



DR. REDDY'S

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## Q1 FY10 Results Update

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July 21, 2009

L I F E . R E S E A R C H . H O P E

# 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.

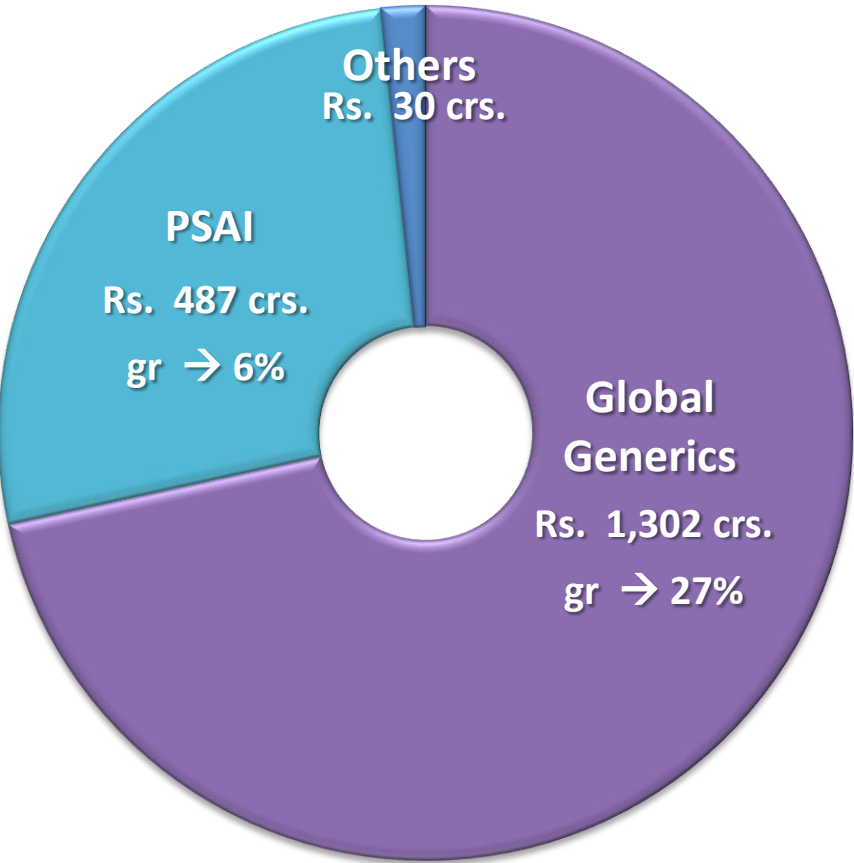
We are not required to update any such statement or information to either reflect events or circumstances that occur after the date the statement or information is made or to account for unanticipated events.

# Key Financial Highlights – Q1 FY10

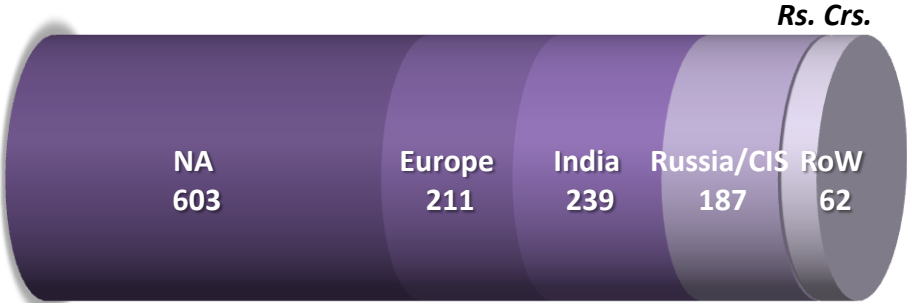
- **Overall revenue growth of 21% driven by sumatriptan and North America market**
  - Revenues at Rs. 1,819 crs in Q1 FY10 as against Rs. 1,504 crs in Q1 FY09
  - Growth excluding sumatriptan → 7%
- **EBITDA at Rs. 436 crs in Q1 FY10 as compared to Rs. 230 crs in Q1 FY09 ; YoY growth of 90% driven by cost control initiatives across company**
- **PAT at Rs. 245 crs in Q1 FY10 as compared to Rs. 111 crs in Q1 FY09 ; YoY growth of 120%**

