



DR. REDDY'S



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Q2 FY09: Results Update

October 23, 2008

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.

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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.

Transition of financial reporting to IFRS from USGAAP

- ✓ **Net Profit:** There is no significant difference in net profit between IFRS and USGAAP for Q2 FY09.
- ✓ The accounting adjustments resulting from the transition for FY07 and FY08 have been incorporated in the opening equity line item as on 1st April 2007 and 1st April 2008 respectively.

Transition of financial reporting to IFRS from USGAAP

- ✓ During Q3 FY08, the company recorded accelerated amortization of product related intangibles amounting to Rs 240 crores as per USGAAP. This has increased under IFRS to Rs 295 crores.
- ✓ During FY07, we impaired beta brand-value by Rs 60 crores as per USGAAP. Under the IFRS, the assessment is examined at a Gross Business level and has thus been restored.

USGAAP vs IFRS: Movement

NO change in revenue between USGAAP & IFRS

Opening Balance Sheet as on 1 April 2007	Rs Crs
Net increase in Retained Earnings	↑ 101



	Rs Crs
Impairment	+ 56
Deferred Tax	+ 46

Rs Crs	Profit before Tax			Profit after Tax		
	USGAAP	IFRS	+ / -	USGAAP	IFRS	+ / -
Q1 FY08	200	192	↓ 8	183	160	↓ 23
Q2 FY08	142	143	↑ 1	267	253	↓ 14
Q3 FY08	(123)	(174)	↓ 51	(85)	(121)	↓ 36
Q4 FY08	125	125	-	103	93	↓ 10
FY08	344	286	↓ 58	468	385	↓ 83



	Rs Crs
Impairment	(52)
Deferred Tax	(26)

Opening Balance Sheet as on 1 April 2008	Rs Crs
Net increase in Retained Earnings	↑ 18

Rs Crs	Profit before Tax			Profit after Tax		
	USGAAP	IFRS	+ / -	USGAAP	IFRS	+ / -
Q1 FY09	159	171	↑ 12	135	148	↑ 13
Q2 FY09	150	151	↑ 1	124	121	↓ 3

