



DR. REDDY'S

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Q3 FY11 Results Update

Jan 25, 2011

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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;
- The ability to successfully implement our strategy, our research and development efforts, growth and 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 Government;
- 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.

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. 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.

Q3 FY11: Key Highlights

❑ **Q3 Revenues at Rs. 1,899 crs** ; *YoY growth at 10%*

YTD Dec 10 Revenues at Rs. 5,452 crs

❑ **Q3 EBITDA at Rs. 405 crs** ; *21% to sales ; YoY growth at 10%*

YTD Dec 10 EBITDA at Rs. 1,171 crs ; *21% to sales*

❑ **Q3 PAT at Rs. 273 crs** ; *14% to sales ; YoY adjusted growth at 19%**

YTD Dec 10 PAT at Rs. 770 crs ; *13% to sales*

❑ **Globally 42 new product launches & 30 product filings**

P&L → Q3 FY11

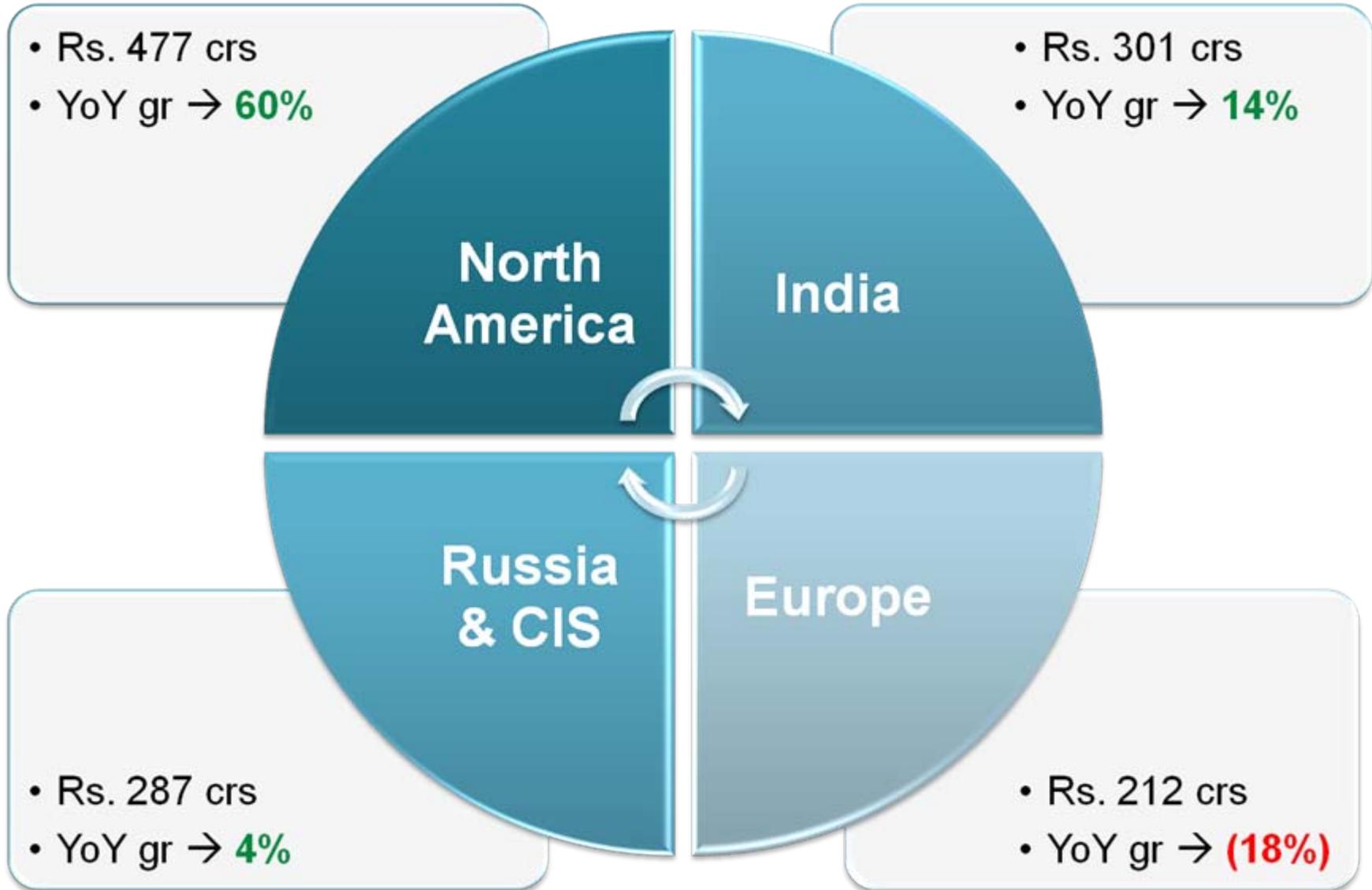
