



# Investor Presentation

February 2017

Dr. Reddy's Laboratories Limited

Hyderabad, India

BSE: 500124 | NSE: DRREDDY | NYSE: RDY



# Safe Harbor Statement

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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 June 30, 2016, and September 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

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Company Purpose

Update on US FDA Matter

Sustainable Performance over Five Years

Growth Roadmap

Optimistic Future



# Our Purpose

We accelerate access  
to affordable and  
innovative medicines

Because

**Good Health  
Can't Wait.**

# 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 STRATEGIC CHOICES

First-to-market,  
tough-to-make  
products



Differentiated  
formulations for  
unmet medical  
needs



Value-added  
services  
for patients  
and customers



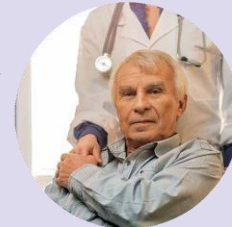
Reliable & flexible  
supply chain



## OUR PROMISES



Bringing expensive  
medicine within  
reach



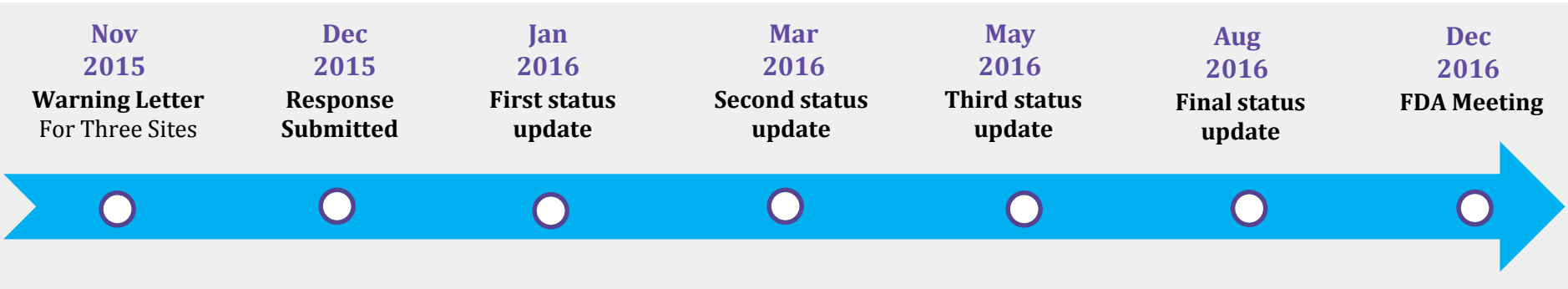
Addressing unmet  
patient needs

Helping patients  
manage disease  
better



Enabling and helping  
our partners ensure  
our medicines are  
available where  
needed

# Update on ongoing FDA matters



**All the commitments as part of Warning Letter response have been completed**

**Independent product quality assessments performed by Lachman Consulting Services**

**Re-audit has been scheduled for Q1 of CY 2017\***

*\*Assuming no unexpected changes in the current schedule*



# 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> (22 bn pills annual)	Tablets, Capsules, Pellets, bi-layers, Modified / Extended release, ODTs	10 Facilities out of which <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> (110 mn units annual)	Vial / PFS including complex products	3 Facilities out of which <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> (10mn units annual)	Tubes/creams/ Gel	2 Facilities out of which <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>

