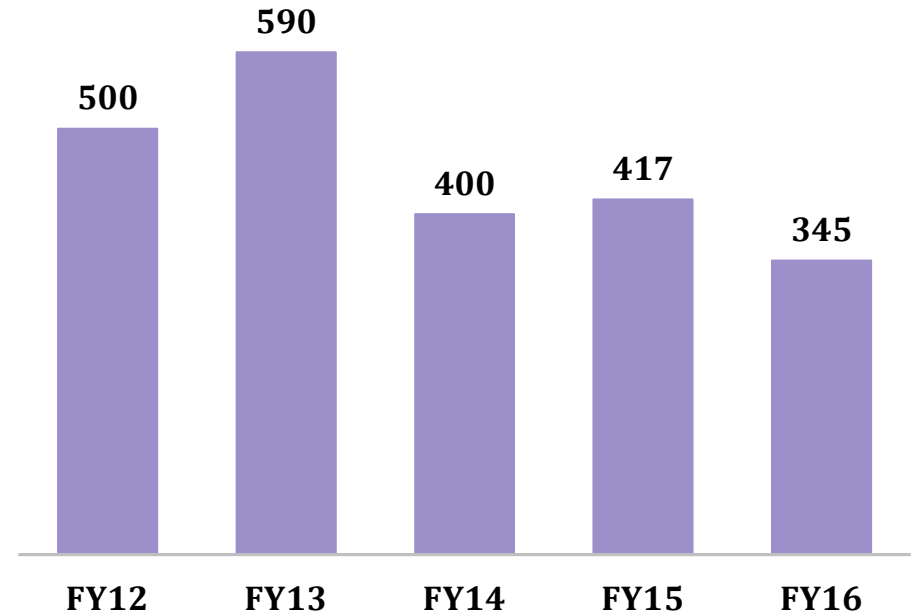
- Successful integration of the brands acquired from UCB
- Improvement on the back of -
  - Focused sales & marketing efforts on mega brands
  - Improving new launch productivity
  - Scale-up in institutions sales

