



# Investor Presentation

**June 2023**

Dr. Reddy's Laboratories Limited

Hyderabad, India

BSE: 500124 | NSE: DRREDDY | NYSE: RDY | NSEIFSC: DRREDDY

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, 2023, quarterly financial statements filed in Form 6-K with the US SEC for the quarters ended June 30, 2022, September 30, 2022, December 31, 2022, 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.

*All financial numbers in this presentation are as per IFRS consolidated financial statements*

# Our purpose guides and energizes us on our journey

Our credo

**Good  
Health  
Can't  
Wait.**

translates into three pillars



## Access

To serve as many patients as possible across the world



## Affordability

operational excellence and productivity to deliver care affordably to patients



## Patient-centric Innovation

Focused innovation to identify and address unmet needs of patients

# Dr. Reddy's is uniquely positioned to create sustained Shareholder Value



Strong & Established Core businesses  
(API, Gx, OTC, Biosimilars)

Diversified presence across  
markets (US, Europe, India,  
Russia, China, Brazil & other EM)



Future growth opportunities  
(NCEs, CDMO, Nutra, others)

Digitalization focus across  
marketing, R&D and  
manufacturing operations



Emphasis on productivity and  
efficient resource utilization

Compliance driven, Strong focus  
on Quality



High ESG focus with proactive  
initiatives

Strong Balance Sheet to support  
organic and inorganic moves



# FY23 Highlights (1/2)

## 1 Healthy business growth

- Revenues in North America Generics & in Branded markets of India & EM crossed \$ 1 bn mark for second consecutive year

## 2 Launched **Lenalidomide capsules** in the US (as part of the volume limited settlement with innovator)

## 3 Healthy EBITDA at 30% and RoCE at 35%

## 4 Strong Free Cash Flows, leading to a net cash surplus of \$ 614 mn

## 5 Acquisitions of –

- Cardiovascular brand **Cidmus®** in India
- **Mayne Pharma's US generic product portfolio**
- **Eton's branded and generic injectable products in the US**

## 6 Enhanced focus on core by **divesting certain non-core brands in India**



# FY23 Highlights (2/2)

- 7 Significant **progress in biosimilar** business
  - **Launch** of biosimilar Stimufend® (**Pegfilgrastim**) by **Fresenius Kabi** in **US**
  - **Clinical studies of Rituximab** biosimilar **completed and filed** in **US, EU and UK-MHRA**
  - **Phase 1 study of Tocilizumab** biosimilar **completed** and **Global Phase 3 study initiated**
- 8 Settlement of the impending IP litigation for **gSuboxone**
- 9 Our largest manufacturing facility in Hyderabad, joins **Global Lighthouse Network** of the World Economic Forum
- 10 **Horizon-2 strategic licensing deals** with –
  - **CardiaCare** (wearable for atrial fibrillation treatment)
  - **Theranica** (wearable in migraine management)
  - **WZTL** (third generation CAR-T asset for clinical trials in India)
  - **Junshi's Biosciences** (Toripalimab in India and other markets)



# We are transforming into a digital organization

**FTO-3, our largest manufacturing facility, designated as an 'Advanced fourth Industrial Revolution (4IR) Lighthouse' by the World Economic Forum**



**Our aspiration is to be the most efficient pharma operations in the world**

- Journey so far –
  - Digitization of infrastructure & processes
  - Project 'OpsNext' - Six Industry 4.0 technologies, 40+ use cases and heavy investment in people capabilities
- Significant business results seen –
  - 43% manufacturing cost improvement
  - 30% reduction in production lead time
  - 41% energy consumption reduction
- On-going efforts to –
  - Stay competitive
  - Meet business imperatives
  - Achieve ESG goals

