Investor Presentation

November 2019

Dr. Reddy's Laboratories Limited
Hyderabad, India
BSE: 500124 | NSE: DRREDDY | NYSE: RDY

Dr.Reddy's

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, 2019, 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

PURPOSE

We accelerate access to affordable medicines because

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 believe that the changes in market dynamics have created exciting opportunities. We have what it takes to win in the generics industry

Strong R&D, API, complex generics, biologics, specialty

(1200+ scientists, 350+ PhDs)

Broad portfolio – Differentiated, complex, back integrated

Six spaces set up for growth

(US, China, Russia, India, API, Hospitals)

Commitment to operational excellence, safety, and compliance

Stable ownership and strong management team with dedicated employees

Low cost operations

Strong balance sheet

Quality

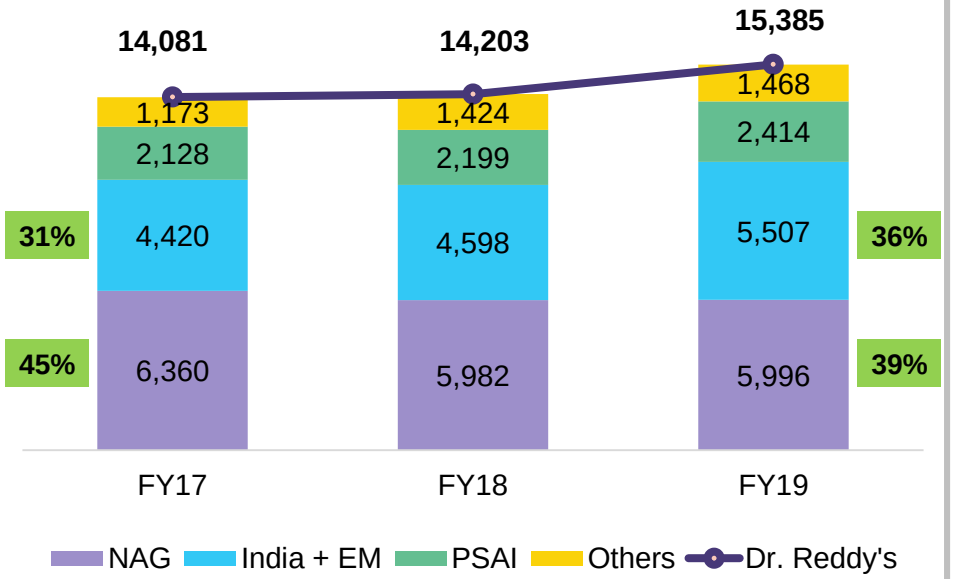
Strong brand identity

Customers & stakeholders orientation

(Customers, Regulators, Vendors, Partners)

We have improved our business performance in last few years...

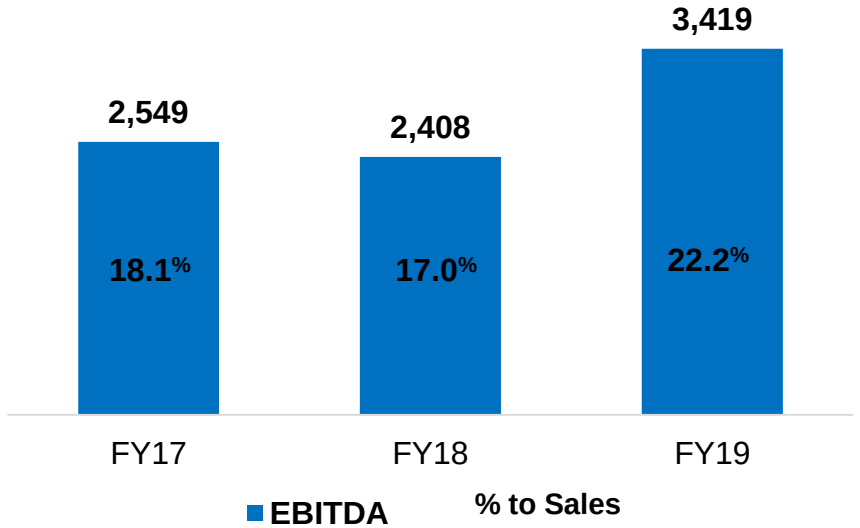
SALES: 2 year CAGR of 5%



We have well diversified revenue streams between generics and branded generic markets.