# 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)

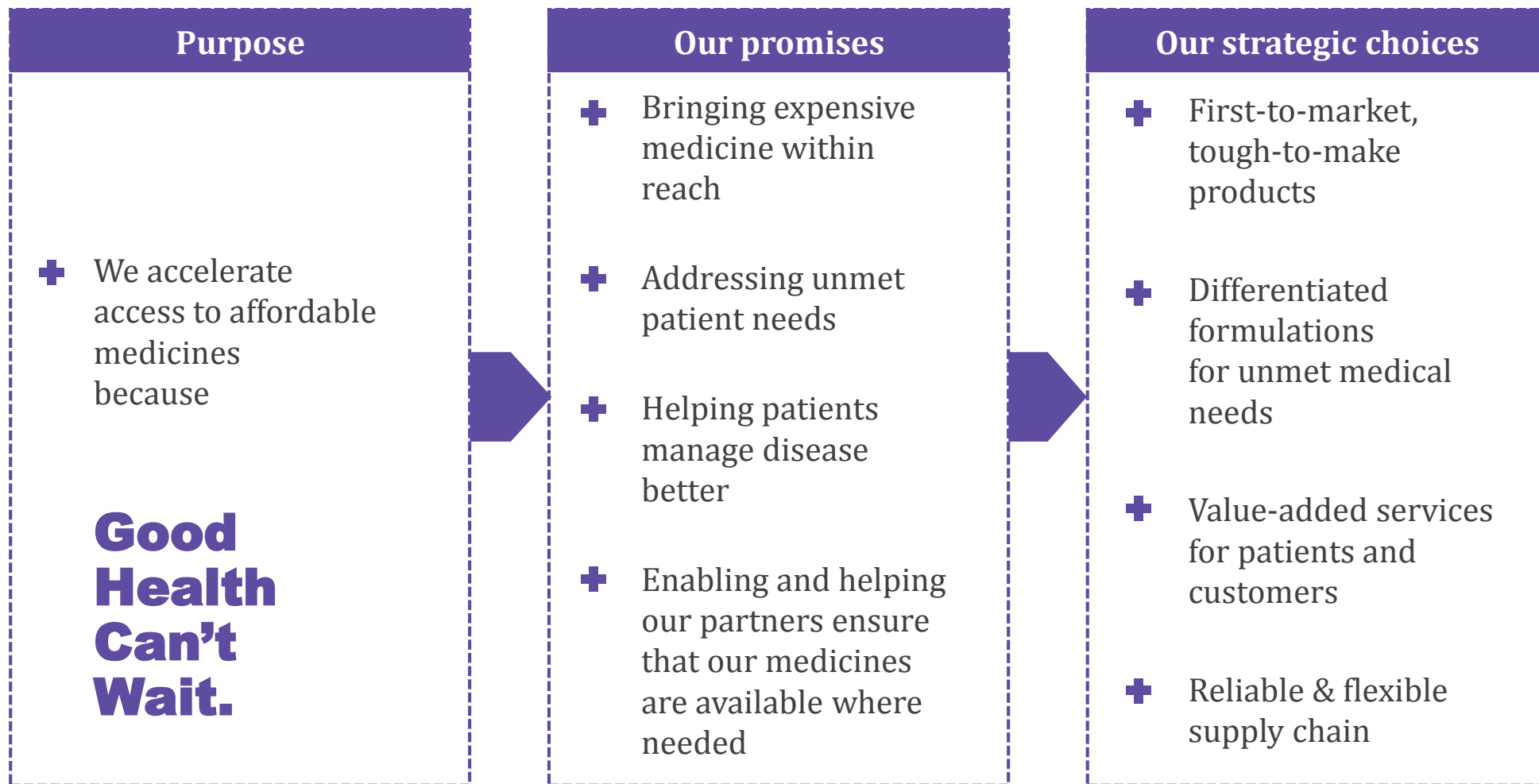


- Partnerships with top Generics players: ~30% of sales from global top 5
- >50% of Global Generics segment's sales from vertically integrated APIs



**Optimistic  
future**

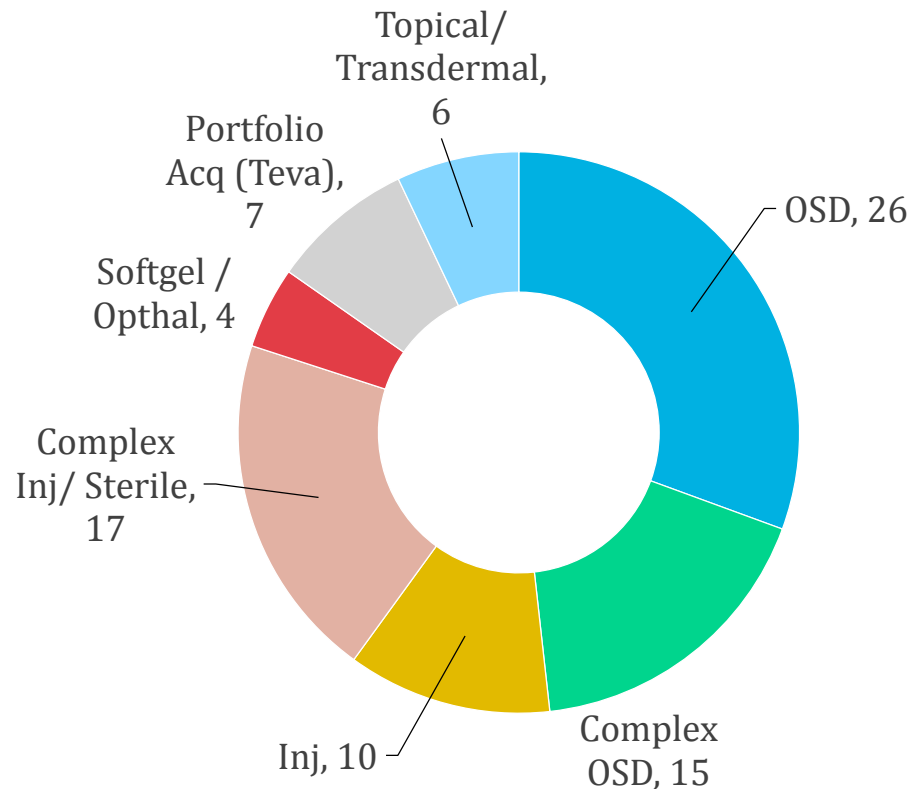
# Our purpose guides our customer value proposition leading to specific strategic choices