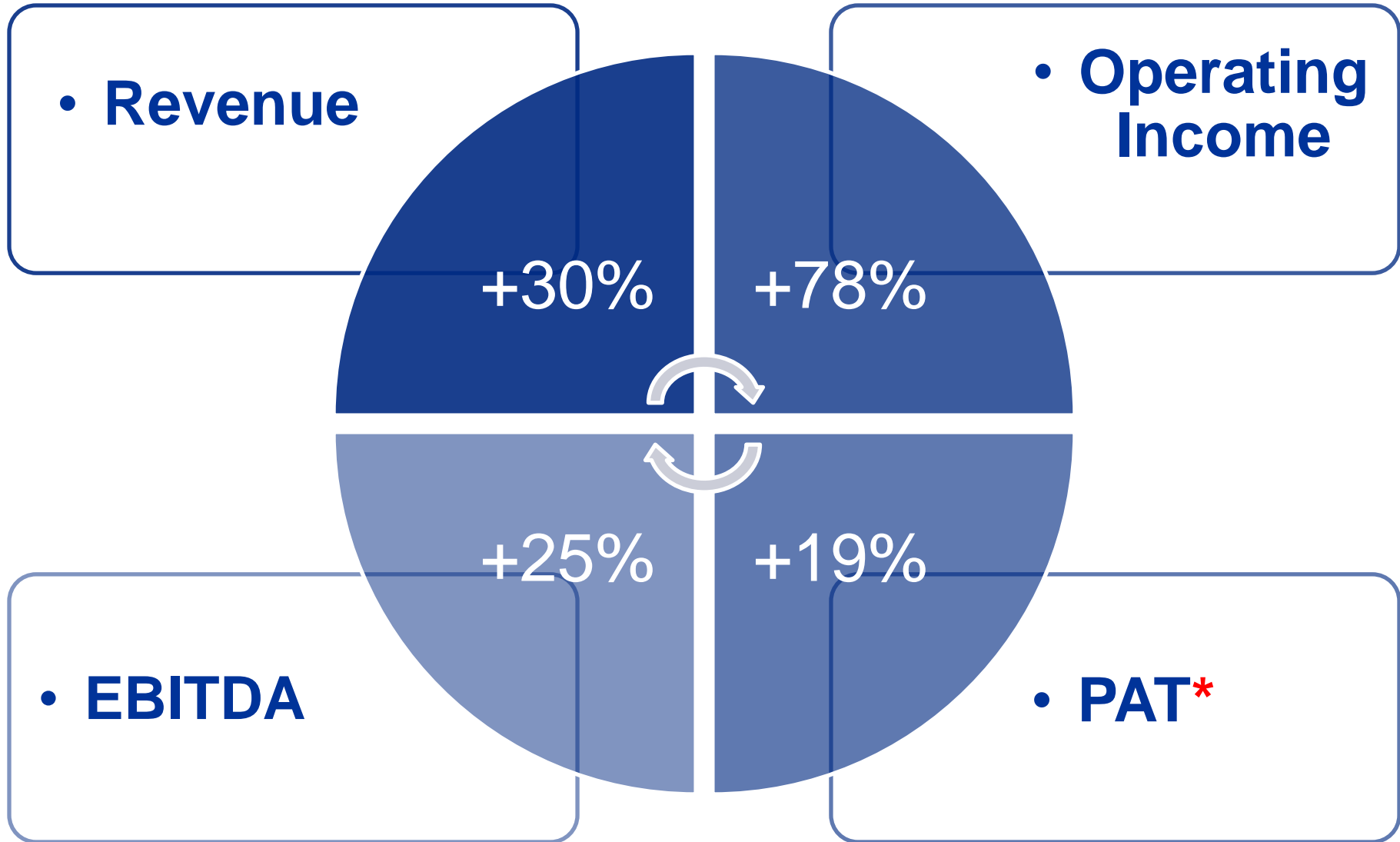


	Rs Crs
Dow Acquisition	+ 9

Significant difference in Q2 avg & quarter end forex rates

- ✓ Q2 Avg Rate : Rs. 43.78 / \$
- ✓ Q2 Convenience Translation Rate : Rs. 46.45 / \$

Q2 YoY Growth



* Q2 FY08 PAT adjusted for tax benefit of Rs. 151 crs.

Key Highlights

- **Global Generics segment drives overall revenue growth of 30% (INR terms)**
 - Revenues at Rs. 1,615 crs (\$348 mn) in Q2 FY09 as against Rs. 1,245 crs (\$268 mn) in Q2 FY08
- **Operating Income at Rs. 200 crs (\$43 mn) in Q2 FY09 as compared to Rs. 112 crs (\$24 mn) in Q2 FY08 ; YoY growth of 78%**
- **Combined, SG&A and R&D at Rs. 564 crs in Q2 FY09 as compared to Rs. 482 crs in Q2 FY08 ; YoY growth of 17% well below revenue growth of 30%**
- **Net Profit at Rs. 121 crs (\$26 mn) in Q2 FY09 as compared to adjusted* net profit of Rs. 102 crs (\$22 mn) in Q2 FY08**

Launches & Filings : Q2 FY09

New Launches (Global Generics)

