



# The Next and the New

Purpose-driven | Future-ready | Sustainable

**Good Health  
Can't Wait.**

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## The Next and the New

### Purpose-driven | Future-ready | Sustainable

For nearly four decades, we have stood for access, affordability and innovation based on the bedrock of deep science, progressive people practices and robust corporate governance. As the pharmaceutical industry evolves and undergoes disruption, we see an opportunity – to strengthen our core further (the next steps) and to build the future (the new bets).

‘The Next and the New’ is how we aim to continue to be the partner of choice – purpose-driven, future-ready and sustainable.

# Who we are

## Our credo

### OUR PURPOSE

We accelerate access to affordable and innovative medicines because **Good Health Can't Wait.**



### OUR PROMISES

- Bringing expensive medicines within reach
- Addressing unmet patient needs
- Helping patients manage disease better
- Working with partners to help them succeed
- Enabling and helping our partners ensure that our medicines are available where needed

### OUR PRINCIPLES



#### Empathy

We understand the needs of our patients and partners better than others

#### Dynamism

We solve challenges that only a few can, and do this with agility

### OUR VALUES

- **Integrity and transparency**  
Uphold the highest standards of integrity and transparency in all our conversations
- **Productivity**  
Strive to achieve more with less through a culture of innovation, continuous improvements and sustained focus on elimination of waste
- **Collaboration and teamwork**  
Leverage expertise and resources from across our global network to create greater value for our stakeholders
- **Safety**  
Remain committed to providing safe working environments through continuous improvements in our infrastructure, work practices and behaviours
- **Respect for the individual**  
Stay committed to creating a work environment that encourages diverse perspectives and upholds the dignity of work and individuals
- **Sustainability**  
Create value for our stakeholders in a way that respects our natural environment and best serves the interests of the communities where we live and work
- **Quality**  
Be dedicated to designing quality into our products and processes to meet the highest standards of safety and efficacy

### OUR LEADERSHIP BEHAVIOURS

#### Aspirational growth mindset

We target industry-leading growth through innovation, cost leadership and taking risks

#### Speed and rigour in execution

We act with agility; We are disciplined and rigorous in execution

#### People leadership

We inspire people to reach their full potential through work and continuous learning

#### Innovation

We drive patient and customer-focused innovation in all areas using cutting-edge science, technology and tools