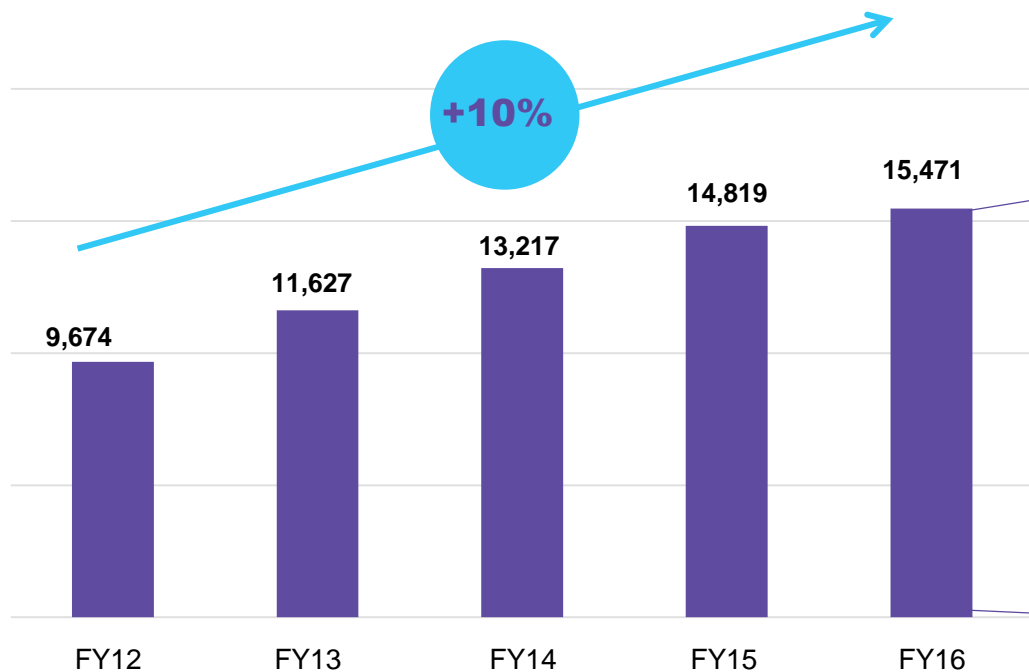
**Multiple strategic alliances for manufacturing variety of dosage forms**



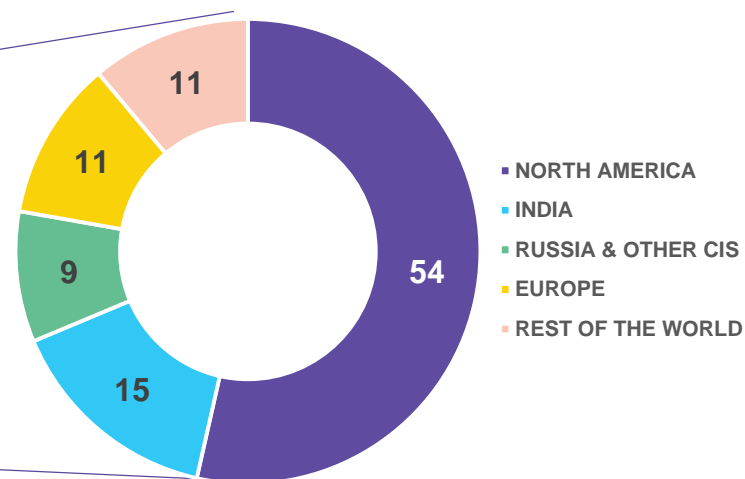
# **SUSTAINABLE PERFORMANCE** OVER FIVE YEARS

# Sustainable Revenue Growth Over Last 5 Years

## REVENUES (Rs Cr)



## REVENUE DISTRIBUTION & GEOG MIX FY16 (%)



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

# 2016 Highlights

1

NAG: Steady base business despite headwinds of pricing pressures and limited launches; Acquisition of Teva ANDAs & Ducere Portfolio

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2

India: Despite price controls, business has delivered growth accelerated by successful UCB Integration & Amgen deal expansion

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3

Russia: Strong underlying performance in base business precipitated by Ruble stabilization; Reditux™ Approval

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4

Launched first 2 NDAs in US - ZEMBRACE™ SymTouch™ and Sernivo™. Traction in prescriptions