# Consolidated Revenue

**Rs. 1,819 crs.**  
*gr* → 21%

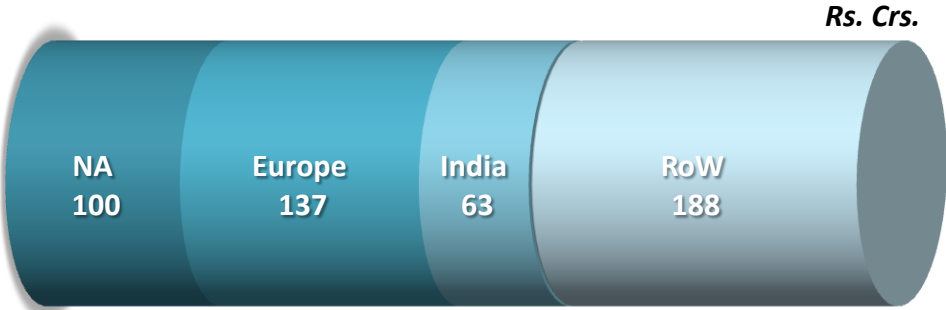


## Global Generics



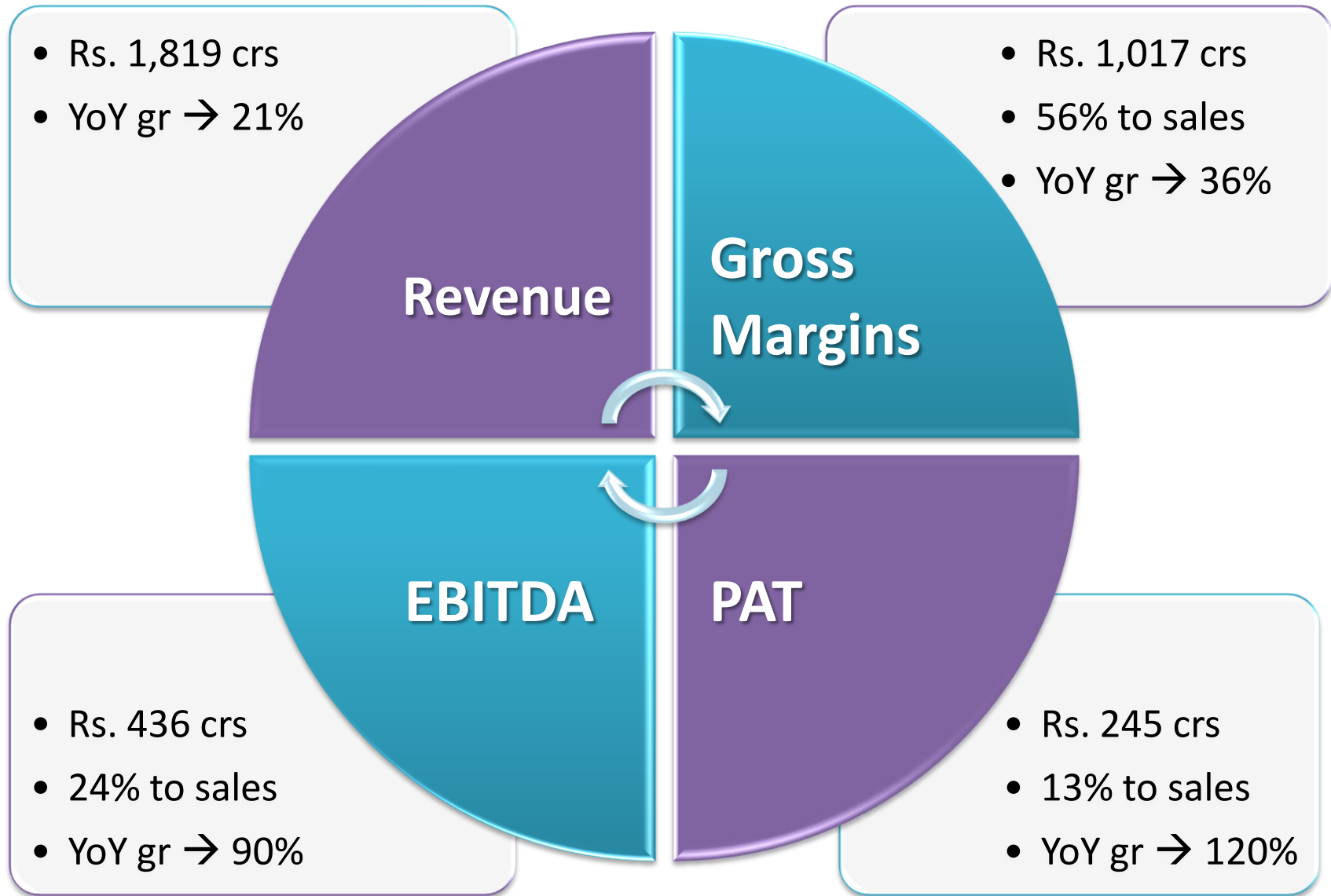
*gr* → 115%      -30%      9%      -3%      75%