EBITDA: 2 year CAGR of 16%

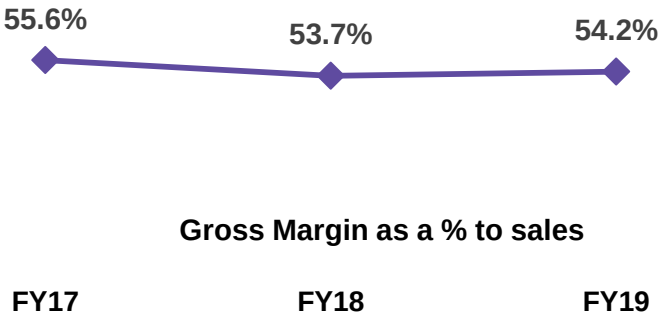
INR Cr.



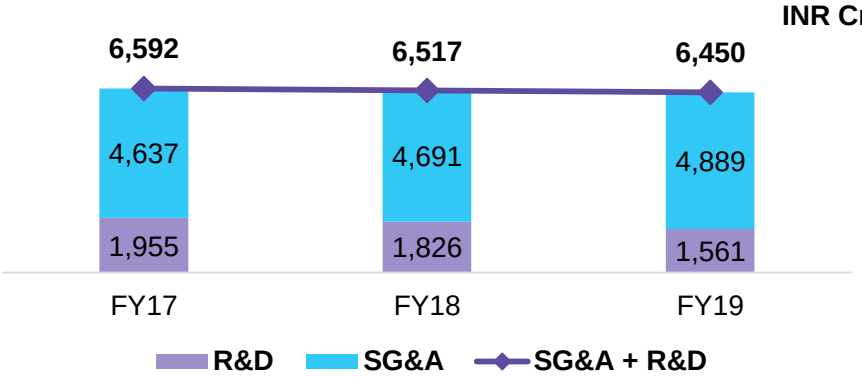
EBITDA margins improving due to optimization of cost and growth in emerging markets

...We are controlling our spend and capex while we remain with a strong balance sheet and are focusing on improving profitability ...

Gross margin holding up despite continuing price erosion in the US



Spend optimization initiatives & improved productivity



Moderation seen in capital expenditure

	FY17	FY18	FY19
Capital Expenditure	1,228	925	696

Headroom available for borrowing

	Mar-17	Mar-18	Mar-19
Net Debt to Equity	0.25	0.24	0.09

We continued on our improvement journey in H1 FY 20

Revenues

INR 8,644 Cr

(YoY growth: 15%)

EBIDTA

INR 2,568 Cr

(% of Sales: 29.7%)

Free Cash Flow

INR 1,724 Cr

PBT

INR 1,616 Cr

(YoY growth: 50%)

R&D Expenses

INR 727 Cr

(% of Sales: 8.4%)

Net Debt / Equity

0.01

**Includes certain one-time payments like Canada settlement, PP brands divestiture and intangibles write-offs*

Recent Updates – H1 FY 20

United States

- **Launched 13 products** including some complex and First- to-market Assets like Daptomycin Inj, Carboprost Inj, Vitamin K Inj, OTC Guaifenesin Pseudoephedrine and re-launch of Isotretinoin
- gCopaxone and gNuvaring: received Complete Response Letter from USFDA; preparing for response

India

Growth faster than the overall market [Dr. Reddy's growth* of **12.7%** vs market growth of 10.5%]

**As per IQVIA MAT September' 2019*

China

Dr. Reddy's emerged as one of **the winners for the supply of Olanzapine** in the centralized drug procurement program; becoming **the first Indian generic company** to have prevailed in the new tendering process

Canada

Received **$ 50 million** as settlement towards Section 8 damages for Lenalidomide

Proprietary Products

- Out licenced ZEMBRACE® SYMTOUCH® (Sumatriptan inj) 3 mg and TOSYMRA™ (Sumatriptan nasal spray) 10 mg, for U.S. **$ 110.5 million** as upfront consideration / near term milestones, and future sales based royalties
- Successful completion of Phase 2B studies for PPC-06 (XP – 23829)

Our Focus continues to be on:

1. Delivering high **growth in emerging markets**
2. Enhancing **customer service**
3. Launching **new products in US and other markets** and continue to **build a healthy pipeline**
4. Improving **efficiency and cost controls**, elimination of waste
5. Divesting **non strategic assets and brands**
6. Improving **internal processes**
7. **Engaging with USFDA** to resolve outstanding concerns and **focus on quality**

Our Quality Journey

We are 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

Update on recently audited sites

FTO 7 Sterile Plant: Received Form 483 with 8 observations, response sent to USFDA

