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## **FY11 & Q4 FY11 Results Update**

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**May 13, 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 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.

# Consolidated Key Financial Highlights

❑ **FY11 Revenues at Rs. 7,469 crs ; YoY growth of 6%**

➤ Q4 FY11 Revenues at Rs. 2,017 crs ; YoY growth of 23%

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❑ **FY11 Adjusted EBITDA at Rs. 1,642 crs ; YoY growth of 4%**

➤ Q4 FY11 Adjusted EBITDA at Rs. 471 crs ; YoY growth of 34%

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❑ **FY11 Adjusted PAT at Rs. 1,076 crs ; YoY growth of 17%**

➤ Q4 FY11 Adjusted PAT at Rs. 307 crs ; YoY growth of 57%

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❑ **FY11 → Globally 135 new product launches & 163 product filings**

*Note: Adjustments include non-cash impairment of Rs. 860 crs and one time betapharm restructuring costs of Rs. 91 crs in FY10 and profit from sale of land of Rs. 29 crs and benefit of negative goodwill of Rs. 7 crs in FY11 on account of acquisition.*

# Key Updates

- ❑ FY11 RoCE at 17.5%

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- ❑ Launch of fexofenadine pseudoephedrine 24 hrs Rx and fexofenadine OTC

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- ❑ Completion of acquisition of GlaxoSmithKline's US oral penicillin facility and rights for Augmentin<sup>®</sup> and Amoxil<sup>®</sup> brands in US

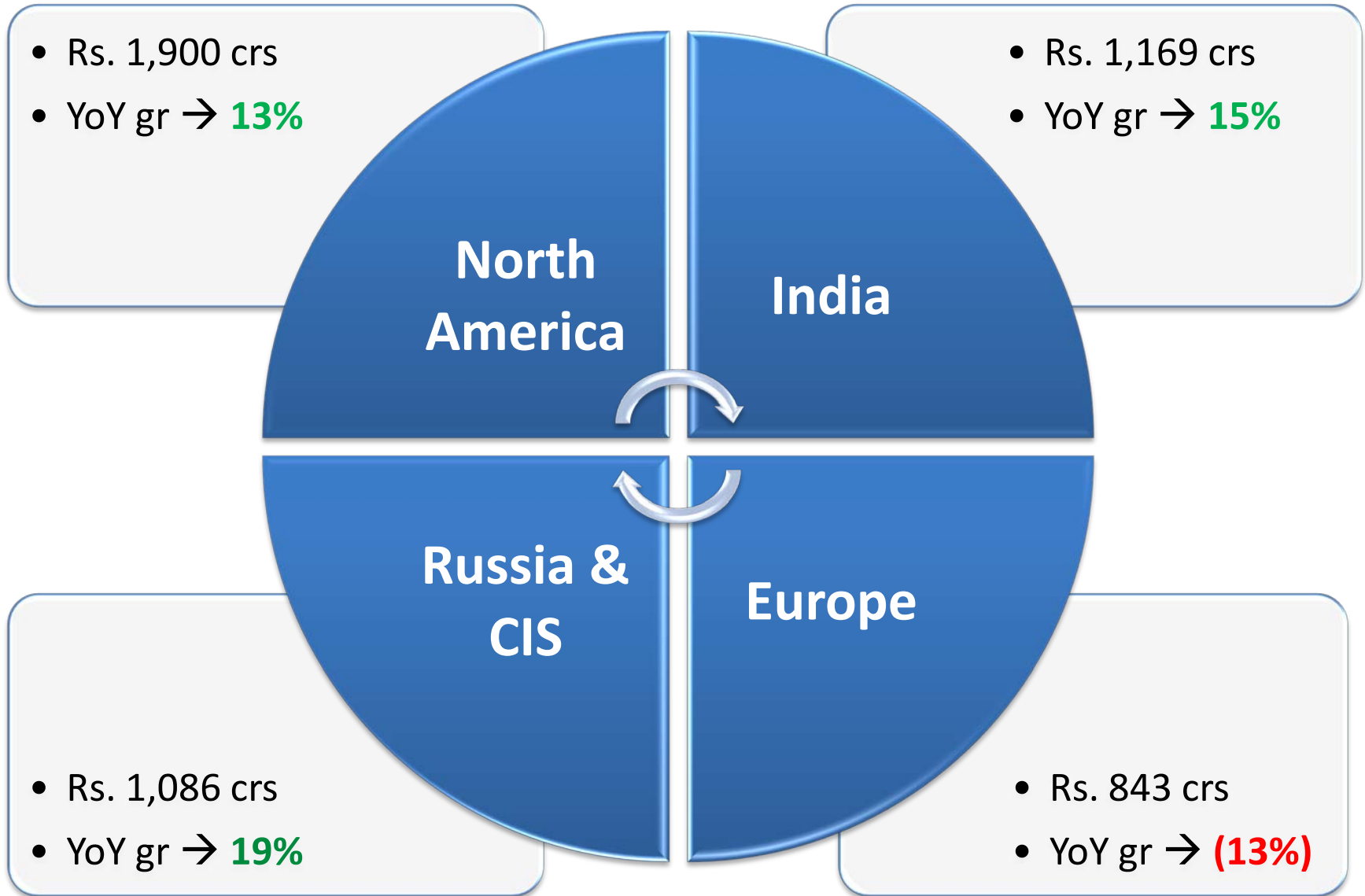
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- ❑ Collaboration with Valeant Pharma to market Cloderm<sup>®</sup> cream in the US