# 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

**83 (76+7)** pending ANDAs & **2** pending NDAs (505b2s)

- incl. **56 (50+6) para-IV** and **19 first to file** products

Portfolio of products based on –

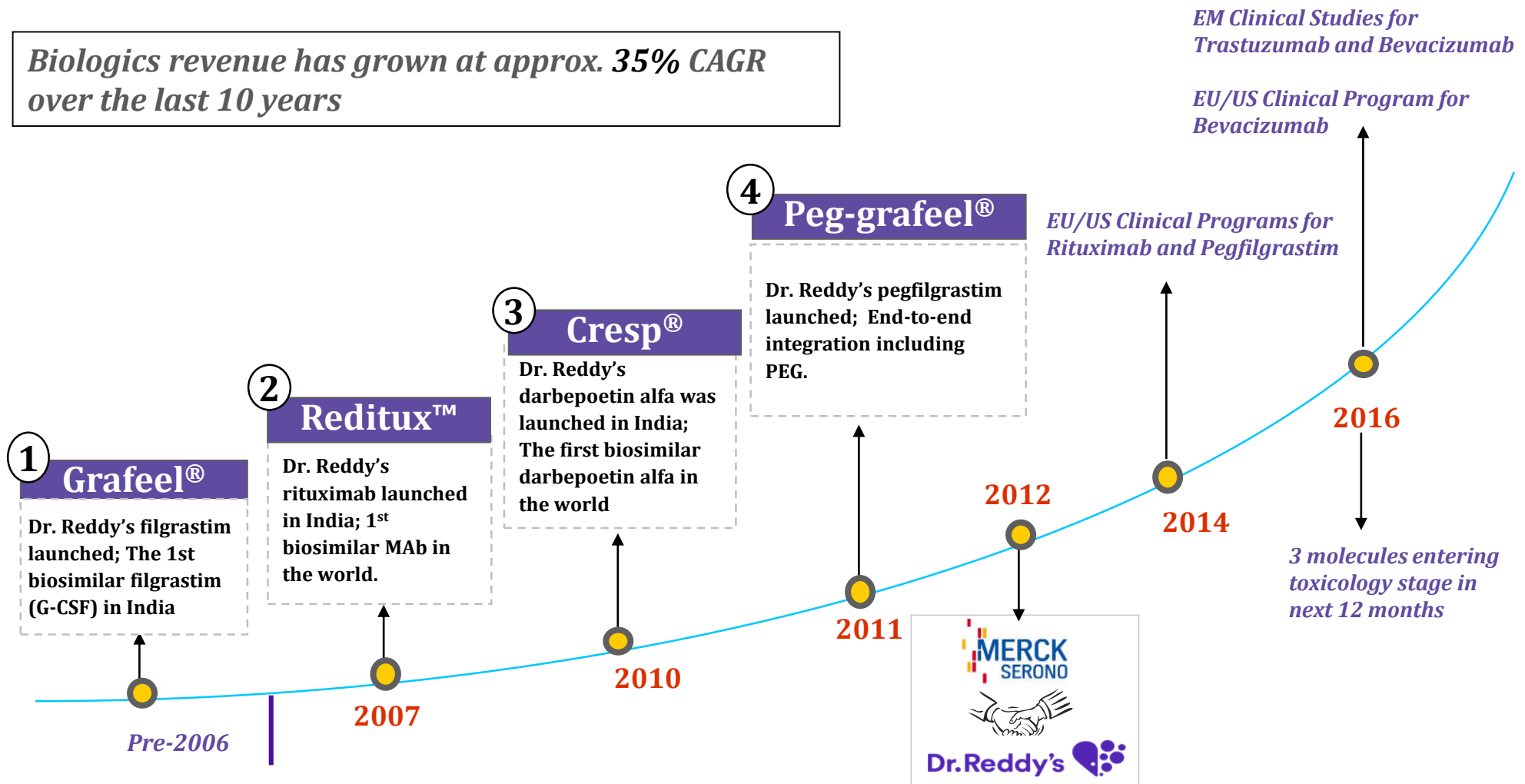
- Complex Characterization / Analytical chemistry
- Novel regulatory pathway
- Large & complex clinical / Bio-studies
- High technology barrier in development & manufacturing