#### Result-driven

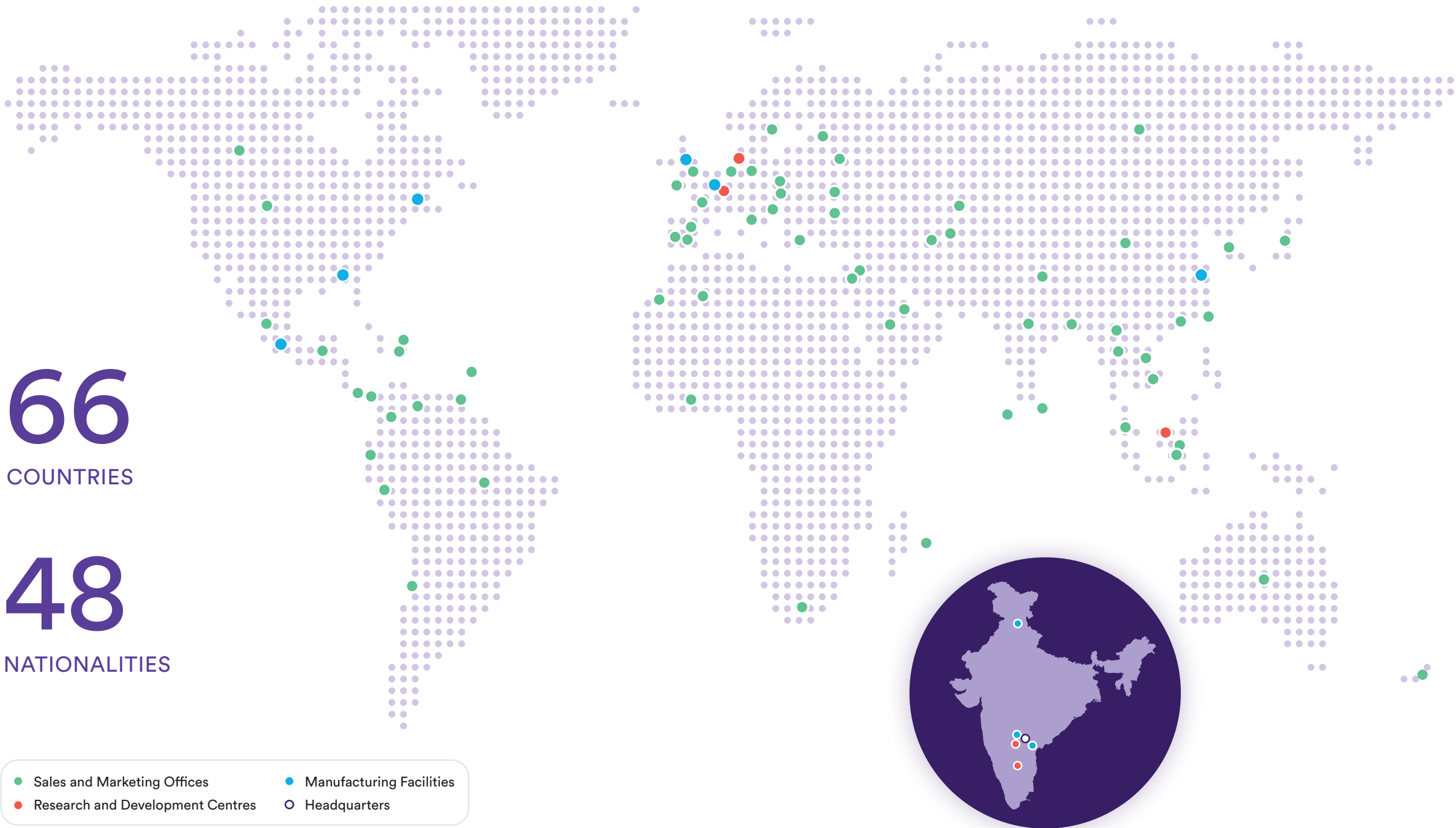
We take responsibility for outcomes and own end results for our patients

#### Excellence focus

We excel by combining deep professional expertise and disciplined execution

# At a glance

## Our global operations



Note: The map is not to scale and is an artistic representation.

USD 2.83 bn

Revenue

24%

EBITDA

24,795

Employees globally

### Filings – FY22



#### GENERIC FILINGS

7 ANDA filings

As on March 31, 2022, 90 generic filings are pending for approval (87 ANDAs and three NDAs). Of these, 44 are Para IV filings and we believe 24 of these have 'First-to-File' status.



#### DMF FILINGS

10 DMFs filed in the US



#### LAUNCHES

157 New products    17 NAG

34 Europe    86 Emerging markets

20 India

# Letter from Chairman and Co-Chairman

## The year in context



Dear Shareholder,

FY'22 proved to be yet another eventful year. Having started with the second wave of COVID-19 in India, it ended on a note of high geopolitical tension.

On the pandemic front, the vaccination programmes undertaken in India and around the world have truly played a stellar role in containing its impact. Given its size, numbers and demographic spread, India's vaccination programme was nothing short of remarkable. Subsequent waves have so far exhibited lower severity in India. Our company continued to play its part along with the rest of the pharma industry in the fight against COVID-19. We combined our in-house efforts with an open-innovation model of partnerships to make available a portfolio that included a vaccine, and therapeutics for mild, moderate and severe COVID-19. Our focus on agility, access and affordability helped us reach over 5 million patients during the pandemic, and we remain ready and vigilant to serve any present or future needs.

We join the world in hoping for a resolution to the prolonged geopolitical hostilities between Russia and Ukraine. We have had a three-decade long presence in the region. Ensuring the well-being of our staff in Ukraine and Russia was our first and foremost priority, along with measures to meet patient needs and business continuity. We acted early to secure our resilience, be it employee safety, currency hedging or cash flow.