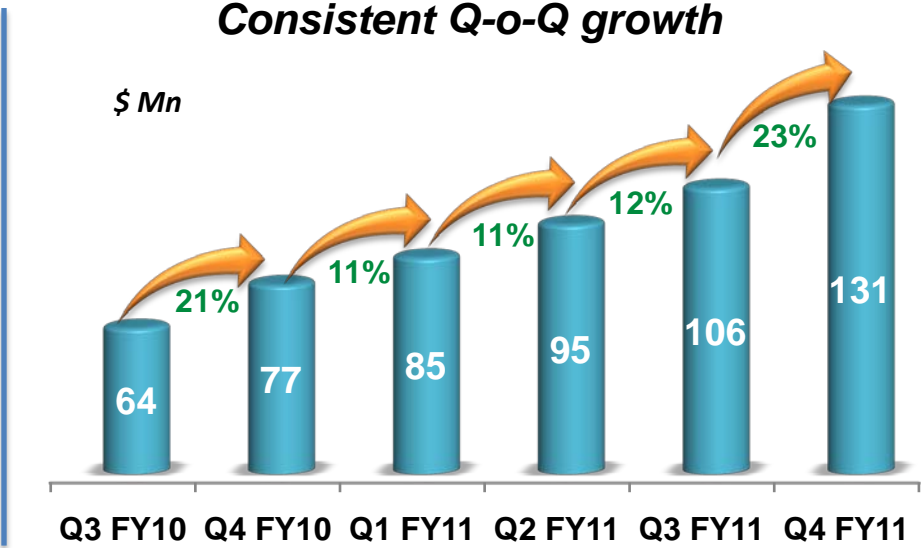
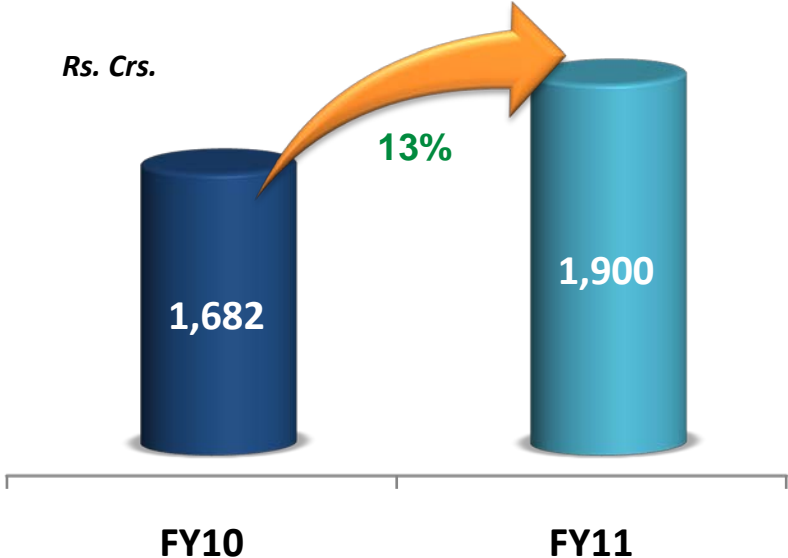
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- ❑ Expansion of R&D centre in Cambridge, United Kingdom