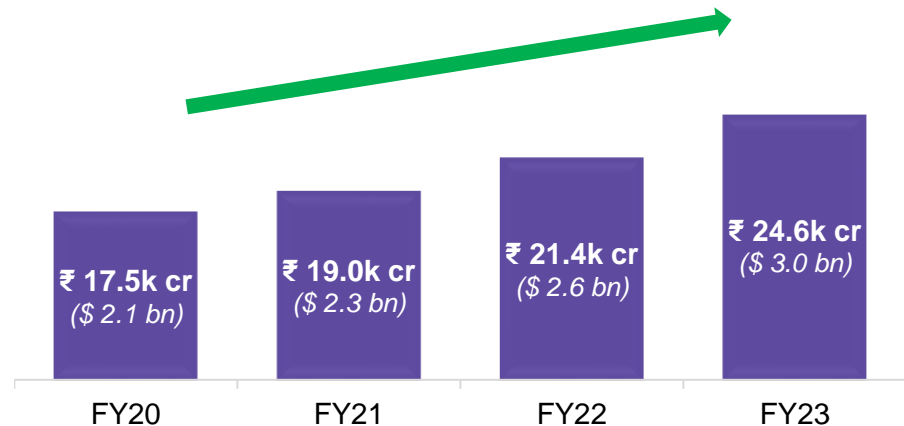
# Financials



# Sustaining double digit growth in Revenue & EBITDA

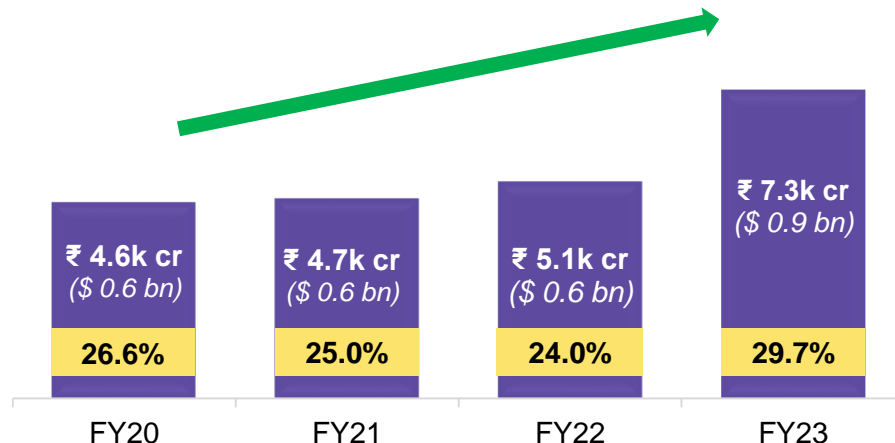
## Revenues

CAGR: 12.1%



## EBITDA

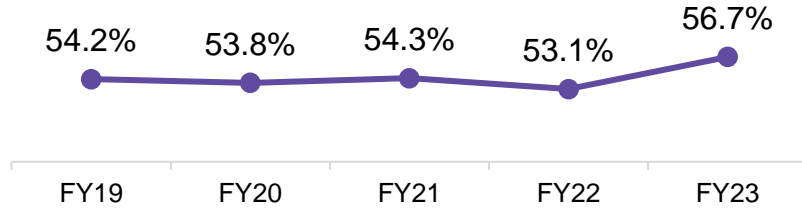
CAGR: 16.3%



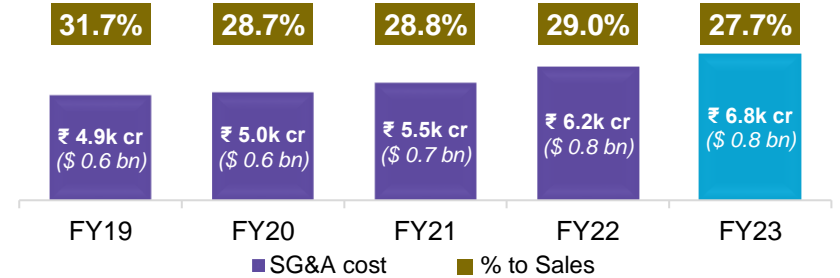
EBITDA% to Revenues

# While we continue to drive productivity, we are also investing for future growth

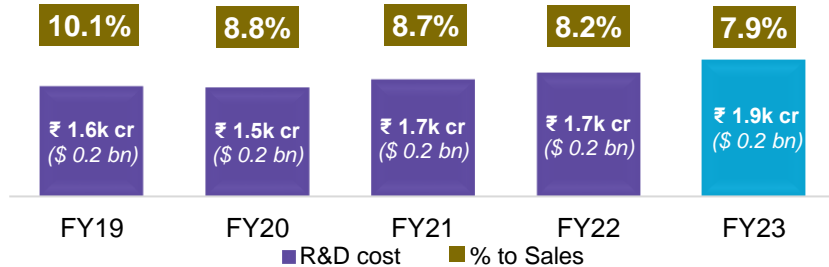
**Gross Margin:** Increase driven by high margin new product sales & higher government incentives



