



# 38<sup>th</sup> Annual J. P. Morgan Healthcare Conference

14<sup>th</sup> January, 2020

Dr. Reddy's Laboratories Limited  
Hyderabad, India

BSE: 500124 | NSE: DRREDDY | NYSE: RDY

Dr.Reddy's 

PROPRIETARY

# 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 annual report filed in Form 20-F with the US SEC for the fiscal year ended March 31, 2019, quarterly financial statements filed in Form 6-K with the US SEC for the quarters ended December 31, 2018, June 30, 2019 and September 30, 2019, and our other filings with US SEC. 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.

# More than ever people across the world need access to affordable healthcare

Our purpose and promises remain relevant to achieve this need

## OUR PURPOSE

Good Health  
Can't Wait.



## 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

Working with partners to help them succeed

We are committed to compliance, ethical behavior and sustainability

# Dr Reddy's is on a Transformation Journey

*Creating more opportunities with less risk*

## Healthy Balance

**Sheet** with negligible debt, sustained cash generation, less capex requirement

Leverage strong capabilities to generate **short and long term growth**

Value creation through **multiple growth drivers**, with optimal resources

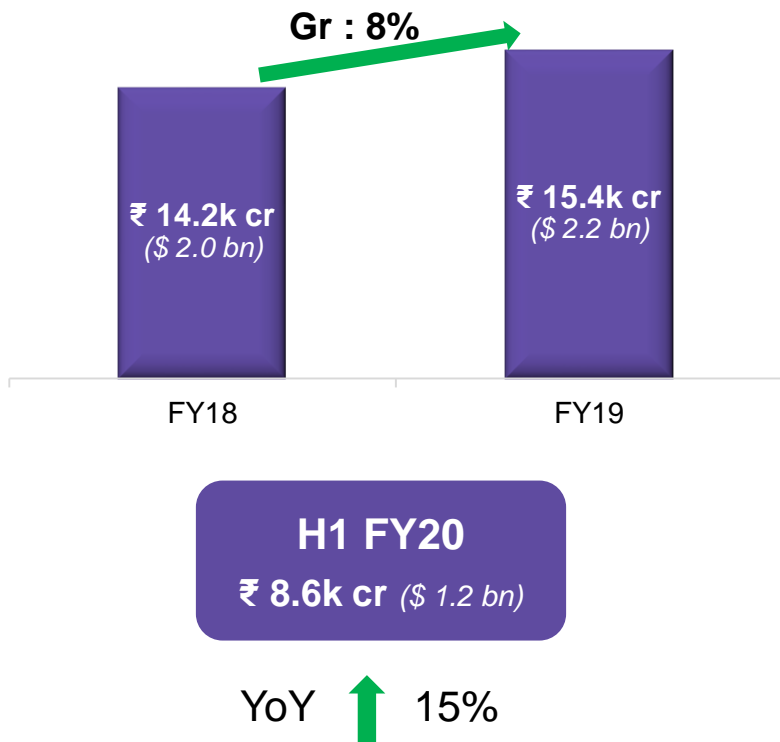
Leverage US portfolio to access global markets; **augmenting the portfolio** offering through R&D and BD / Licensing

**Reduced dependency** on specific products or markets for future growth

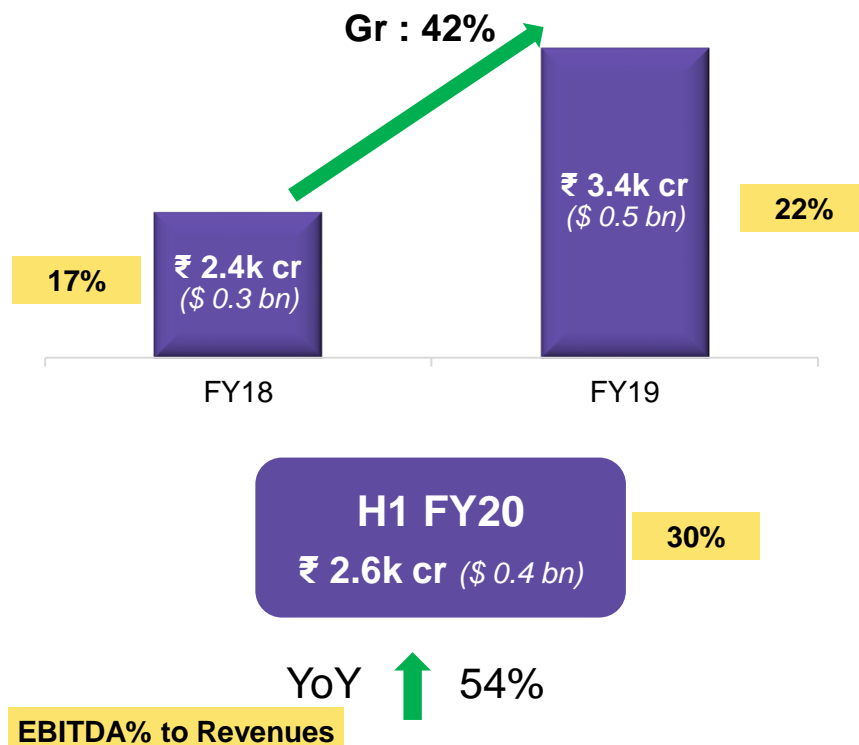
Optimizing the business 'Risk Quotient' through **partnership model** on high risk projects