# Global Generics FY11 Revenues at Rs. 5,334 crs



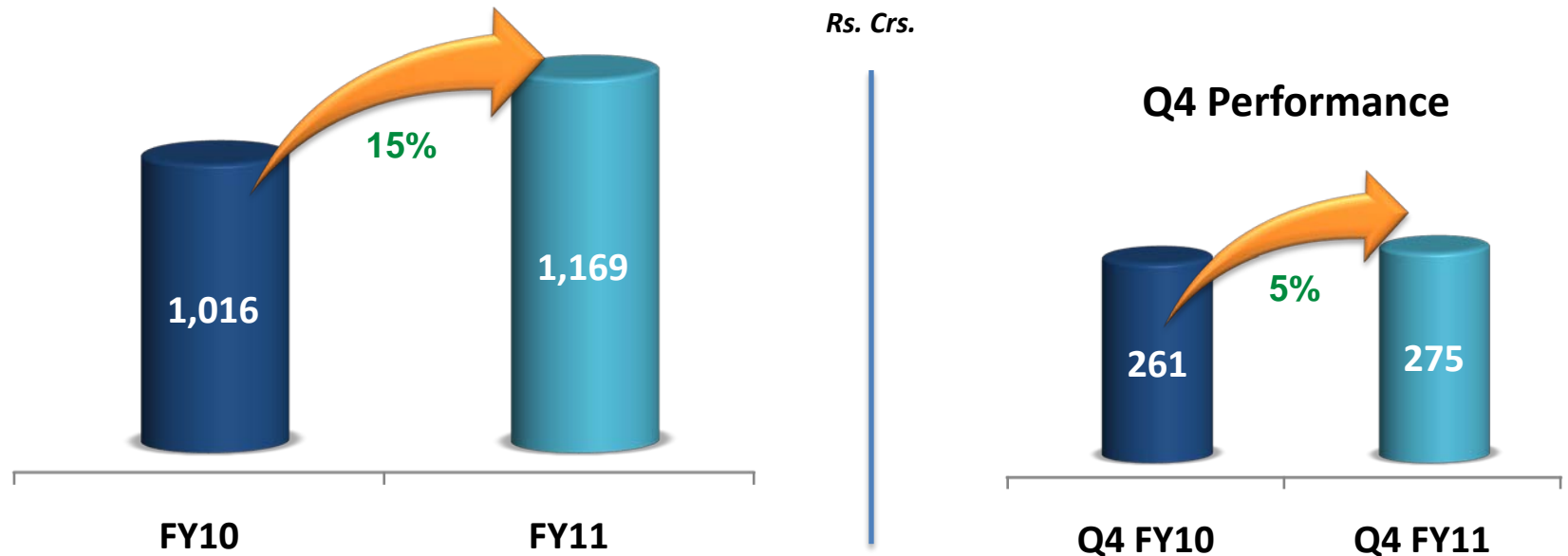
# Global Generics : North America



- ❑ \$ growth of 18% driven by attractive launches (*combination of limited / no generic competition*) including tacrolimus, lansoprazole, fexo-pseudo 24 hrs ; 11 New Product Launches in FY11
- ❑ Strong Rx business → 25 Rx products among the Top 3 ranks in market shares
- ❑ Good traction in OTC business within 3 years → Key products – ranitidine & omeprazole Mg
- ❑ **Outlook for FY12** → Expect significant scale-up on the back of fondaparinux, new customer orders at Shreveport, olanzapine exclusivity, Bristol penicillin business & other new launches