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5

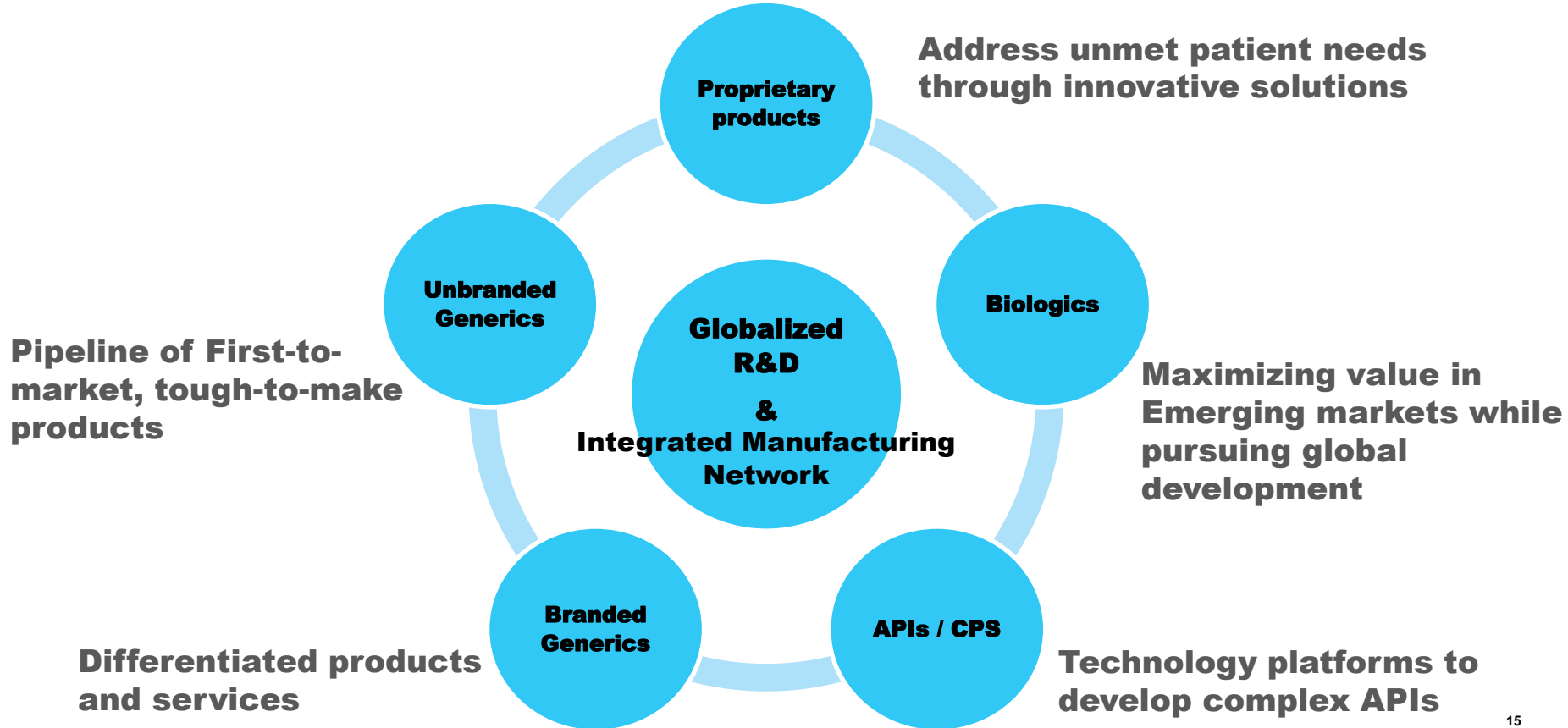
Embarked on comprehensive Quality Management System across Global manufacturing network



# Growth Roadmap



# Uniquely positioned to drive long-term profitable growth through diversified business model



# Well-positioned for long-term profitable growth

Current

- **Strong and proven track record in base businesses**
- **Deliberate efforts in accelerating the growth momentum**
- **Specific & clear growth focus for each business**
- **Investing for long-term growth for all the core businesses**