## PSAI



*gr* → -8%      27%      -13%      9%

# Key P&L Items → Q1 FY10



# Key Business Highlights

- ❑ Strategic Alliance with GSK
  - Will help expand our reach in the emerging markets outside India
  - Will leverage our product portfolio and process development strengths with GSK's market knowledge and presence in the Emerging Markets

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- ❑ Sumatriptan : we continue to hold majority market share
  - Multiple players generic launch expected → 2<sup>nd</sup> week of August

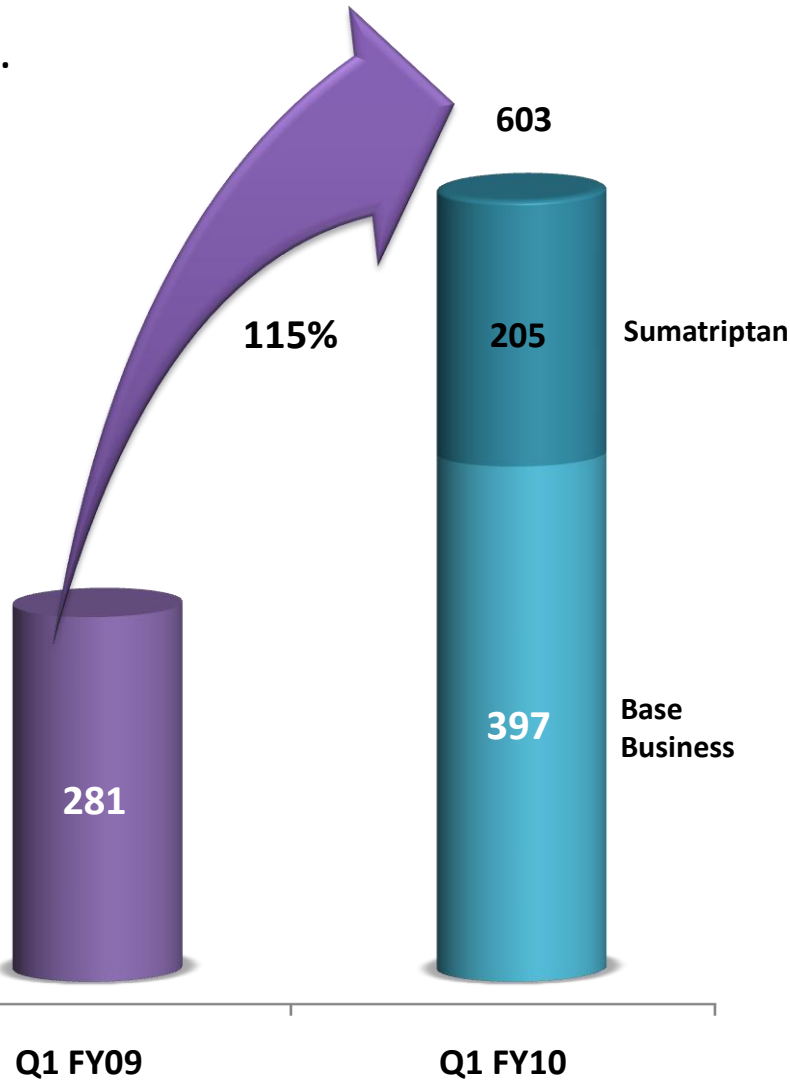
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- ❑ Omeprazole Mg OTC : US FDA approval received
  - Expected launch → Mid Q2

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- ❑ betapharm : Restructuring of sales force
  - Reduction from 110 to 50 currently (250 at time of acquisition)

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- ❑ Restructuring of R&D business :
  - Integration of Discovery Research at Hyderabad with Aurigene
  - Closure of Atlanta facility in US

# Global Generics North America

Rs. Crs.