NA : 3
EU : 9
India : 8
RoW : 15

Global Filings

ANDAs : 2
ANDS : 1
Dossiers (EU) : 12
Dossiers (RoW) : 9
DMFs : 21

Combihale - Foray into inhaler segment in India

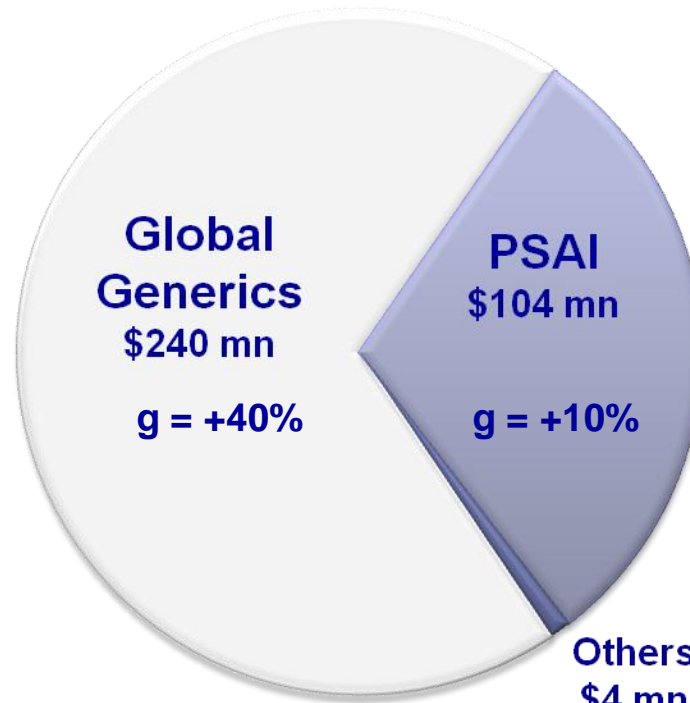
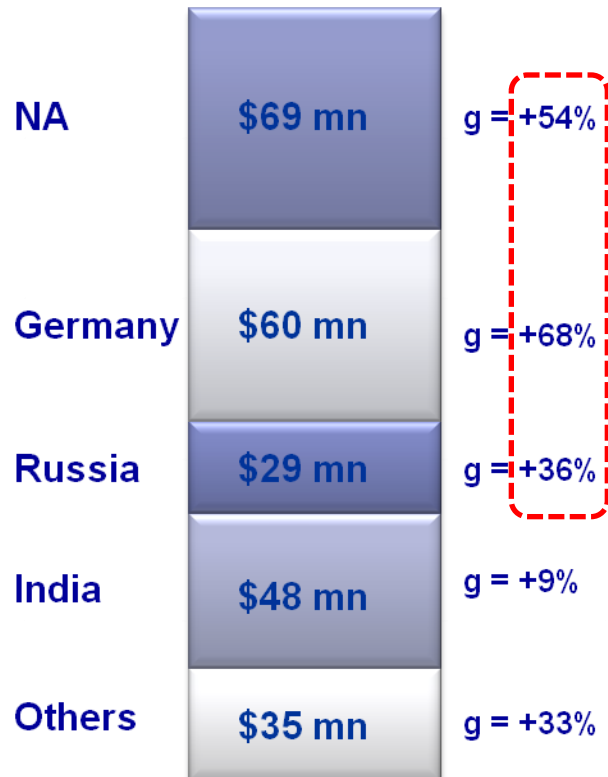
Epiceram: 1st Rx dermatology brand in the U.S.