All figures in Rs. Crs. except EPS

	Q3 FY11	Q3 FY10	Gr%
Revenue	1,899	1,730	10%
Gross Profit	1,041	881	18%
% to sales	55%	51%	
SG&A	637	543	17%
% to sales	34%	31%	
R&D	131	89	46%
% to sales	7%	5%	
EBITDA	405	367	10%
% to sales	21%	21%	
PAT*	273	231	19%
% to sales	14%	13%	
EPS*	16.1	13.7	18%

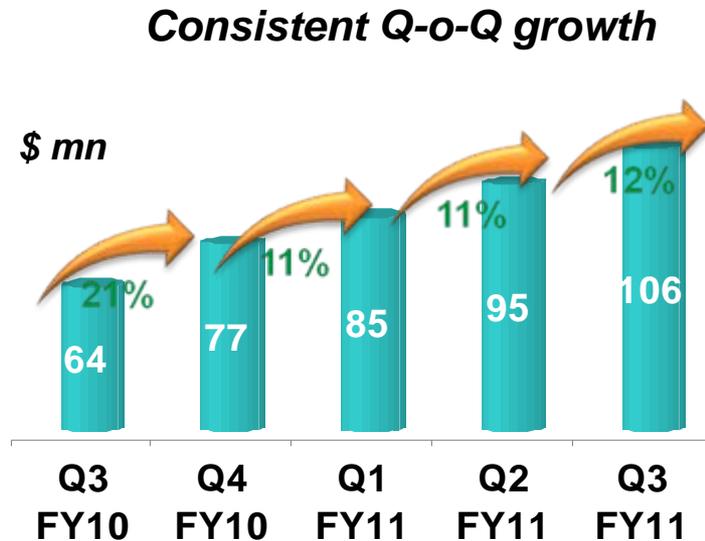
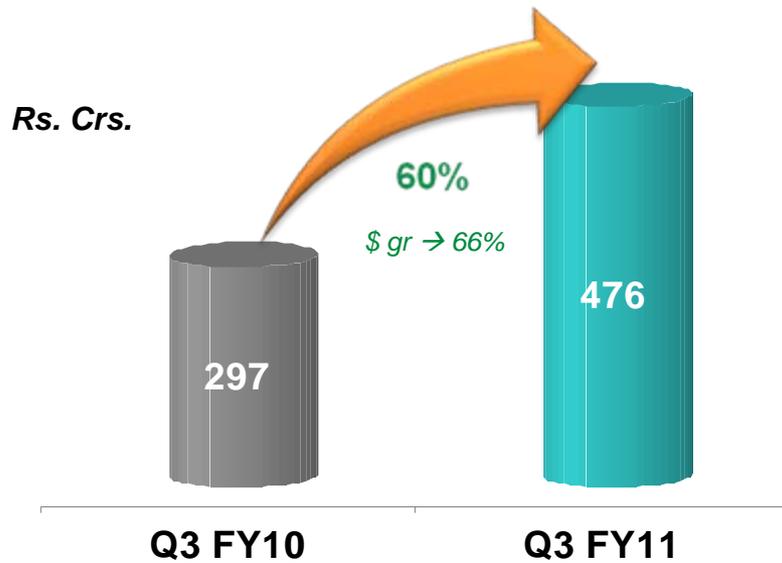
*Note: Previous year's numbers are adjusted for impairment of intangibles & goodwill

Segmental Analysis : Global Generics

Q3 FY11 Revenues at Rs. 1,359 crs ; YoY gr → 16%



Global Generics : North America



- ❑ Revenue growth driven by new products launched in the last one year and market share expansion
- ❑ Base business → Visibility of improving market shares in our vertically integrated products
Fexofenadine → 21% ; *Omeprazole* → 16% ; *Ciprofloxacin* → 22%
- ❑ New launches this quarter → Lansoprazole, Zafirlukast & Valacyclovir
- ❑ **Pipeline:** Cumulative ANDAs → 165; Pending approvals → 74; Para IVs → 32; FTFs → 12