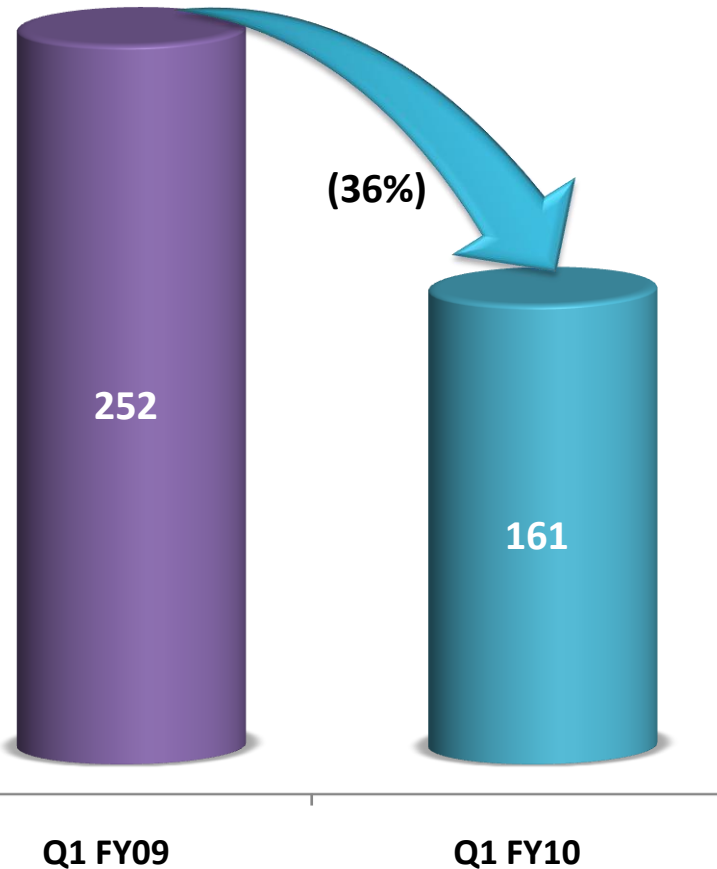


- ❑ \$ growth of 21% excluding sumatriptan
- ❑ Volume growth of 14% across existing products
- ❑ Sumatriptan → continue to hold ~ 50% market share
- ❑ Omeprazole Mg OTC :
  - Received US FDA approval
  - Expected launch → Mid Q2 FY10
- ❑ **ANDAs**
  - Pending approvals → 67 (sales :\$68 bn)
  - Para IVs → 28
  - FTFs → 16

# Global Generics

## Germany

Rs. Crs.