Pipeline :	FY11 Filings	Cumulative	Pending Approvals	Para IVs	FTFs
	20	170	75	37	10

# Global Generics : India



- ❑ 15% growth for FY11 largely driven by volume growth of 11% by key brands such as Omez, Omez D, Razo, Razo D and Reditux
- ❑ 48 new products launched in FY11 contributing to 4% of growth
- ❑ Launch of two biosimilars - Darbepoetin alfa (*Cresp*) and Pegylated GCSF (*PEG Grafeel*)
- ❑ **Outlook for FY12** → Growth above industry growth driven largely by productivity increase in new field force, scale-up of biosimilars portfolio and continued momentum in new product launches

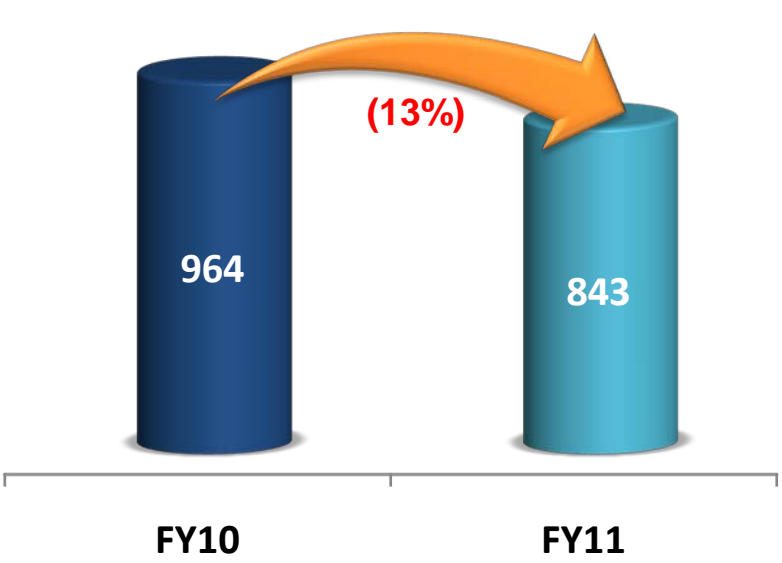
# Global Generics : Russia



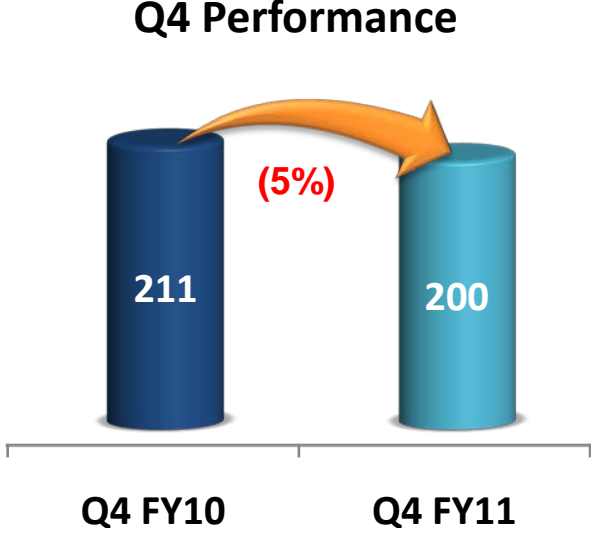
- ❑ YoY \$ growth of 29% driven largely by volume growth & new product launches
  - *Key growth drivers – Nise, Cetrine & Senade*
  - *7 new product launches in FY11*
- ❑ High growth traction in OTC portfolio ; OTC ~ 25% of overall portfolio
- ❑ Continued outperformance of industry's growth
  - *Dr. Reddy's growth of 19% viz-a-viz industry growth of 7.5% (Source Pharmexpert MAT March 2011)*
- ❑ **Outlook for FY12** → Growth above industry growth driven by traction in OTC portfolio and continued momentum in existing large brands