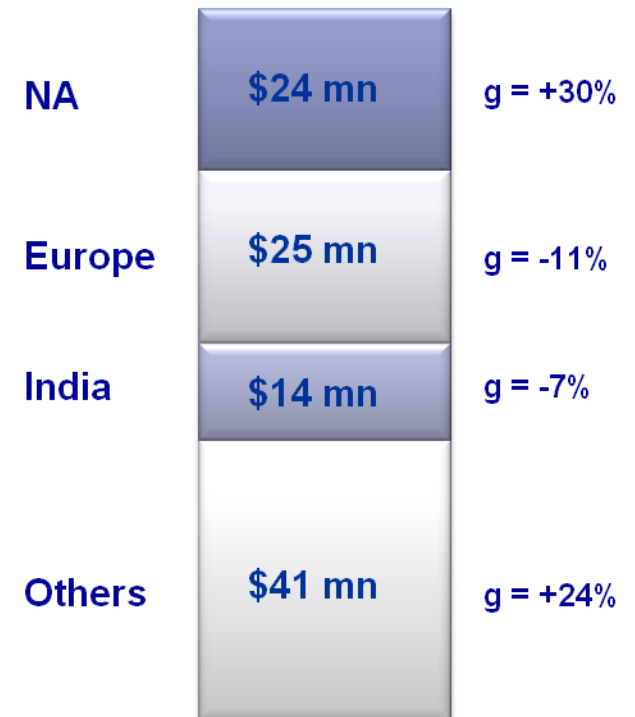
Consolidated Performance

Revenue (\$ Mn)

Global Generics

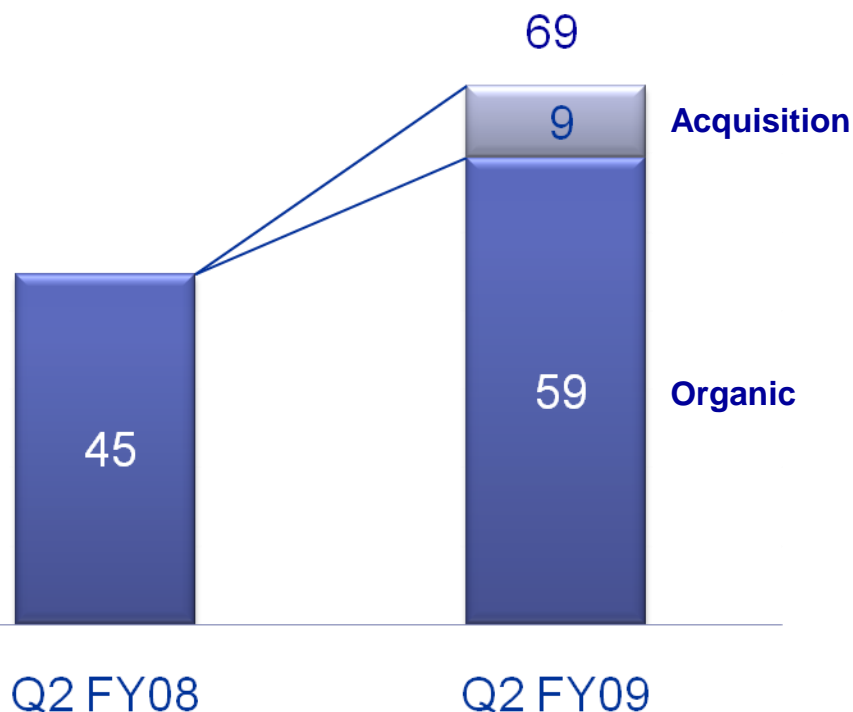


PSAI



North America

Revenue (\$ Mn)