FY18 - 21

- NAG:**
  - Complex Injectables, Patches/ Topicals
  - OTC Brands
- India:**
  - Ramp-up Biosimilars business through Internal & partnered assets
- EM:**
  - Launch Reditux™ & expand presence in Hospitals
  - Oncology portfolio in select geographies
- PP:**
  - First set of differentiated products based on bio pathway
- Biologics:**
  - Maximize value of existing assets in Emerging Markets

FY22-25

- NAG:**
  - 505 b2 Generics, C2s,
  - Non-substitutable Generics
- India:**
  - Base business ramp-up
  - Differentiated assets in relevant therapies
- EM:**
  - Base business ramp-up
  - Scale in new markets like China, Japan, Columbia
- PP:**
  - Highly differentiated assets get to market
  - NCE pipeline kick-in
- Biologics:**
  - Gain scale in Emerging markets
  - Launch in developed markets



# 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

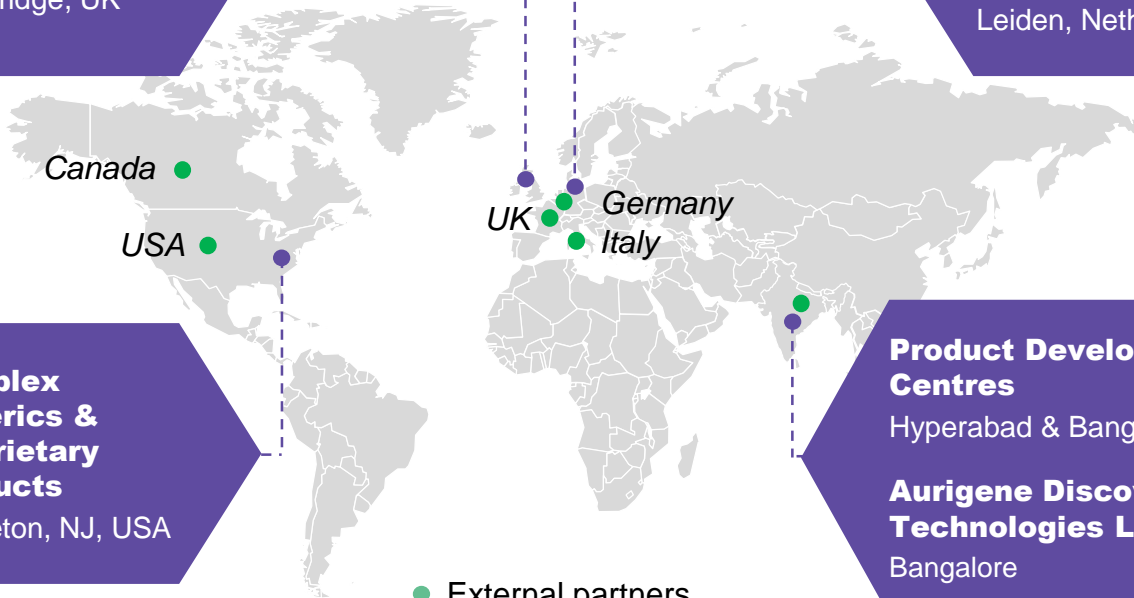


**Complex Generics & Proprietary Products**  
Princeton, NJ, USA



**Product Development Centres**  
Hyperabad & Bangalore

**Aurigene Discovery Technologies Ltd**  
Bangalore



● External partners

# North America Generics: Consistent growth driven by limited competition products

- Base Business grew at 15% CAGR since FY12 (FY16 Gr:12%)
- Growth driven by limited completion assets
- Unique business model with presence across classes of trade

## STRATEGIC FOCUS

### Investments in Product Portfolio & Partnerships

- Build capabilities for Complex dosage forms
- Augment capacities for Oral Solids and Injectables
- Leverage the pipeline for EU and other unbranded markets