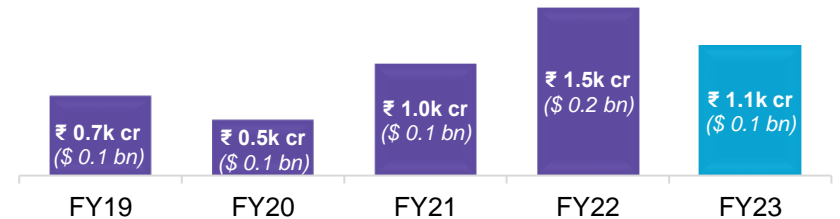
**SG&A:** Investing in brands and digital capabilities



**R&D:** Focus on high value generics including biosimilars

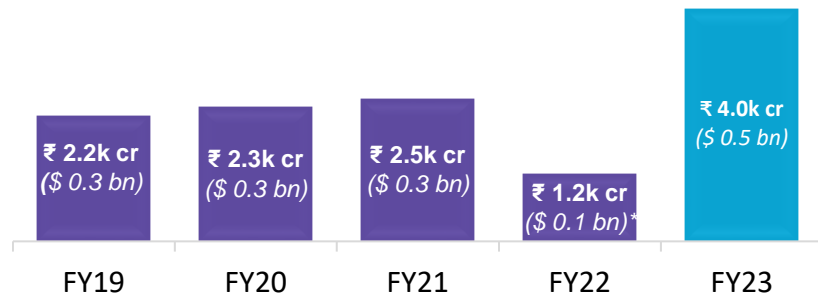


**Capital expenditure:** Selectively investing to augment capabilities, including injectables and biosimilars



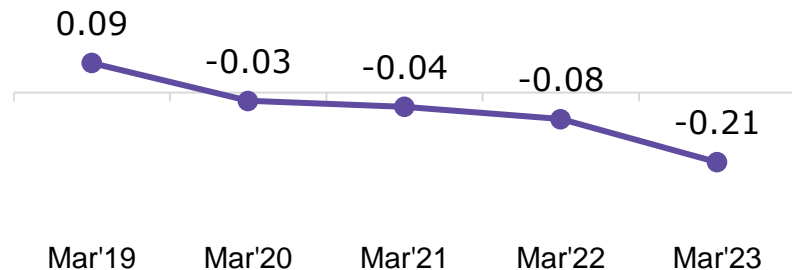
# Improving Return Metrics and Strong Balance Sheet, provides us an opportunity to grow further

**Free cash flow:** Robust cash-flow generation from operations

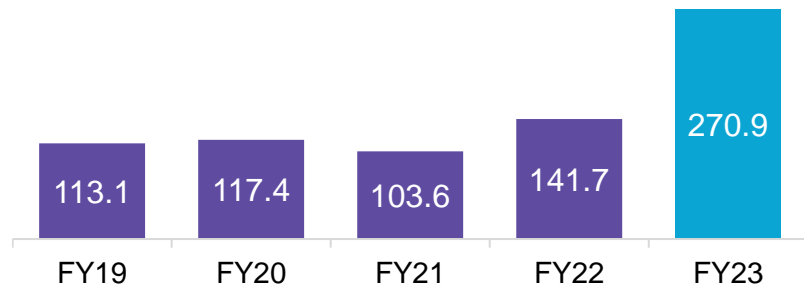


\*Lower due to planned unwinding of receivable discounting by 0.9K cr

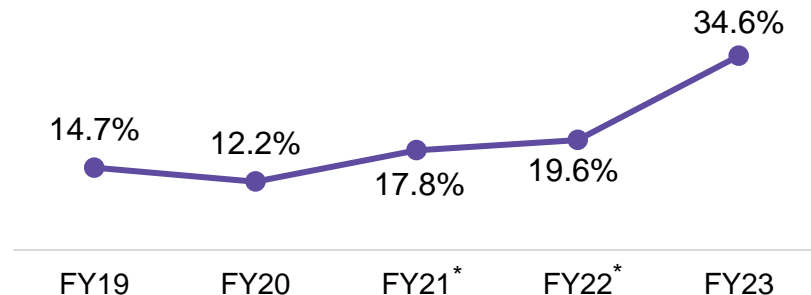
**Net Debt / Equity:** cash surplus; providing strength for expansion