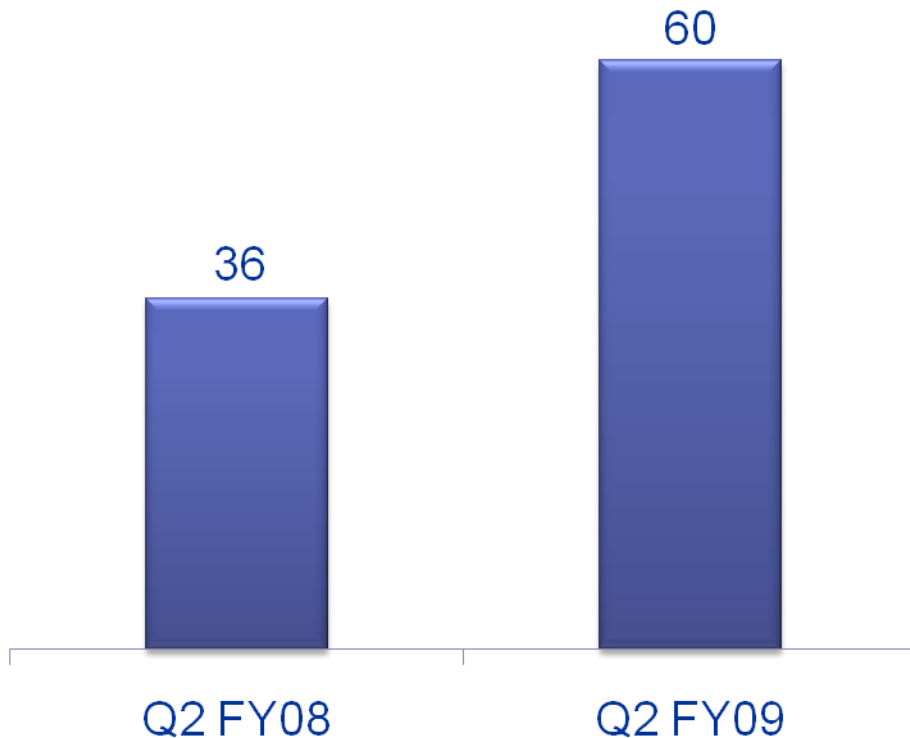


FY08 quarterly run rate of \$ 43 mn

- INR growth of 54%
- \$ growth of 40% (Q2 average rate)
- \$ growth of 32% (Q2 convenience translation rate)
- Growth drivers: Volume growth in key existing products & new product launches (FY08 & H1 FY09)
- 50% of our portfolio in the Top 3 ranks (excludes innovator company)
- Filed 2 ANDAs; 66 (including tentative) pending approval addressing innovator sales of \$ 48 bn.
- 3 new product launches

Germany

Revenue (\$ Mn)



FY08 quarterly run rate of \$ 44 mn

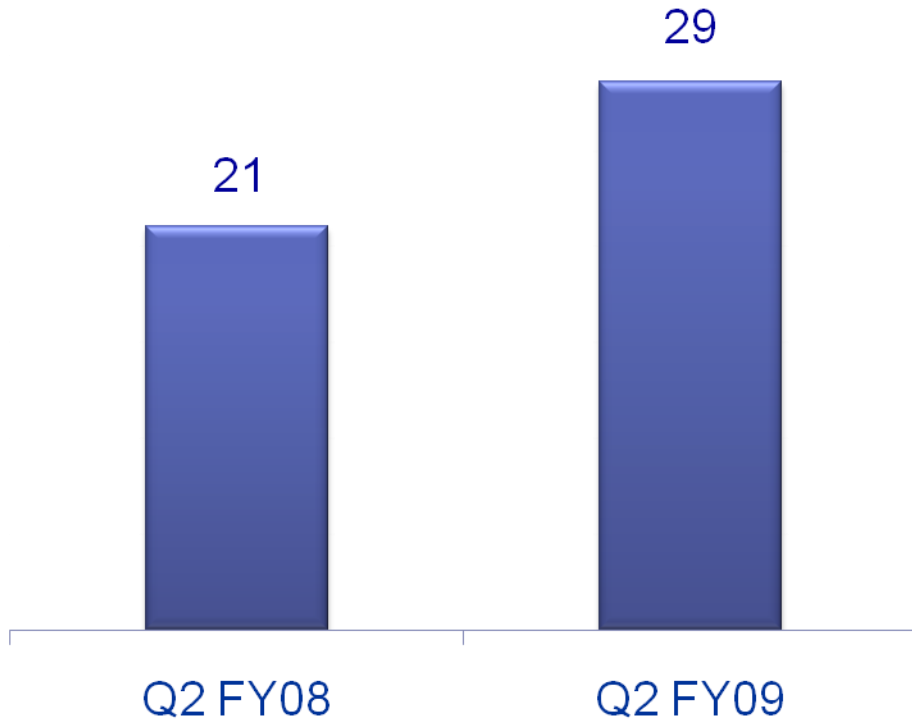
- INR growth of 68% ; € growth of 40%

Growth drivers :