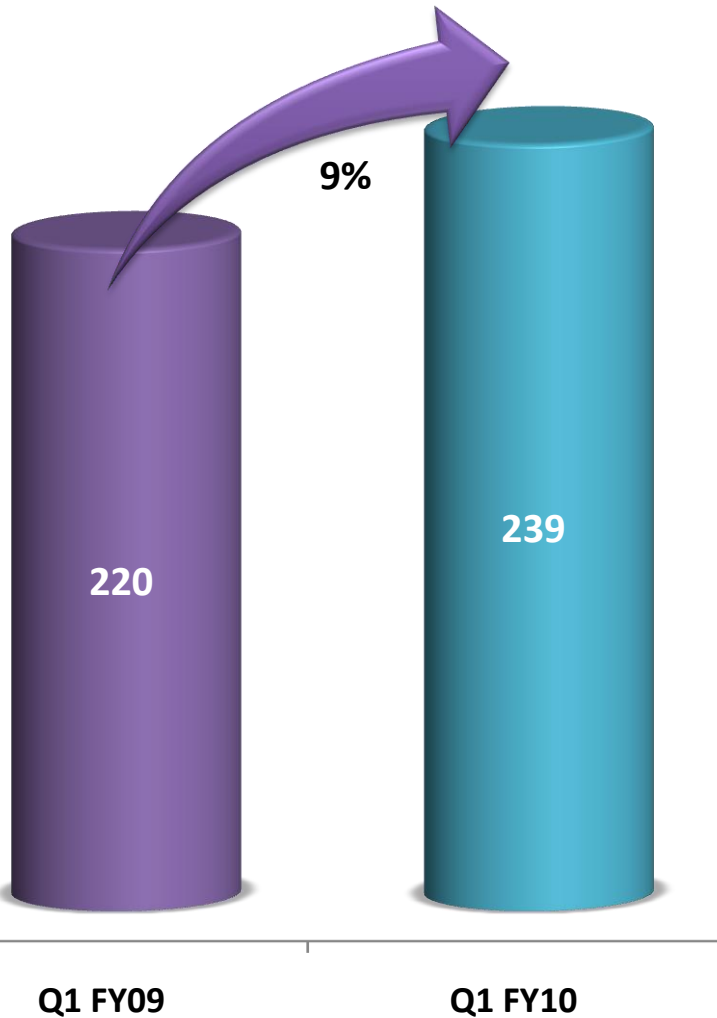


- ❑ YoY degrowth of 38% in Euro terms
  - Effect of destocking in the market
- ❑ Commencement of supplies to AOK tender
  - AOK products → Significant increase in volumes
  - Non AOK products → Fall in volumes
- ❑ Reduction of sales force from 110 to 50
  - One time severance costs → €7.2 mn
- ❑ Market trend → Increasing tender activities by other insurance companies



# Global Generics India

Rs. Crs.

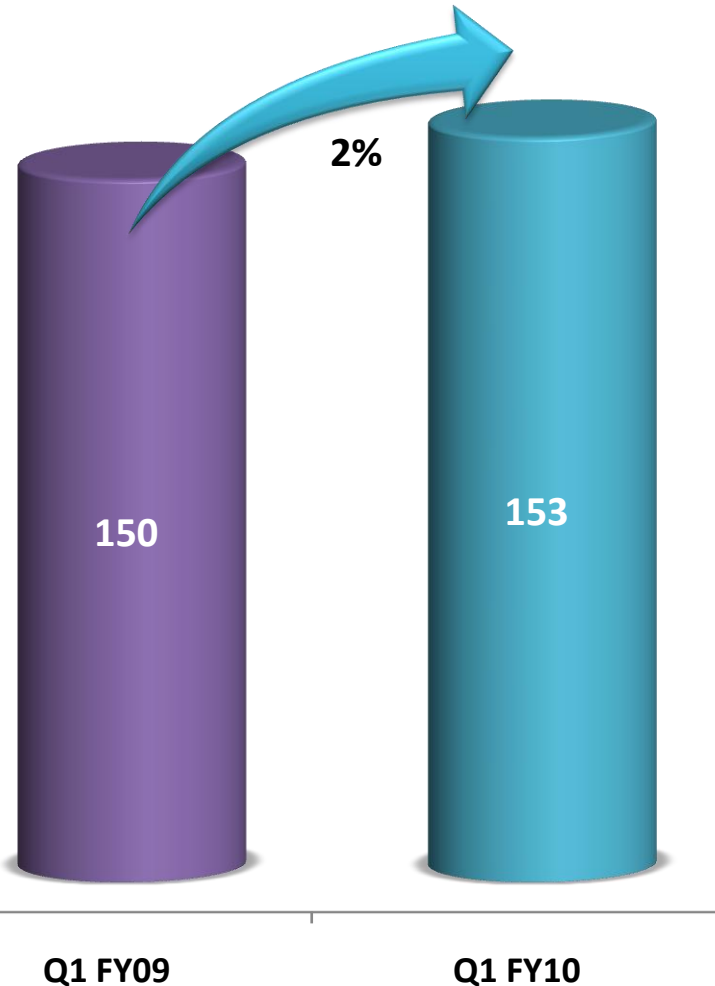


- ❑ Growth driven by major brands → Omez, Nise, Omez DSR & Razo
- ❑ Sequential growth → 15%
  - Volume growth → 14%
- ❑ Secondary sales trend → April & May
  - Industry growth → 10.4%
  - Dr. Reddy's growth → 11.4%
- ❑ 14 new product launches
- ❑ Rollout of excellence in supply chain model progressing well

# Global Generics

## Russia

Rs. Crs.



