

DR REDDY'S LABORATORIES LIMITED



Company Background

Dr. Reddy's Laboratories (Dr. Reddy's), incorporated in 1984, and is headquartered in Hyderabad, India. It is India's second-largest pharmaceutical company. It produces and sells Active Pharmaceutical Ingredients (API), Finished Dosages and Biologics. It manufactures ulcer medicines, antibiotics, pain relievers, antidepressants and cardiovascular drugs. The company carries out research and development (R&D) in diabetes, cancer, cardiovascular diseases, and inflammation and bacterial infections. It also has a significant presence in the biotech sector.

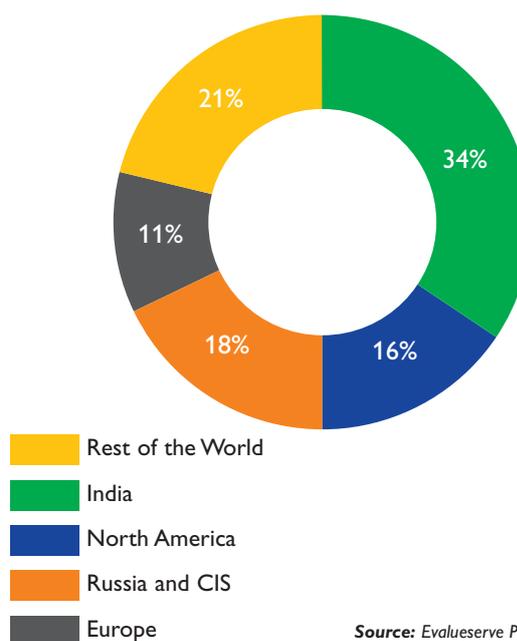
Dr. Reddy's markets its products in approximately 100 countries, focusing on the US, Europe, India and Russia. In 1997, the company out-licensed an anti-diabetic molecule, DRF 2593 (Balaglitazone), to Novo Nordisk. As a result, it earned the distinction of becoming the first Indian pharmaceutical company to out-license an original molecule. As of 2006, the company employed over 7,500 personnel.

On 11 April 2001, Dr. Reddy's became the first pharmaceutical company from Asia Pacific (outside Japan) to be listed on the New York Stock Exchange. Its revenue for 2005-06 amounted to EUR 452 million, an increase of 24.3 per cent over the previous year. This increase is attributed to the increase in revenues of APIs, Formulations and Generics in Europe, and revenues generated from Mexico and Germany.

Dr Reddy's Laboratories in the European Union (EU)

In 2005-06, Dr. Reddy's generated a revenue of EUR 80.27 million from Europe, which accounted for 18 per cent of the company's total revenue.

Revenue Break-up of Dr. Reddy's Laboratories by Geography: 2005-06



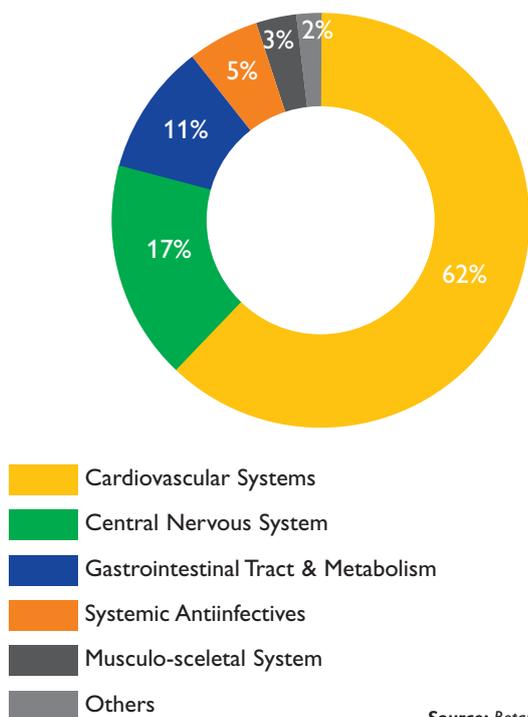
Source: Evalueserve Primary Research

Dr Reddy's Laboratories in Germany

In March 2006, Dr. Reddy's acquired Betapharm Arzneimittel GmbH from 3i for EUR 480 million. This is one of the largest-ever foreign acquisitions by an Indian pharmaceutical company. Betapharm, Germany's fourth-largest generics pharmaceutical company employs more than 350 personnel. Its turnover amounted to EUR 186 million in 2005. It commands a share of approximately 3.5 per cent in the German pharmaceutical market.