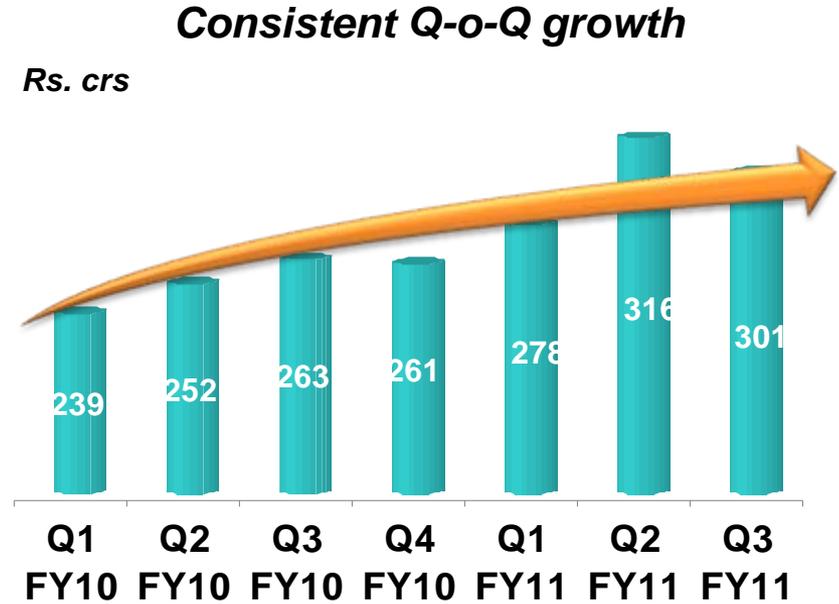
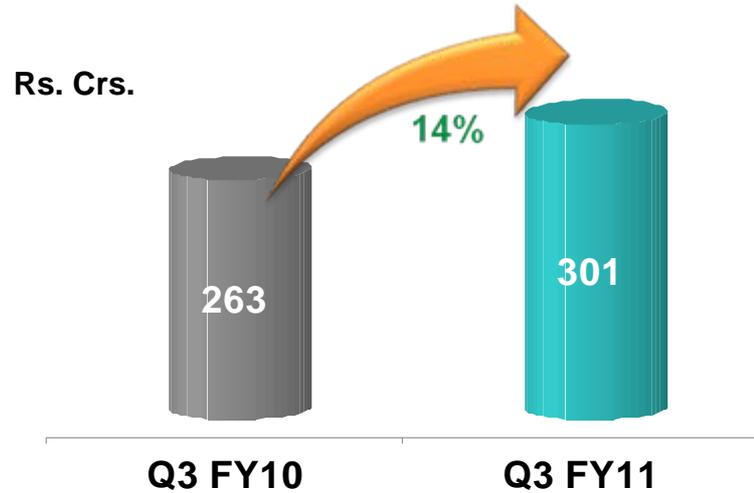
Settlements

- ❑ Two settlement agreements with AstraZeneca in US relating to the ANDAs filed for the generic versions of AstraZeneca's Nexium® (esomeprazole) and Accolate® (zafirlukast).
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- ❑ AstraZeneca has granted Dr. Reddy's a license, subject to regulatory approval, to launch a generic version of esomeprazole delayed-release capsules on May 27, 2014, or earlier in certain circumstances.
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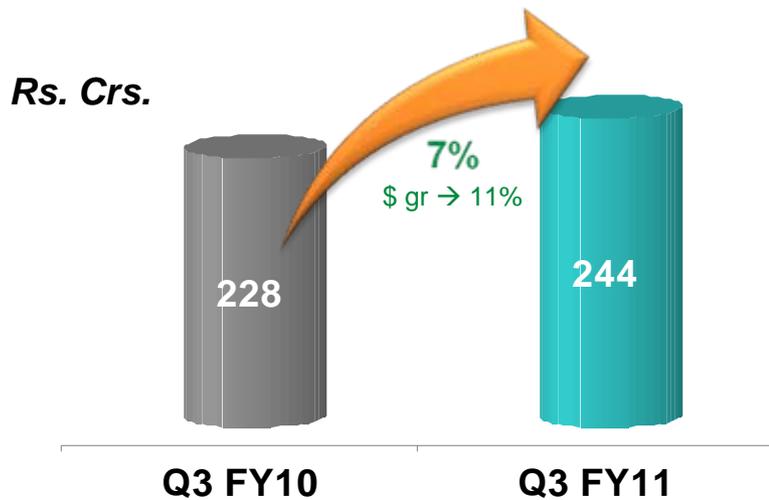
- ❑ The zafirlukast agreement allows Dr. Reddy's to continue selling the product without risk. Dr. Reddy's launched its zafirlukast product on November 18, 2010 following a favorable summary judgment decision.