- ❑ Growth driven by Nise brand

- ❑ Rouble growth :

- YoY → 18%

- QoQ → 5%

Volumes have degrown

- ❑ Secondary sales trend → April & May  
(in rouble terms)

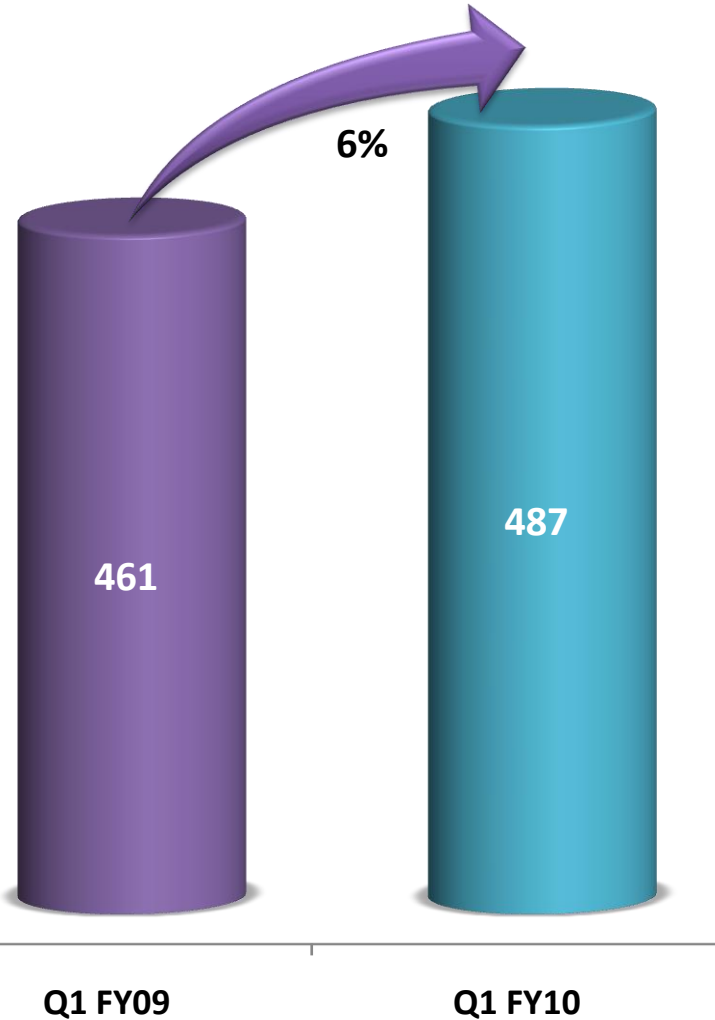
- Dr. Reddy's growth → 46%

- Industry's growth → 34%

- ❑ Ongoing financial crisis has impacted liquidity in the market

# Pharmaceutical Services & Active Ingredients

Rs. Crs.



- ❑ Growth driven by products of Gemcitabine, Montelukast, Sumatriptan & Levetiracetam
- ❑ Traction in unregulated markets and strong pipeline of launches & key customer contracts in the regulated markets
- ❑ Improvement in order books → 27%
- ❑ Cumulative DMFs
  - US → 148
  - Europe → 83
  - Canada → 57
  - RoW → 67

# Outlook & Strategic Initiatives

- ❑ FY10 Guidance on track

- H2 sales higher than H1
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- ❑ Rollout of excellence in supply chain model across our businesses and geographies → good progress

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- ❑ SEZs investment ; Land acquisition completed

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- ❑ Launch of two biosimilars in India and one specialty product in Promius



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## Q&A Session

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# P&L → Q1 FY10

*All figures in Rs. Crs. except EPS*

	Q1 FY10	Q1 FY09	Gr%
<b>Revenue</b>	1,819	1,504	21%
<b>Gross Profit</b>	1,017	750	36%
% to sales	56%	50%	
<b>SG&amp;A</b>	593	509	17%
% to sales	33%	34%	
<b>R&amp;D</b>	99	105	(6%)
% to sales	5%	7%	
<b>EBITDA</b>	436	230	90%
% to sales	24%	15%	
<b>PAT</b>	245	111	120%
% to sales	13%	7%	
<b>EPS</b>	14.4	6.6	120%

# Key Balance Sheet Items → Jun 09

	<i>Rs. Crs.</i>	
	<b>Jun 09</b>	<b>Mar 09</b>
Cash & Cash Equivalents	618	560
Trade & Other receivables	1,337	1,459
Inventories	1,393	1,323
Property, plant & equipment	2,097	2,088
Loans & borrowings (current & non current)	1,611	1,970
Trade accounts payable	687	599