# Healthy growth in Revenue & EBITDA

Revenues – Stabilized and now on a growth trajectory



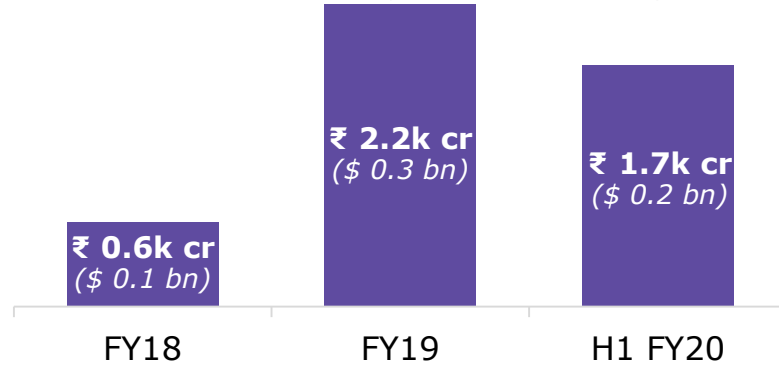
EBITDA – Margins back to growth



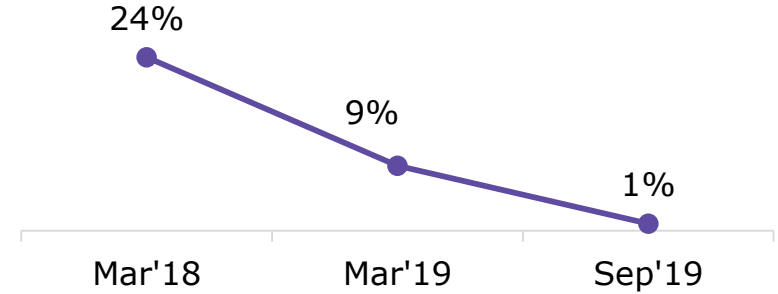
H1 FY 20 financial performance includes certain one-offs: (a) income from divestment of PP Neuro products, (b) Canada Section 8 damages received for Lenalidomide, and (c) impairment charge on certain intangibles (we do a trigger based impairment testing on intangibles every quarter)

# Improving Return Metrics and Strong Balance Sheet, provides us an opportunity to grow further

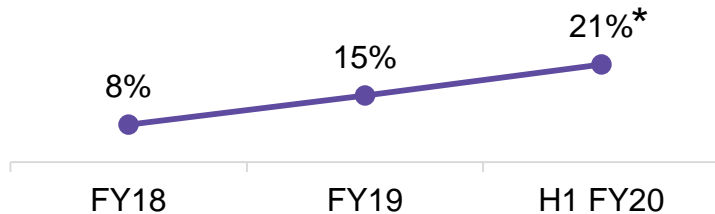
**Free cash flow:** Consistent generation of strong cash-flows



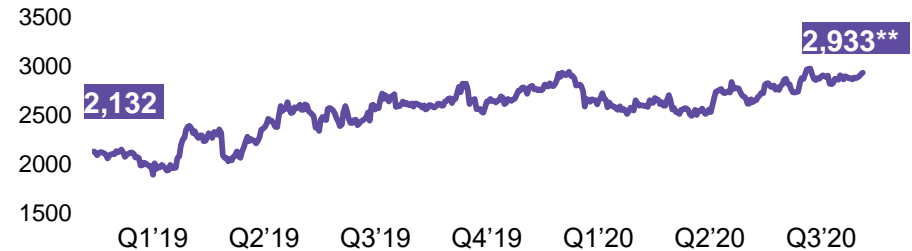
**Net Debt / Equity:** Debt free; providing strength for expansion