CTO SEZ: Received Form 483 with 4 observations, response sent to USFDA

Sites in receipt of EIR & considered compliant

FTO 3	**FTO – PU 1**	**FTO – PU 2**	**Shreveport**
CTO – 1	**CTO – 2**	**CTO – 3**	**CTO – 5**
Mexico	**Mirfield**	**CPS – TDC**	

In addition, our sites have been approved by regulators from ~20 countries

Six spaces which will drive significant growth

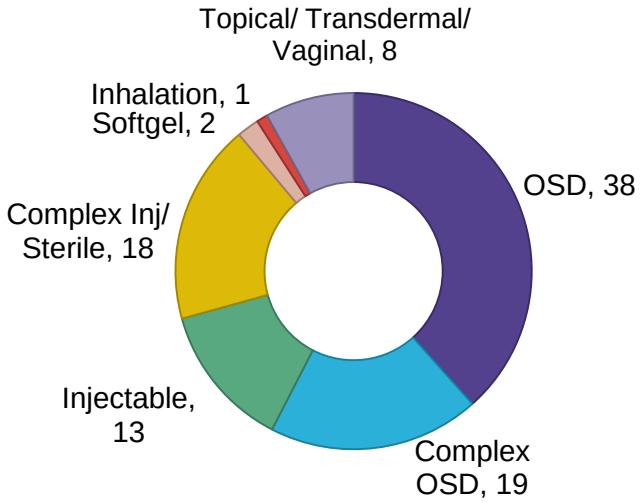
1

US Generics

- 99 products pending approval in US*
- Ramp-up in New launches
- Providing great customer service

We have a healthy pipeline of First-to-market, complex Products

NUMBER OF PENDING FILINGS* BY DOSAGE FORM



** Filings as of September 30, 2019*

13 products launched in the US during the H1 FY 20

PIPELINE HIGHLIGHTS

96 pending ANDAs & 3 pending NDAs [505(b)(2)s]

- No incl. **55 para-IV** and we believe **31 have first to file** status

Fast-following on potential OTC switches

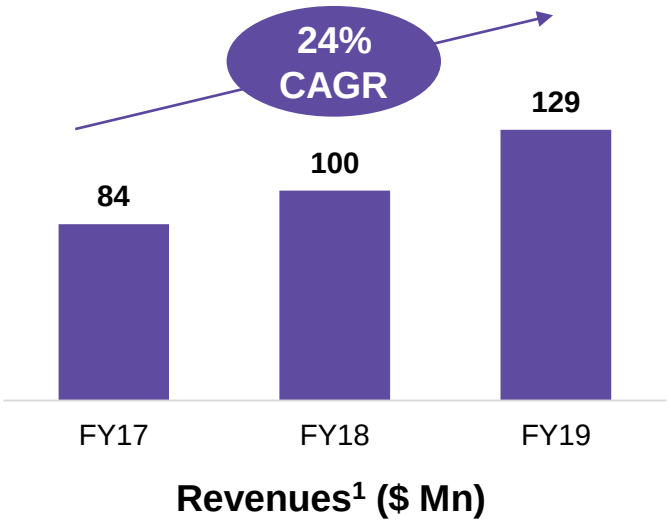
Six spaces which will drive significant growth

2

China

- We are looking for sustainable high growth in China
- Many of our US products meet the new Chinese requirements
- First Indian company to win a National tender in China, bagged the rights to supply Olanzapine

High CAGR in China



Revenues[1] ($ Mn)

What are we going to do in China?

- Select and launch products that meet local requirements
- Scale up local manufacturing
- Scale up partnerships in identified therapy areas

We have been present in China for ~20 years

- Established credentials with Regulatory agencies
- Local Manufacturing experience
- Familiarity with commercialization in all provinces of China

1 – Includes JV Revenue

Six spaces which will drive significant growth

3 Russia + 4 India

- Focus on mega brands
- Focus on leveraging Dr. Reddy's brand
- Develop and launch clinically differentiated products

5 API

- Partner of choice for global generics manufacturers effectively
- Global Leadership through cost, service and back integration

6 Global Hospitals incl. Biologics

- Leverage portfolio to reach high number of patients
- Build sustainable business and financial model to fund biosimilars

Key Strategic Priorities

Focus on execution in the short term…

Focus on profitable growth and shareholder returns

- ✓ Growth in all markets and launch new products

Improve efficiencies and our cost structure

Focus on compliance and quality

Key Strategic Priorities

...And ensure growth in the long term

Continue to build our global portfolio

- ✓ Divest non strategic assets

Strengthen our positioning with organic and inorganic moves

- ✓ Selective inorganic moves to complement our capabilities

Build strong leadership teams and enhance our internal processes

Thank you