# Global Generics : Europe

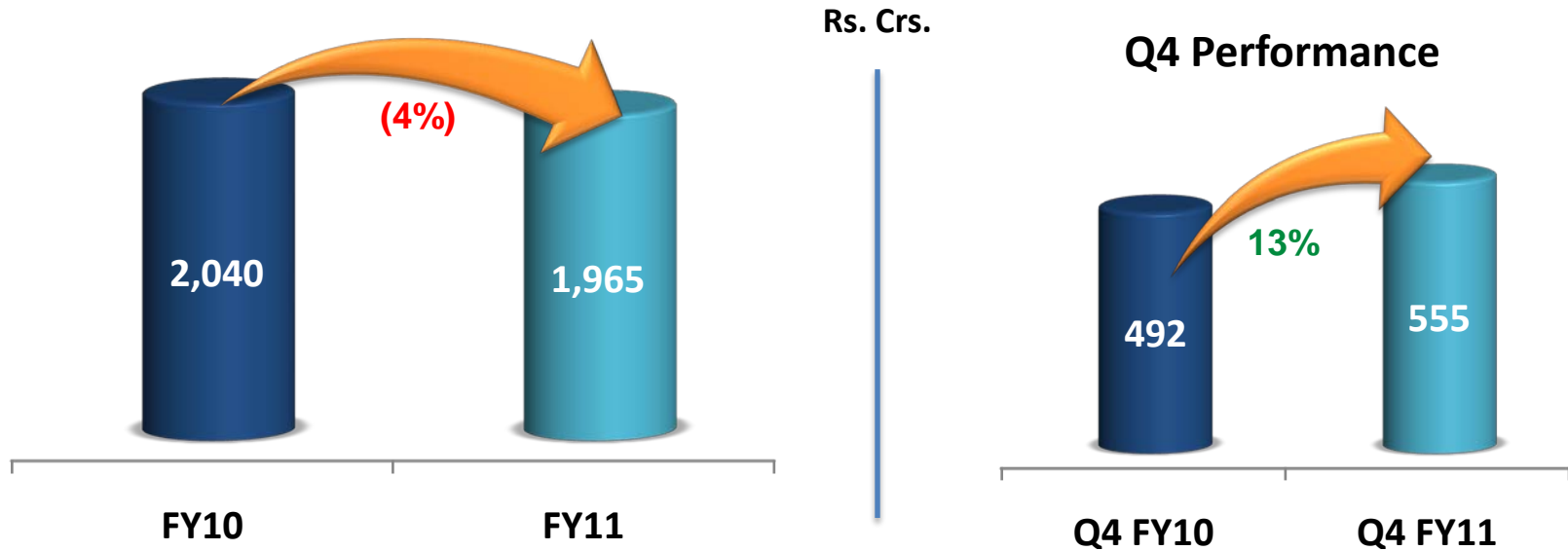


Rs. Crs.



- ❑ Germany revenues at Rs. 546 crs in FY11 declined by 25% largely due to the continuing pricing challenges in Germany
- ❑ Growth in Rest of Europe by 27% driven by out-licensing business
- ❑ Restructuring of Germany led to significant improvement in profitability
- ❑ Positive outcome in recent AOK tender results

# Pharmaceutical Services & Active Ingredients



- ❑ Muted growth ; Growth in Active Ingredients offset by decline in Pharmaceutical Services
  - Improving outlook in Active Ingredients on the back of new product launches and increased order book status
  - Continuing challenges in Pharmaceutical Services due to optimization of investments by large pharma and biotech companies
  