**Return on Capital Employed:** Improving year after year



**Total Shareholder Return:** 39% return since April, 2018



\* Annualized (including one-off's)

USD / INR = ₹ 71.30 (rate as on 31<sup>st</sup> Dec, 2019)

\*Including dividend of Rs. 40 announced during the period

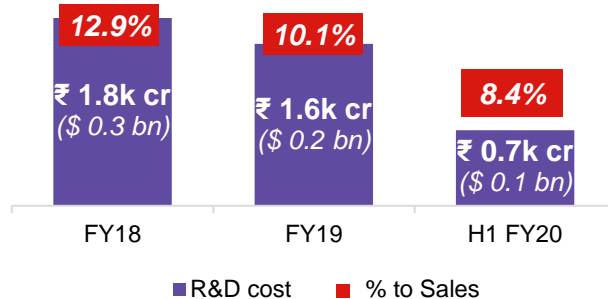
\*\*Closing price as on 10<sup>th</sup> Jan, 2020

# We continue to improve our cost structure and productivity



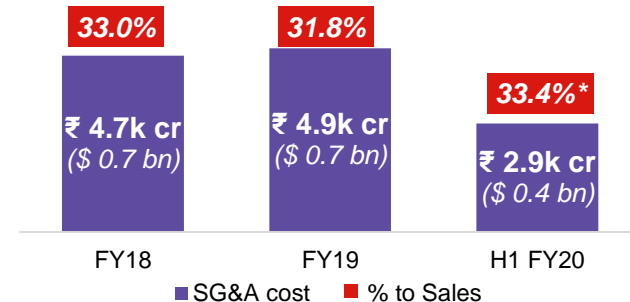
## R&D

- 100+ submissions globally
- Cost improvements programs
- API development



## SG&A

- Sales force effectiveness
- New leaders in Markets



\* including impairment charge

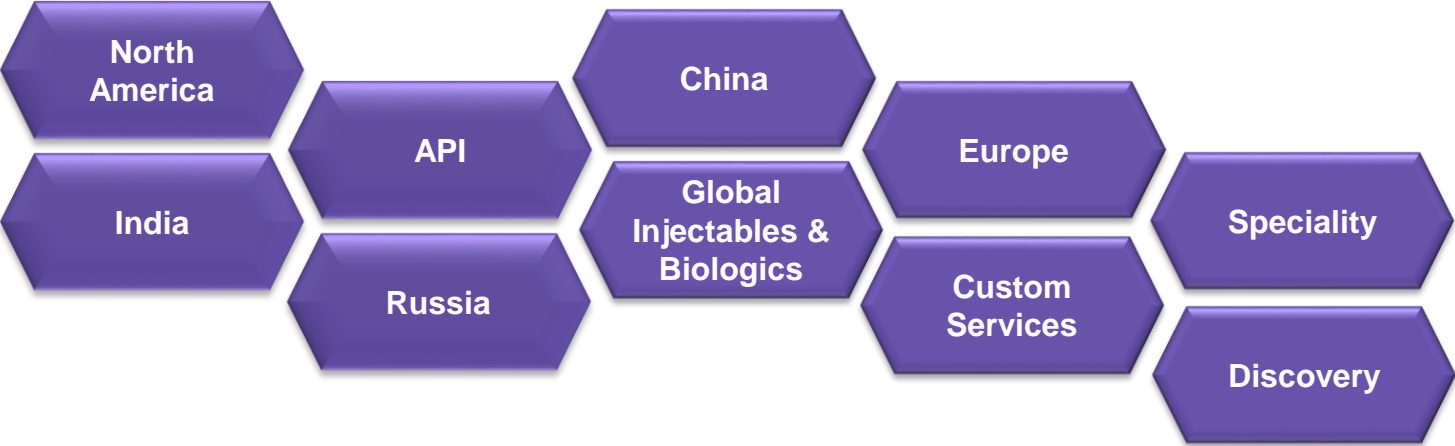
Harness digital & automation

Increase backward integration of API

Better sites utilisation

Manpower productivity

# Multiple growth drivers provide us a good visibility for a long term sustainable growth



**Focus growth and cash generation spaces**

**New growth drivers, leverage model**

**Future value creators, partnership model**

**We also continue to evaluate Inorganic Growth Opportunities across markets and value chain**



# Key Business Updates

## United States

*Stable and diversified business model*

- Improving the **product offering**: Aiming ~ 30 launches in FY 20. 99 pending filings (96 ANDAs + 3 NDAs)\*
- More than two-thirds of portfolio is **ranked 'TOP 3'** in market share in respective molecule markets