### Performance and business highlights

FY'22 was a year of good financial performance with growth in sales and EBITDA, and strong cash flow generation from operations. Revenue stood at ₹ 21,439 cr or \$2.83 billion, a year-on-year growth of 13%, based

on improvement in our base business volumes and new product launches. The full-year EBITDA of 24% is close to our aspirational target of 25%. Our North America Generics business recorded a revenue of one billion dollars driven by high-value launches such as Icosapent Ethyl softgel and Vasopressin injection. We were also able to ramp up the market share of many of our existing products, helping us partially mitigate the impact of price erosion. Our Branded Markets (India and Emerging Markets) business registered a strong show and a combined revenue of over a billion dollars. Our Europe generics unit performed well bolstered by new launches, and we expect the growth momentum to continue. Overall, we saw improved market share in most of our major markets. On the API and services front, the year witnessed normalisation in channel customer stocking and we expect return to growth in the business in the coming fiscal. In FY'22, we filed 10 Drug Master Files and seven ANDAs in the U.S., and launched 157 products across markets. The number of product filings in the year was slightly lower than previous years but we remain on track to accelerate this in FY'23.

Additionally, our strong balance sheet allows us to remain open to value-accretive inorganic opportunities. We recently acquired the cardiovascular brand Cidmus®, and in FY'22 also licensed the Voveran® range for pain management, the Calcium range and Methergine® in India. We entered the highly-regulated pharmaceutical cannabis market in Germany through the acquisition of Nimbus Health GmbH to target the CNS segment. We have taken very early steps in the digital healthcare space through our wholly-owned subsidiary SVAAS – an integrated outpatient platform offering, our first foray into digital services.

### Gearing up to meet the next and the new patient needs

All of the above are an illustration of our strategy in action. Over the years, we have reiterated our three strategy pillars – leadership in chosen spaces (leading to market leadership), continuous improvement and operational excellence (leading to productivity), and patient-centric product innovation (to meet unmet needs). Our three-year compounded annual revenue growth at 12 percent, and EBITDA and ROCE close to our target at 25%, are evidence of effective implementation and the soundness of our strategy.

Our core businesses of API, generics, branded generics, biosimilars, and OTC constitute our near-term growth drivers or what we call our horizon 1 of growth ('The Next'). We aim to continue to deliver growth and profitability of these businesses through improved execution on product development and launch, improved productivity driven by continuous improvement as well as digitalization.

As the pharmaceutical landscape evolves, we see intense competition in traditional generics, disruption brought on by new players and new business models, and demand for holistic healthcare solutions. As a company with a history of deep science that has led to several industry firsts, we continue to plan ahead and invest in businesses of the future. These include deepening our presence in nutraceuticals, the discovery and development of immuno-oncology NCEs at our subsidiary Aurigene Discovery Technologies Limited and strengthening our CDMO services. We are also exploring new spaces such as digital healthcare services, clinically differentiated assets, biologics and cell & gene therapy, and disease management. Together, we see these businesses as our horizon 2 of growth, i.e., long-term growth prospects ('The New').

### Sustainability – aiming to touch over 1.5 bn patients by 2030

Even as we work on our growth strategy, we realise that embracing sustainability is key to a healthy future for all our stakeholders. The challenges posed by climate change, lack of access, changing patterns of disease burden and inequity need urgent action from us as a collective. We have always viewed our work in the context of addressing societal needs – where we are uniquely positioned to make positive change and impact. This led us to become an early adopter of

Environment Social Governance (ESG) actions as well as voluntary disclosures on sustainability. We released our first Sustainability Report in the year 2004 and have maintained annual disclosures since then. Subsequently, we led the industry in introducing a 'sustainability by design' approach in our operations in 2013. Over the years, our efforts in various aspects of ESG such as waste minimisation and management, emissions, investment in people development and other areas saw industry-leading initiatives such as zero liquid discharge, zero waste to landfills and Self-Managed Teams. In 2020, we became the first pharma company in India and the third in Asia to join the Science-based Targets initiative (SBTi) for reducing our carbon footprint. We have been recognised by the S&P Corporate Sustainability Assessment, the Dow Jones Sustainability Index, Frost & Sullivan TERI among others, and are the only Indian pharma company to be featured on the Bloomberg Gender-Equality Index.