- ❑ 56 DMF filings in FY11 (19 in US, 7 in Europe & 30 in RoW) ; Cumulative global filings at 486

# Proprietary Products

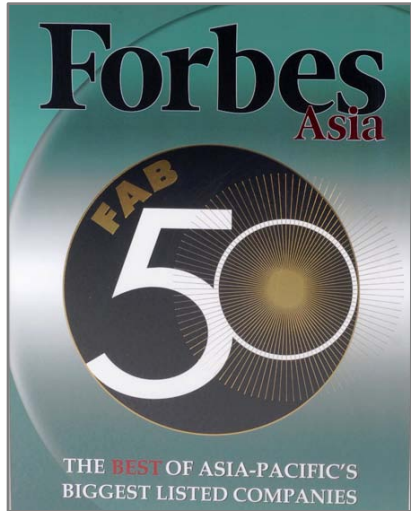
## Differentiated Formulations & NCE

- ❑ Initiated phase 3 studies for our lead dermatology program, terbinafine for onychomycosis
  - ❑ Continue to build the data support for our CETP inhibitor DRL 17822 and are initiating phase 2 studies shortly
  - ❑ During the year, we have filed 3 US INDs for our novel differentiated formulations, two in dermatology and one in the infectious diseases
  - ❑ Pipeline of programs > 20
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## Biologics

- ❑ Recent launches of darbepoetin alfa & pegylated GCSF
- ❑ Active partnering with local partners for Emerging Markets ; 21 pending approvals across markets
- ❑ Pipeline of seven products with three in pre-clinical testing phase

# Recognitions



**Forbes 2010 Asia  
Fabulous 50 Cos list  
One of the  
Best in 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**



**ET & Best Places to work  
Named 'Best Company  
to work for' in biotech/  
pharma industry**

# Summary

## ❑ Positive FY12 Outlook

- Significant new launches in North America Generics, steady Emerging Markets business, improved customer orders in Active Ingredients and revenue flow from the recent acquisitions
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## ❑ Infrastructure expansion

- Capex spend in FY11 → Rs. 883 crs
  - Plan to expand capacities to 25+ billion units in finished dosages
  - Biologics → Plan to increase cell culture capacities from ~1,400 litres to > 5,000 litres
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## ❑ Investments in R&D

- Expect R&D investments to scale-up in biosimilars and generics for FY12



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## Q&A Session

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# P&L → FY11 & Q4 FY11

All figures in Rs. Crs. except EPS

	FY11	FY10	Gr%	Q4 FY11	Q4 FY10	Gr%
Revenue	7,469	7,028	6%	2,017	1,642	23%
Gross Profit	4,026	3,634	11%	1,095	864	27%
% to sales	54%	52%		54%	53%	
SG&A	2,369	2,251	5%	613	581	5%
% to sales	32%	32%		30%	35%	
R&D	506	379	33%	149	95	56%
% to sales	7%	5%		7%	6%	
PAT	1,104	107	934%	335	167	101%
% to sales	15%	2%		17%	10%	
Adjusted PAT	1,076	921	17%	307	195	57%
% to sales	14%	13%		15%	12%	

Note: Adjustments include non-cash impairment of Rs. 860 crs and one time betapharm restructuring costs of Rs. 91 crs in FY10 and profit from sale of land of Rs. 29 crs and benefit of negative goodwill of Rs. 7 crs in FY11 on account of acquisition.

# Key Balance Sheet Items

	<i>Rs. Crs.</i>	
	<b>Mar 11</b>	<b>Mar 10</b>
Cash & Cash Equivalents	573	658
Trade & Other receivables	1,762	1,196
Inventories	1,606	1,337
Property, plant & equipment	2,964	2,246
Loans & borrowings (current & non current)	2,357	1,470
Trade accounts payable	848	932

Net Debt – Equity ratio at 0.39 in Mar 11 from 0.19 as of Mar 10