Global Generics : India



- ❑ 14% growth driven by : Volumes → 8% & New products (*last 12 month launches*) → 6%
- ❑ 16 new product launches in Q3 including launch of Cresp®'in Oncology TA
- ❑ Strengthened the field force in select therapeutic areas and geographical regions
- ❑ Expect approval of 4th biosimilar in coming months

Global Generics : Russia



Pharmexpert (YTD Nov 10)

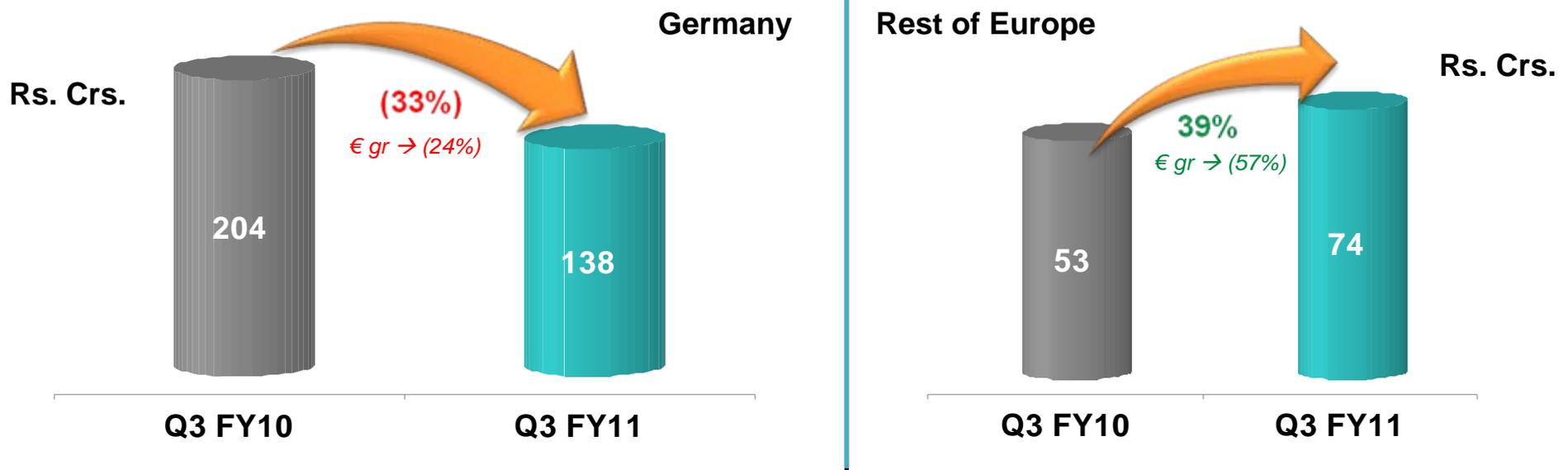
❑ Secondary Sales Growth :

- Dr. Reddy's → 21% (Vol 33%)
- Industry → 8% (Vol 12%)

❑ Dr. Reddy's Rank → 13th

- ❑ Growth on high base of last year → volume increase across key brands and new product launches
- ❑ Recent OTC launches doing well
- ❑ Focus on portfolio expansion to continue