**Earnings Per Share (in INR)**

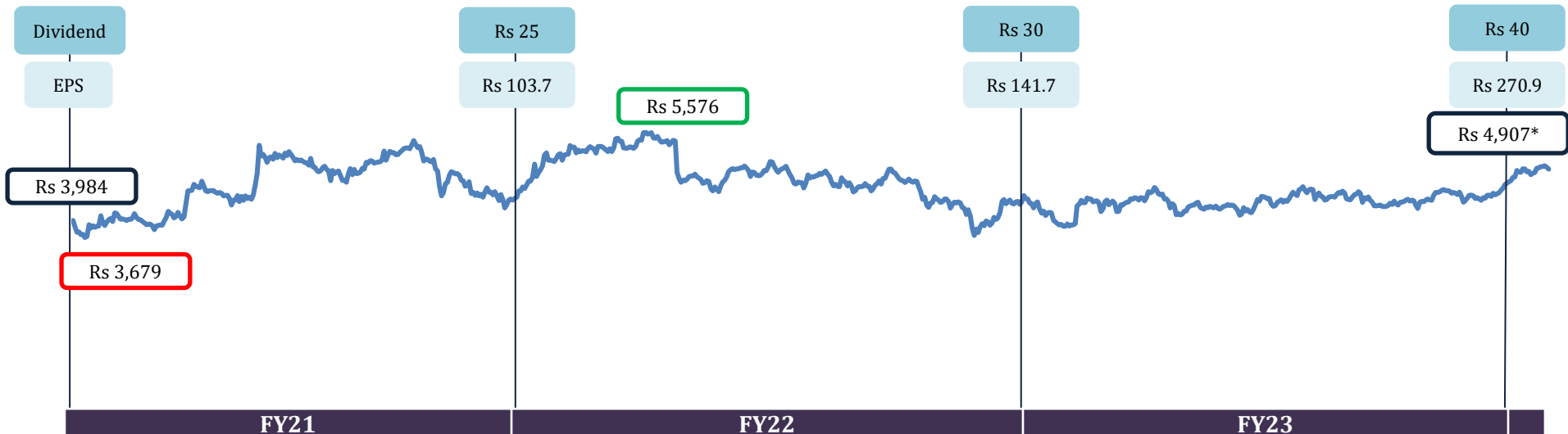


**Return on Capital Employed:** Significant improvement seen



\*Impacted due to impairment charge taken

# 3-year Total Shareholder Return



\*Closing price of May 8<sup>th</sup>, 2023; Opening rate as of May 9<sup>th</sup> 2020

Total Shareholder Return (3 Years)