Betapharm's products include around 150 active pharmaceutical ingredients covering all major diseases. The break-up of Betapharm's product portfolio is depicted in the figure below:

Break-up of Betapharm's Product Portfolio: 2005



Source: Betapharm Website

Betapharm has a reputed team of experienced regulatory experts who maintain harmonious relationship with EU authorities. The acquisition of this company is expected to help Dr. Reddy's emerge as one of the leading generics players in Europe.

Dr Reddy's Laboratories in the UK

In March 2002, Dr. Reddy's acquired BMS Laboratories, Beverley, and its wholly owned subsidiary Meridian Healthcare, for EUR 14.81 million. These companies deal in oral solids, liquids and packaging, with manufacturing facilities in London and Beverley in the UK. Recently, Dr. Reddy's entered into an R&D and commercialisation agreement with Argenta Discovery Ltd, a private drug development company based in the UK, for the treatment of COPD.

Dr Reddy's Laboratories in other EU Countries

Apart from subsidiaries in Germany, and the UK, Dr. Reddy's has agreements in the following EU countries:

- **Denmark:** Dr. Reddy's entered into a 10-year agreement with Rheoscience A/S of Denmark for the joint development and commercialisation of Balaglitazone (DRF-2593), a molecule for the treatment of type-2 diabetes. Rheoscience will hold this product's marketing rights for the EU and China, while the rights for the US and the rest of the world will be held by Dr. Reddy's.
- **Ireland:** Dr. Reddy's conducted clinical trials of its cardiovascular drug RUS 3108 in Belfast, Ireland, in 2005. The trials were conducted to study the safety and the pharmacokinetic profiles of the drug, which is intended for the treatment of atherosclerosis, a major cause of cardiovascular disorders.
- **The Netherlands:** Dr. Reddy's entered into a marketing agreement with Eurodrug Laboratories, a pharmaceutical company based in Netherlands, for improving its product portfolio for respiratory diseases. It introduced a second-generation xanthine bronchodilator, Doxofylline, which is used for the treatment of asthma and chronic obstructive pulmonary disease (COPD) patients.

Factors for Success

Controlling the Entire Value Chain

Dr. Reddy's controls the entire supply chain and offers high-quality products at competitive prices at the opportune time. It deals in and manages all the processes, from the development of the API to the submission of finished dosage dossiers to the regulatory agencies. In addition, it ensures that quality is maintained at every stage.

Implementation of Efficient New Product Development Processes

Targeting the streamlining of new product development processes, Dr. Reddy's implemented Project 'Rachna' using Microsoft Accelerator for Six Sigma. This is helping the company in taking key decisions to launch the right products in the market at the appropriate time. This has also enabled the company to quickly identify opportunities and develop new products catering to those requirements.

High Standards of Corporate Governance

Dr. Reddy's adherence to high standards of corporate governance and ethical business practices has been a key factor to its success. It has a strong and independent board, and has been successful in preserving shareholders trust and maximising long-term shareholder value by adhering to transparent accounting policies and timely disclosures. This mutual trust has ensured greater success for the company.

Future Plans

Leveraging the Betapharm Advantage

Having acquired Betapharm, one of the fastest-growing generic companies in Germany over the past five years, Dr. Reddy's aims at leveraging this strategic investment to evolve into a mid-sized global pharmaceutical company and command a significant presence in all the major pharmaceutical markets. It hopes to work in synergy with Betapharm, so that the two companies augment their market shares in the German generics market. Through this acquisition, Dr. Reddy's aims to increase its revenues substantially and improve its operating margins. The company has plans to grow into a billion-dollar pharmaceutical company by 2008.

www.drreddys.com