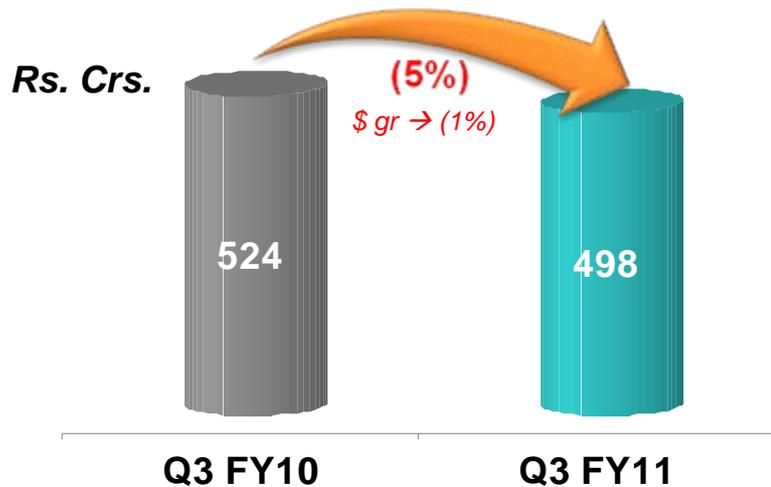
Global Generics : Europe



Germany

- Decline due to price erosions caused by tenders this year
- Improved profitability as a result of SG&A optimization in previous year
- AOK tender results

Pharmaceutical Services & Active Ingredients



DMFs Pipeline :

Cumulative	→ 436
US	→ 159
Europe	→ 132
Canada	→ 59
RoW	→ 86

- ❑ Decline largely driven by the Pharmaceutical Services segment
- ❑ Encouraging growth in Active Ingredients business on the back of new product launches & improved order book status
- ❑ 9 DMF filings (*US* → 2 ; *EU* → 3 ; *RoW* → 4) during the quarter

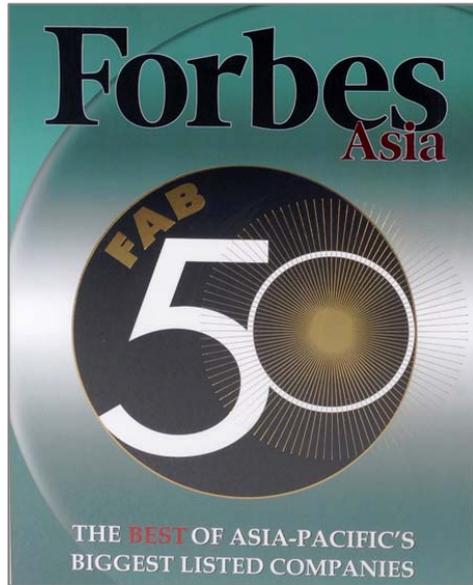
Other Updates

❑ North America Generics

- Launch of Pantoprazole in January 2011
 - Fondaparinux → completion of USFDA inspection of partners' facilities
 - Fexofenadine Pseudoephedrine (*higher strength*) → Case hearing to start soon
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- ❑ GSK Alliance : Cumulatively filed ~ 118 dossiers till date in various emerging markets

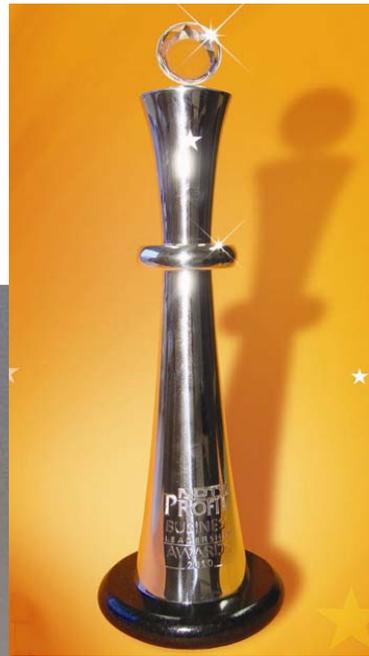
Recognitions



**Forbes 2010 Asia
Fabulous 50
companies list**
**One of the
Best of Asia–Pacific**



Scrip award
**Best Company
in an Emerging
Market**



NDTV Profit
**Business Leader
in the Pharma
sector**



**Institute of
Directors**
**Golden Peacock
award for
excellence in
corporate
governance**



ICSI
**Excellence
in corporate
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Q&A Session

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Key Balance Sheet Items

Rs. Crs.

	Dec 10	Sep 10
Cash & Cash Equivalents	413	620
Trade receivables	1,409	1,338
Inventories	1,524	1,473
Property, plant & equipment	2,710	2,541
Loans & borrowings (current & non current)	1,381	1,449
Trade payables	740	991
Total Equity	4,815	4,525

- Capex in Q3 FY11 → Rs. 231 crs
- Net Debt – Equity ratio at 0.20 in Dec 10