Dividend + Capital Gains  
Rs. 1,003

Dr Reddy's  
CAGR

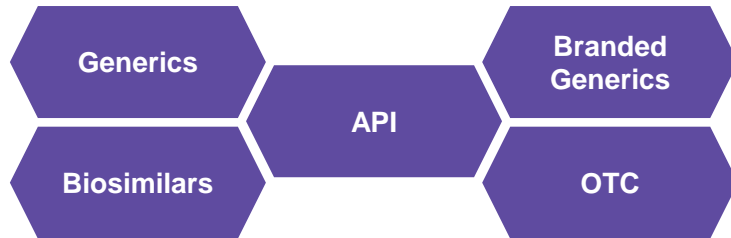
3 Year : 7.8%

5 Year : 19.5%

# Business Strategy

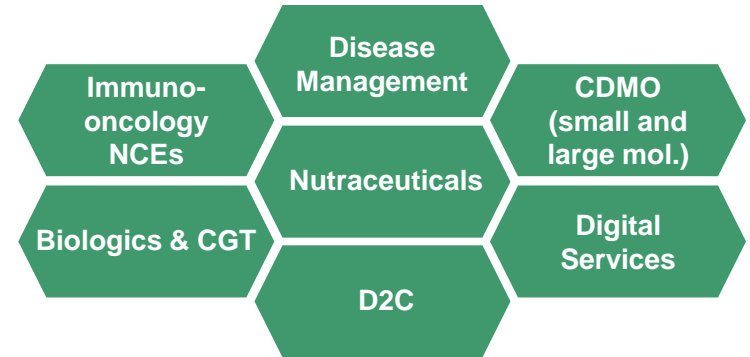
# We continue to progress on our journey in two horizons...

## Horizon 1 – Growing the core



*(drivers in short to medium-term)*

## Horizon 2 – Building the future



*(drivers in short to long-term)*

...to deliver our future aspiration



### **Growth**

Serving 1.5Bn+ patients (3X from current baseline)  
Double digit revenue growth



### **Returns**

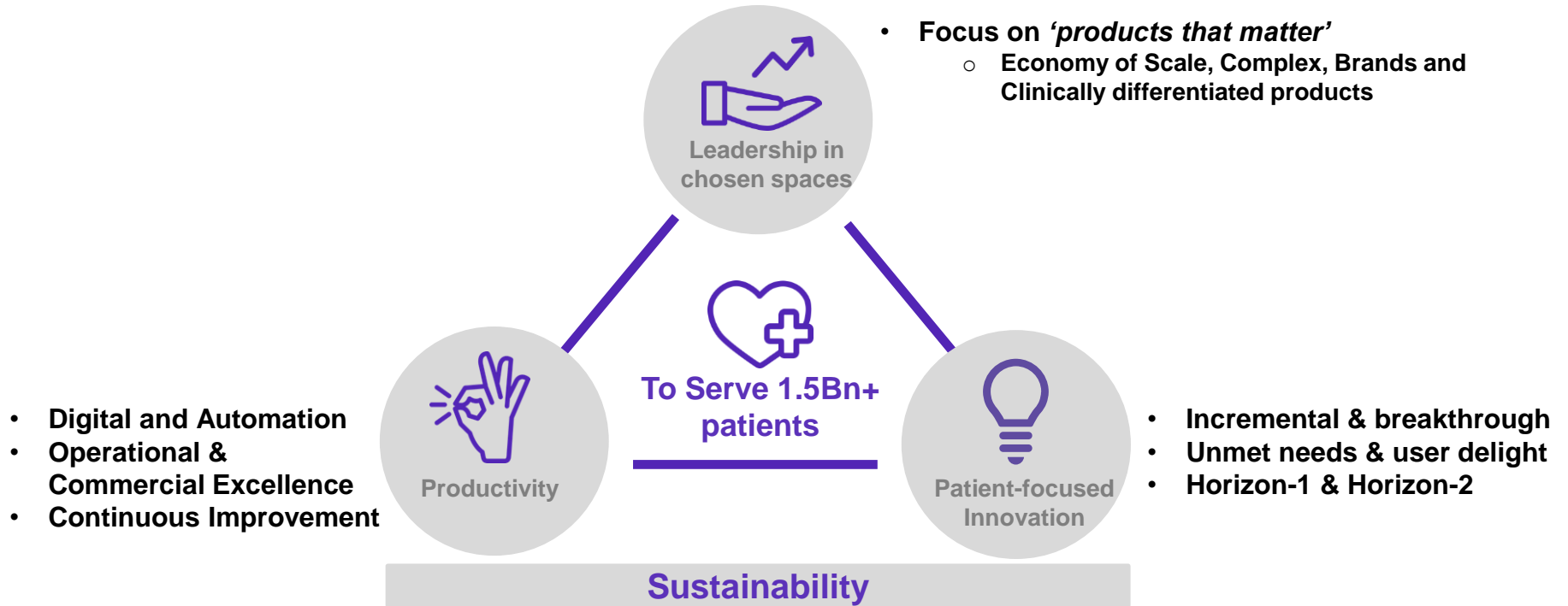
25% EBITDA and 25% ROCE



### **Sustainability**

Be a leader

# With patient at the center, our execution is driven by three pillars of Market Leadership, Productivity and Innovation





# Core businesses – Generic Markets

## North America – Growth in 9 out of last 12 quarters

### Win in channels

<b>Retail</b>	<b>60%+ products are ranked 1-3</b>
<b>Institutional</b>	<b>58%+ products are ranked 1-3</b>
<b>OTC</b> <i>Private label</i>	<b>Ranked 2 in Rx-OTC segment</b>