## China

*First mover advantage*

- Extending the US **portfolio** to China, benefiting from recent regulatory framework
- Participating in **4 channels**: Branded, GEA products to hospital, GPO and API
- Olanzapine: **won tender** in the Centralized Drug Procurement program, first for any Indian Generics Company

## India

*Improved market rank from 16th to 13th over last year*

- Leveraging Dr Reddy's brand and going **'Beyond the pill'** through various patient centric initiatives
- Ramp up **share in Chronic** and Super-specialty therapies through differentiated and innovative new products
- Entering new **Therapeutic areas and Nutraceuticals**
- Focus on improving **field-force productivity**

## Proprietary Products

*De-risked model with continued focus on development and monetization through partnerships*

- Out-licensed commercial Derma portfolio in FY 19 and commercialized Neuro portfolio in H1 FY 20. Continue to evaluate market opportunities for other assets

\* as on 30<sup>th</sup> September, 2019

# Our Quality Journey

*Committed to excellence in quality and being best in class*

## U.S. FDA Audit Updates

### Sites Previously on Warning Letter

**CTO 6:** Submitted all compliance responses; Awaiting re-inspection

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### Update on recently audited sites

**FTO 7:** Received 8 observations, response sent to USFDA

**CTO SEZ:** Received 4 observations, response sent to USFDA

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### Sites in receipt of EIR & considered compliant

<b>FTO 3</b>	<b>FTO – PU 1</b>	<b>FTO – PU 2</b>	<b>Shreveport</b>
<b>CTO – 1</b>	<b>CTO – 2</b>	<b>CTO – 3</b>	<b>CTO – 5</b>
<b>Mexico</b>	<b>Mirfield</b>	<b>CPS – TDC</b>	

**In addition, our sites have been approved by regulators from ~20 countries (about 40 inspections conducted over a period of last one year)**



# Sustainability & Compliance is our way of life

**Sustainable value chain**

**Affordable & innovative medicines**

**Preserve the Environment**

**Caring for communities**

**Diversity & Inclusivity in Workplace**

**Adherence to the governance, risk & compliance framework**



# We remain committed to our core stakeholders...

## Our Customers

- To continue to accelerate access to affordable and innovative medicines and services
- To focus on patients and health system with high unmet needs

## Our Shareholders

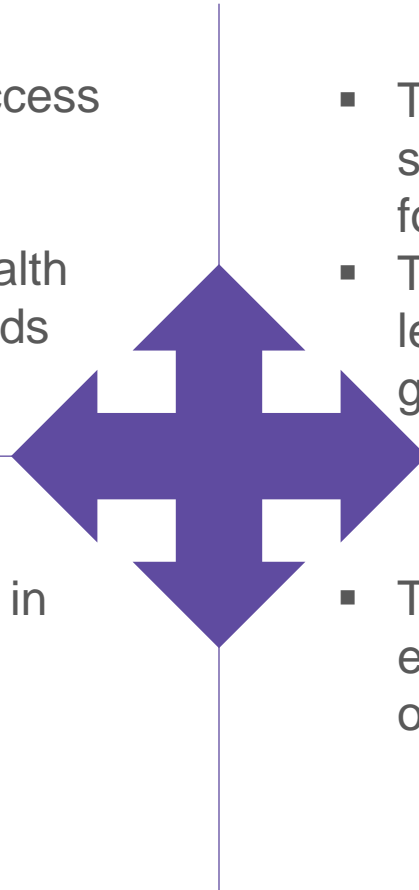
- To continue to drive total shareholder return (TSR) through focused strategy
- To create more opportunities with less risk and strong cash generation

## Our Communities

- To create positive outcomes in our communities
- To ensure compliance, sustainability and caring in everything we do

## Our Employees

- To enable an exciting journey to explore and allow new opportunities and horizons





**Thank you**