- Sale of seasonal vaccine (in-licensed)
- Volume growth in existing products
- Reduction in stock outs from 12% in Jun 08 to 6.6% in Sep 08
- Filed 10 dossiers and launched 5 new products.
 - Olanzapine : Dec 07 launch – Mkt rank no. 2
 - Risperidone : Dec 07 launch – Mkt rank no. 3
 - Oxycodone : Apr 07 launch – Mkt rank no. 3

Russia

Revenue (\$ Mn)

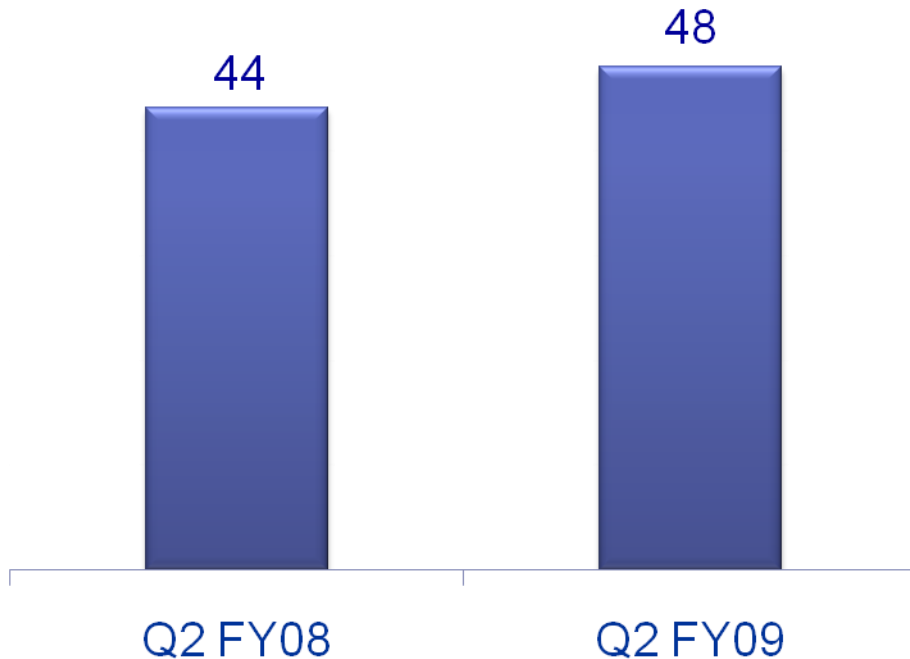


FY08 quarterly run rate of \$ 22 mn

- INR growth of 36%
 - \$ growth of 23% (Q2 average rate)
 - \$ growth of 16% (Q2 convenience translation rate)
- Growth led by key brands : Nise, Ketorol & Cetrine.
- 7th largest generic company in Russia
 - Dr. Reddy's growth rate : 36.2%
 - Industry's growth rate : 36.3%
(Source: Pharmexpert MAT Jun 08)
- 12 brands in the Top 3 ranks
- OTC & hospital segment contribute 28% to total revenues.

India

Revenue (\$ Mn)



FY08 quarterly run rate of \$ 43 mn

- INR growth of 9%.
- Dermatology segment – fastest growing company (ORG IMS MAT Aug 08)
- Foray into inhalers segment with launch of 4 products (Combihale)
- New product launches in the last 36 months contributed 22% to total sales
 - Launched 8 products in the quarter

- Revenue growth of 25% in rupee terms with improved profitability: ***On Track***
- As a % to revenues, GP% at 50%+, R&D spend in range of 7%: ***On Track***
- Launch of sumatriptan as AG in late Q3 FY09: ***On Track***



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Q&A Session