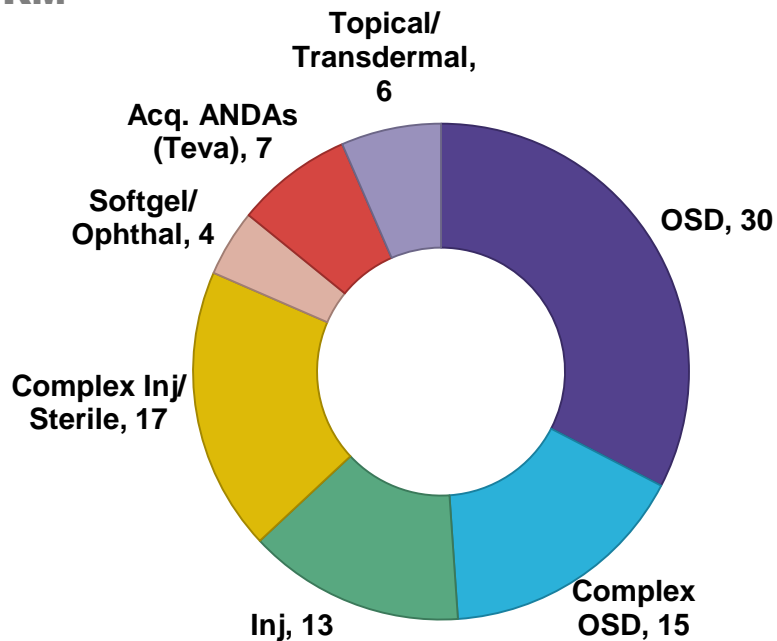
### Sharpening Go-to-market model

- Outreach model for novel dosage forms in Non-traditional channels
- Build scale in branded OTC space

# Healthy Pipeline of First-to-market, Tough-to-make Products

Bringing Expensive Medicine within Reach

## NUMBER OF PENDING FILINGS BY DOSAGE FORM



## PIPELINE HIGHLIGHTS

### 90 pending ANDAs & 2 pending NDAs (505b2s)

- No incl. 59 para-IV and 20 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

# India business: Robust growth driven by successful new business integration

- Business grew at 12% CAGR since FY12 (FY16 Gr:19%)
- Successful integration of UCB acquisition; Amgen Deal expansion
- Focused efforts on mega brands
- Improvement in new launch productivity