Fast-following on potential OTC switches

**Note: Portfolio acq from Teva : 7 are pending approvals including 6 PIV**

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

Biologics revenue has grown at approx. 35% CAGR over the last 10 years



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

## **FY20 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**

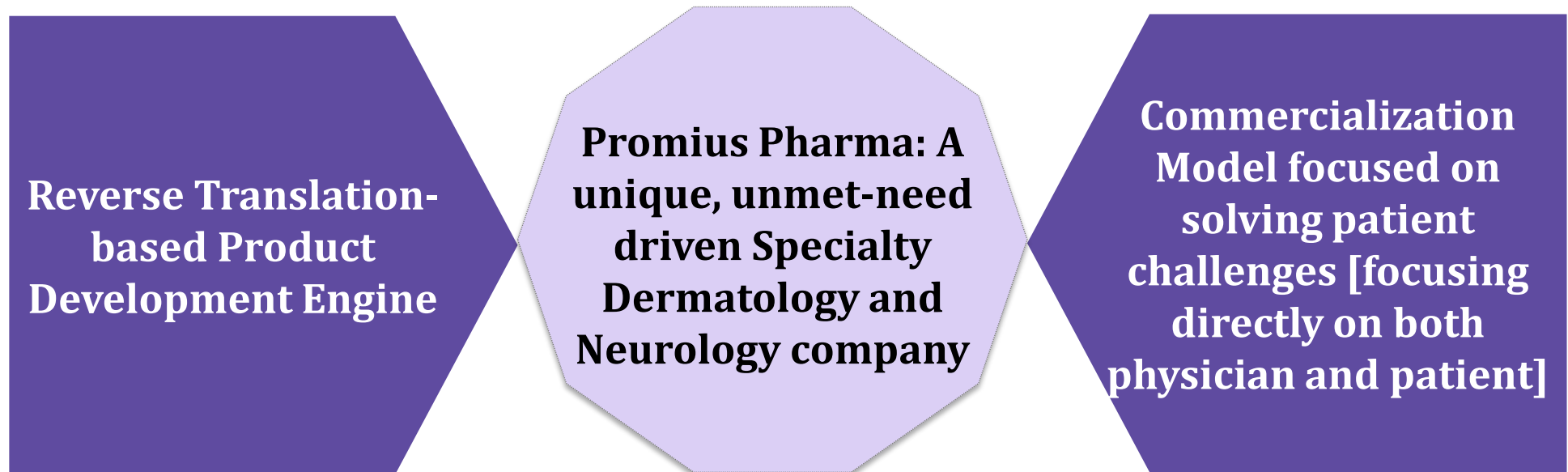
- Emerging Markets Revenue: \$150Mn – \$ 200Mn
- Developed Markets Profits/Royalties expected to Kick-in
- EBITDA margin post R&D: > 25 %

## **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**

---





# 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**



# Key Priorities

# Key Priorities

---



## Growth

- **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



## Organization

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



## Operations

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



**GOOD  
HEALTH  
CAN'T  
WAIT.**

## Contacts

### Investor relations

Saunak Savla

[saunaks@drreddys.Com](mailto:saunaks@drreddys.Com)

(Ph: +91-40-49002135)

### Media relations

Calvin Printer

[calvinprinter@drreddys.Com](mailto:calvinprinter@drreddys.Com)

(Ph: +91-40-49002121)

**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, oncology, 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](http://www.drreddys.com)

**Disclaimer:** This press release may include statements of future expectations and other forward-looking statements that are based on the management's current views and assumptions and involve known or unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to without limitation, (i) general economic conditions such as performance of financial markets, credit defaults, currency exchange rates, interest rates, persistency levels and frequency / severity of insured loss events (ii) mortality and morbidity levels and trends, (iii) changing levels of competition and general competitive factors, (iv) changes in laws and regulations and in the policies of central banks and/or governments, (v) the impact of acquisitions or reorganisation, including related integration issues.

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

**Registered Office:** Dr. Reddy's Laboratories Ltd. 8-2-337 | Road No. 3, Banjara Hills, Hyderabad - 500034, Telangana, India.

**Tel:** 91 40 4900 2900 | **Fax:** 91 40 4900 2999 | **Web:** [www.drreddys.com](http://www.drreddys.com)