- **190+ commercial products**
- **Robust pipeline\* of 175+ products, 81 of them filed**
  - ~40% Injectables/ Sterile products
  - 25+ complex products
  - At advanced stages on multiple platform technologies - Particulate Systems, Microsphere & Liposomal, Peptides platform, Emulsions and Suspensions
- **Focus areas**
  - **Horizon-1** – Injectables, retail generics productivity, OTC & direct to patients
  - **Horizon-2** – Biosimilars, digital solutions, drug-device combos & immune oncology

## Europe – 21% sales CAGR in last four years

### Continuous Growth & expansion

<b>5</b>	<b>New countries added in the last year</b>
<b>185</b>	<b>Commercial products</b>

- **Strong pipeline\* of biosimilars and generics**
- **Focus areas**
  - **Horizon-1** – Build scale in EU5 (Germany, UK, Spain, France & Italy), selective expansion to other markets & first to market launches
  - **Horizon-2** – Branded businesses (Differentiated branded & OTC), New spaces (Pharmaceutical Cannabis) & Biosimilars

# Core businesses – Branded Markets

## India – 2X growth in last four years

### Driving strong outcome

16	Brands in IPM Top 300
15+	Brands with >100Cr+
12	MQT Rank in the IPM

- Aim to be among Top-5 in India
- Focus areas
  - **Horizon-1** – Build big brands, winning in chosen therapy/ disease areas (through differentiated portfolio & inorganic play) & S&M productivity (using digi-analytics)
  - **Horizon-2** – Nutraceuticals, OTC, biologics, CAR-T, NCE / NBE, condition & disease management, digital ecosystem play & others

## Emerging Markets – 2X growth in last five years

### Driving strong outcome

13	Markets added in last 5 years
48	Serving patients in 48 countries
11	Brands with >100Cr+
520	Filings in last 4 years

- **Russia** – 40 products, 6 mega-brands, & 800+ employees
- **China** – Double-digit filings annually
- Focus areas
  - **Horizon-1** – Grow Mega-brands (Rx & OTC), Leverage global portfolio in EM & S&M excellence
  - **Horizon-2** – Differentiated formulations, Nutrition portfolio, Biologics, NCE / NBE, Disease management & Direct-to-Customer

# Core businesses - Our PSAI business is...

- A** Essential for our competitive advantage
- B** Key to leveraging our current portfolio across markets
- C** Key to enable global access to address unmet patient needs

## 1 API

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Develop, manufacture and sell APIs to customers globally

*Aim to backward-integrate 70%+ core molecules in next 5 years*

*225+ active DMFs, 55+ products in pipeline*

## 2 API+

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Institutional & B2B sales of value-added offerings above the API

*Currently in 25+ countries; Aim to be in 60+ countries in next 5 years*

## 3 Discovery + CDMO (APSL)

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Discovery + CDMO services to originator & biotech companies

*Serving 3 of top 5 innovators and 120 biotech companies globally*

## 4 Health access business

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Working with public health institutions to enhance access

*5Mn+ lives during Covid-19; Aim to impact 500Mn+ lives in the next five years*

# Biologics - We are scaling-up to build a global Biosimilars business in Horizon-1 and CGT and CDMO in Horizon-2

Scaling-up current Biosimilars business

- ❑ We are building a **Global biosimilars business** with **Highly Regulated Market Approvals** focused on development of Monoclonal Antibodies and complex fusion proteins
  - **PEG-GCSF#**: Launched in US and Europe markets with our partner
  - **Rituximab**: Completed Global Safety Efficacy trials and expected filing for regulated markets by Q1 FY24
- ❑ We have a current portfolio of **6 commercial products** in **India** and in **27+ Emerging Markets**
- ❑ **Robust pipeline** of \$50Bn+ of Innovator Peak Sales
- ❑ **Focus areas: Oncology & Auto-Immune disease**