## STRATEGIC FOCUS

### Building differentiated portfolio of products & service offering

- 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

# Russia Business: Sustaining Uncertain Macro Economic Conditions

## STRATEGIC FOCUS

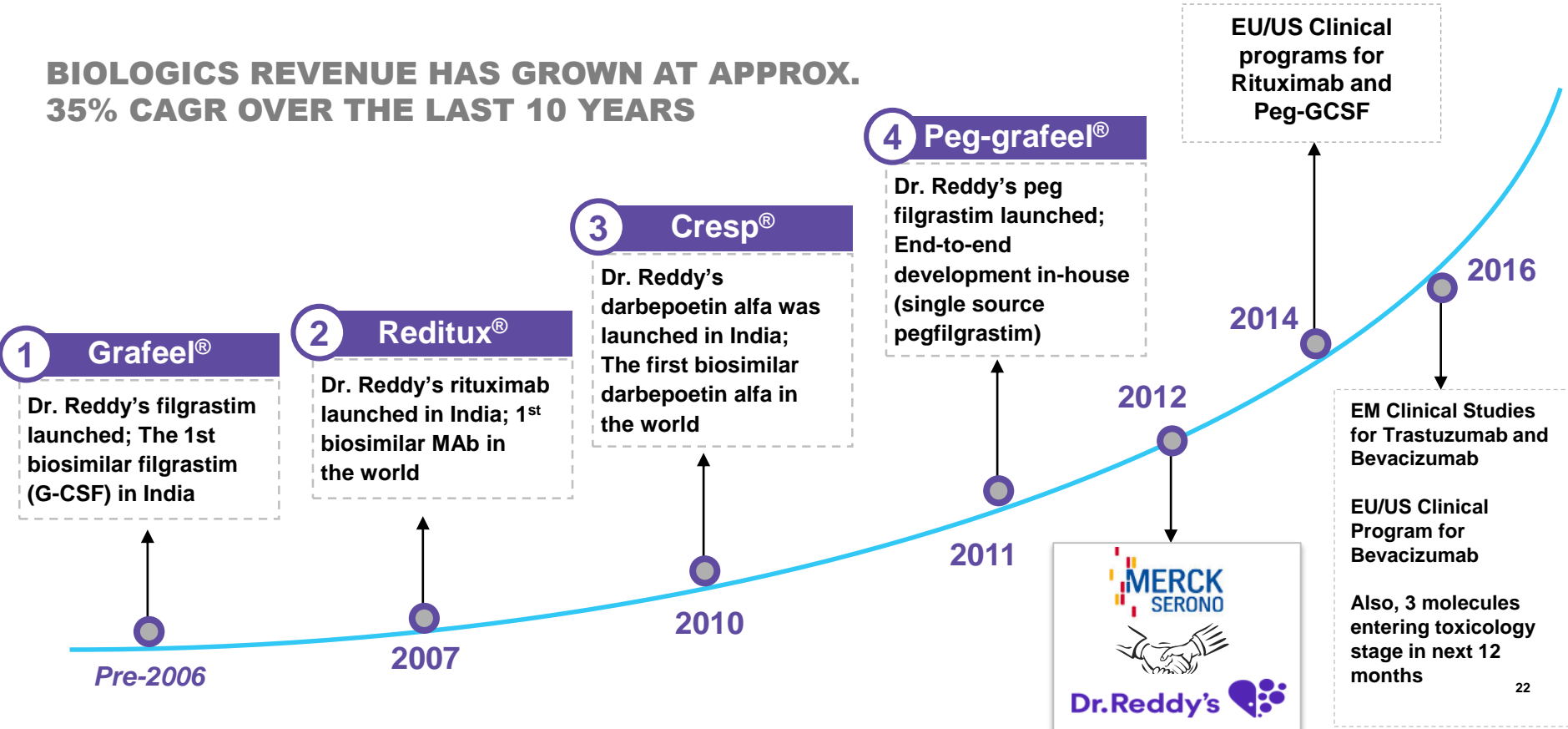
- Strong revival in base business performance with ruble stabilization
- Established strong presence in Pain, G.I. & Anti-Infective therapies
- Top 5 brands rank #1 in their respective segments & 10 brands in the top 3

### **Building differentiated portfolio of products & service offering**

- Focus on portfolio augmentation and productivity improvement
- Scale-up the OTC business
- Establish Biosimilar business with launch of Reditux™
- Expand presence in Hospital channel through Biosimilars and Oncology Portfolio

# 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: Aspiring to build \$500 million business by FY22 through lower-risk innovation model

- Design personal and practical solutions for people
- Helping people better manage disease
- Address unmet patient needs
- Ensuring that our medicines are available when needed

## Dermatology Specialty Division

- Medical Dermatology Focus
- 7 Products Launched since 2008
- Supported by 60 Sales Reps in 6 Regions

## Neurology Specialty Division

- Launched commercially in 2016
- Supported by 45 Sales Reps in 6 Regions

### FDA Approval for Two NDAs ⇨ Launched April and May 2016

ZEMBRACE™ SymTouch™ (Sumatriptan injection) 3 mg/ 0.5 mL

Sernivo™ (betamethasone dipropionate) Spray, 0.05%

**Pipeline assets on track to enable meeting of strategic goals**





# OPTIMISTIC FUTURE



# To Summarize:

## Top Line Growth with Healthy Profitability

- 1 Core business performance remains **Strong**
- 2 Growth levers are proven, vigorously executed and **Continue to Deliver**
- 3 Making **Strategic Investments** for long term sustainable growth
- 4 Continue to explore **Selective Business Integration** to augment Growth



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



**GOOD  
HEALTH  
CAN'T  
WAIT.**

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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, 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)

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

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