12

Products in pipeline across various stages of development; 1 approved

By FY24

- 5 products in clinical phase
- 2 additional products scaled-up

Building Biologics

Other Modalities such as Anti-body Drug Conjugates, Cell-Gene Therapy

CDMO Biologics

# We are doubling down on our innovative work on cancer with the mission of conquering cancer through our subsidiary Aurigene Oncology

350+  
Scientists

200+  
NCE patents

80+  
Discovery  
projects

19+  
Under  
clinical devp.

20+  
Years of  
exp.



**Aurigene Oncology**  
Conquering Cancer

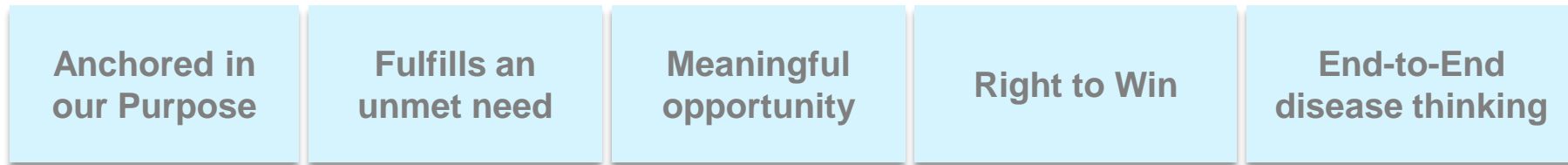
- Our focus – To discover & develop therapeutics to improve lives of cancer patients
- Contributed to deliver 19 novel chemical entities for clinical development
- Out-licensed several first/best-in-class compounds
- Recently established capabilities in anti-body drug discovery and Cell & Gene Therapy

## Healthy product pipeline in discovery and clinical development

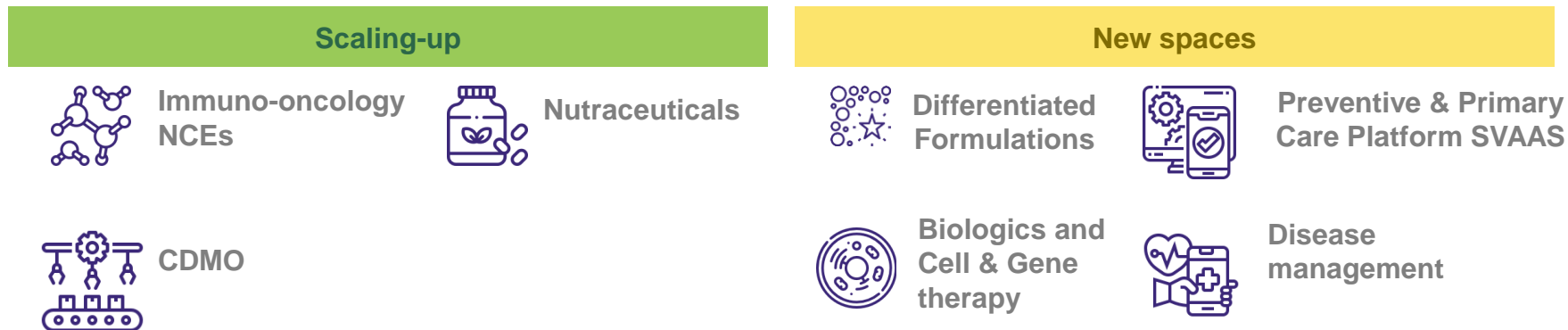
- We have under development a proprietary product pipeline of 15 programs –
  - Clinical stage – 8 programs
  - IND stage – 2 programs
  - Lead optimization stage – 5 programs
- In addition, we have 11 partnered programs under clinical stage

# The Industry is facing a shift and we are investing to lead

Our Approach:



← *Horizon 2 areas* →



... and more<sup>22</sup>

# Sustainability

# Our sustainability journey

## First sustainability report

Dr. Reddy's began voluntary disclosures based on GRI standards

2004

## First materiality assessment

Set our Environmental Commitment Statement (ECS) with 6 goals for 2020

2010

Delivering Good Health & **going beyond compliance** for a sustainable future

2016

## ESG goals for 2030

Made sustainability core to our purpose and strategy, strengthened our sustainability commitment for the next decade

2020

2022

2023

## Sustainability statement release

Covering product responsibility, transparency, operational excellence, human dignity, equal opportunity, and community development

2007

## Sustainability By Design approach in operations

Integrated sustainability into our core business processes

2012

## 2010 ECS wrap up

Achieved 3 goals completely  
Achieved 3 goals partially  
Conducted 2<sup>nd</sup> materiality assessment

2020

## First integrated report

Reporting our financial and non-financial information in a single integrated report with ESG goal progress

2023



# Our ESG goals

## Transforming to build a sustainable future

### Being committed to environmental stewardship

#### Reducing carbon emissions

- **100% renewable power** by 2030
- **Carbon neutrality** in our direct operations (Scope 1 and Scope 2 emissions) by 2030
- **12.5% reduction** in indirect carbon emissions across our supply chain (Scope 3 emissions) by 2030

#### Water positivity

- Be **water positive** by 2025

### Making our products accessible and affordable for patients

#### Access

- Serve **1.5 billion patients** by 2030

#### Affordability

- **25% of our new-launches** to be **first-to-market** by 2027

#### Innovation

- 3 innovative solutions to **improve the standard of treatment every year** from 2027

### Contributing to a fairer and more socially inclusive world

#### Equity, diversity and inclusion

- **At least 35% women** in **senior leadership** (3X from the current baseline) by 2030
- **Gender parity** by 2035
- **3%** of our workforce to be **persons with disabilities (PwD)** by 2030
- **100% living wages** for our on-premise extended workforce by 2025

## Enhancing trust with our stakeholders

### Compliance, Ethics and Corporate Governance

- Meet the highest standards on **compliance** and **ethics** backed by **robust corporate governance**

### ESG disclosures

- Progressively enhance disclosure on our ESG progress to **reach top quartile by 2025**

### Strategic suppliers

- 100% of our **strategic suppliers** to be compliant with our **chosen ESG framework by 2030**

# Our credentials

## Aligned to global frameworks



## Global positioning



# Recognition for our work

## Strong ESG positioning

- Featured in the **top 10 global pharma companies** scoring 74/100 in the 2022 S&P Global's CSA (21 Oct 2023) and **Sustainability Yearbook 2023** for the 3<sup>rd</sup> year in a row
- Our 7<sup>th</sup> consecutive year inclusion in the **Dow Jones Sustainability Index** in the **Emerging Markets category**
- Scored an **A- on CDP's Climate Change**, a B on CDP's Water Security, and A- on CDP's Supplier Engagement rating in 2022
- Rated 'STRONG' in **CRISIL's Sustainability Yearbook 2022**

## Investing in our people

- Recognized for the 6th year in a row in the **Bloomberg Gender-Equality Index**, featuring as the only Indian pharma company.
- Named among the **top 20 employers in pharma/biotech globally** by the Science
- Won the **Candidate Experience Award 2022** in the United States for the 4th time in a row

## Building on governance

- Won the **Gold Shield** in our category from the Institute of Chartered Accountants of India (ICAI) for Excellence in Financial Reporting for 2021-22.
- Won **Risk Management Team of the Year Award** at CRO Leadership Summit and Awards 2022
- Recognized as **Company of the Year- America** at the prestigious Global Generics and Biosimilars Awards 2022
- Won the **Cloud Innovation of the Year** award at the NASSCOM Cloud Summit for our digital health subsidiary, SVAAS Wellness

## Reducing our environmental impact

- Named among **Asia-Pacific Climate Leaders 2023** by Financial Times (London) and Statista
- Recognized as an Advanced Fourth Industrial Revolution Lighthouse, part of the **Global Lighthouse Network by World Economic Forum**
- Won the **IGBC Green Champion Award 2022** in the category 'Pioneer in large scale adoption of green factory buildings in India'



**THANK YOU**