However, there is a lot more to be done and such recognitions only serve to make our commitment and resolve stronger. This year we refreshed our sustainability and ESG goals for the next decade, while making them central to our purpose and integral to our strategy. Propelled by bold targets in affordability and innovation, we aim to triple our existing reach to touch the lives of over 1.5 billion patients by 2030. Our goals in renewable energy, emissions, diversity and inclusion, and corporate governance are equally aggressive. With nearly 20 years of leadership in sustainability in Indian pharma, we see it as our responsibility to set the bar high and deliver on these ambitious targets. Details of our refreshed ESG goals for the coming decade are on page 17.

As we go further into FY'23, we would like to thank our colleagues around the world for their tireless efforts to bring to life our purpose of Good Health Can't Wait. We are also grateful to our customers, suppliers, partners, healthcare professionals and of course our shareholders for their support. We count on your partnership as we move to **the next and the new**.

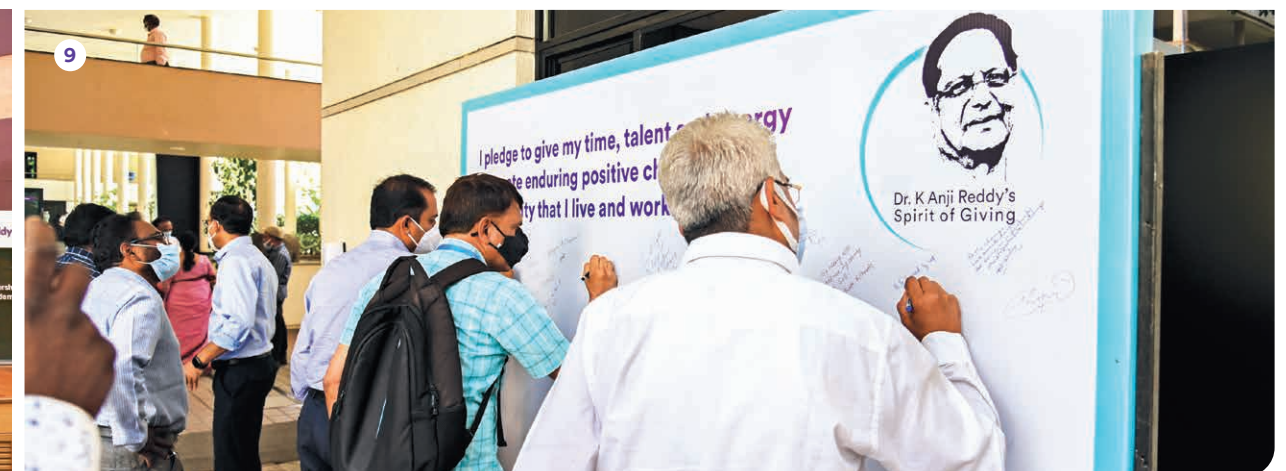
Yours sincerely,

**K SATISH REDDY**  
Chairman

**G V PRASAD**  
Co-Chairman and Managing Director

# The year in pictures

## Key moments



- 1 20 Years of Self-Managed Teams – all-women batch at FTO8 unit in Baddi
- 2 Our FTO3 site in Bachupally deploys Industry 4.0 technologies
- 3 Community Health Intervention Program (CHIP)
- 4 People Development Week 2021 – digital learning platform
- 5 Participation of leadership at the annual Medicines for Europe /International Generic & Biosimilar Medicines Association conference

- 6 Leaders of the pharma industry at the Diamond Jubilee of the Indian Drug Manufacturers' Association
- 7 Agreement on Centre of Excellence in flow chemistry at Dr. Reddy's Institute of Life Sciences in Hyderabad in the presence of Hon'ble Minister K.T. Rama Rao & Principal Secretary Jayesh Ranjan
- 8 10 years of the New Horizons Leadership Programme
- 9 Pledge by colleagues at the Changemakers' Dialogue in March 2022 in honour of our founder Dr. Anji Reddy

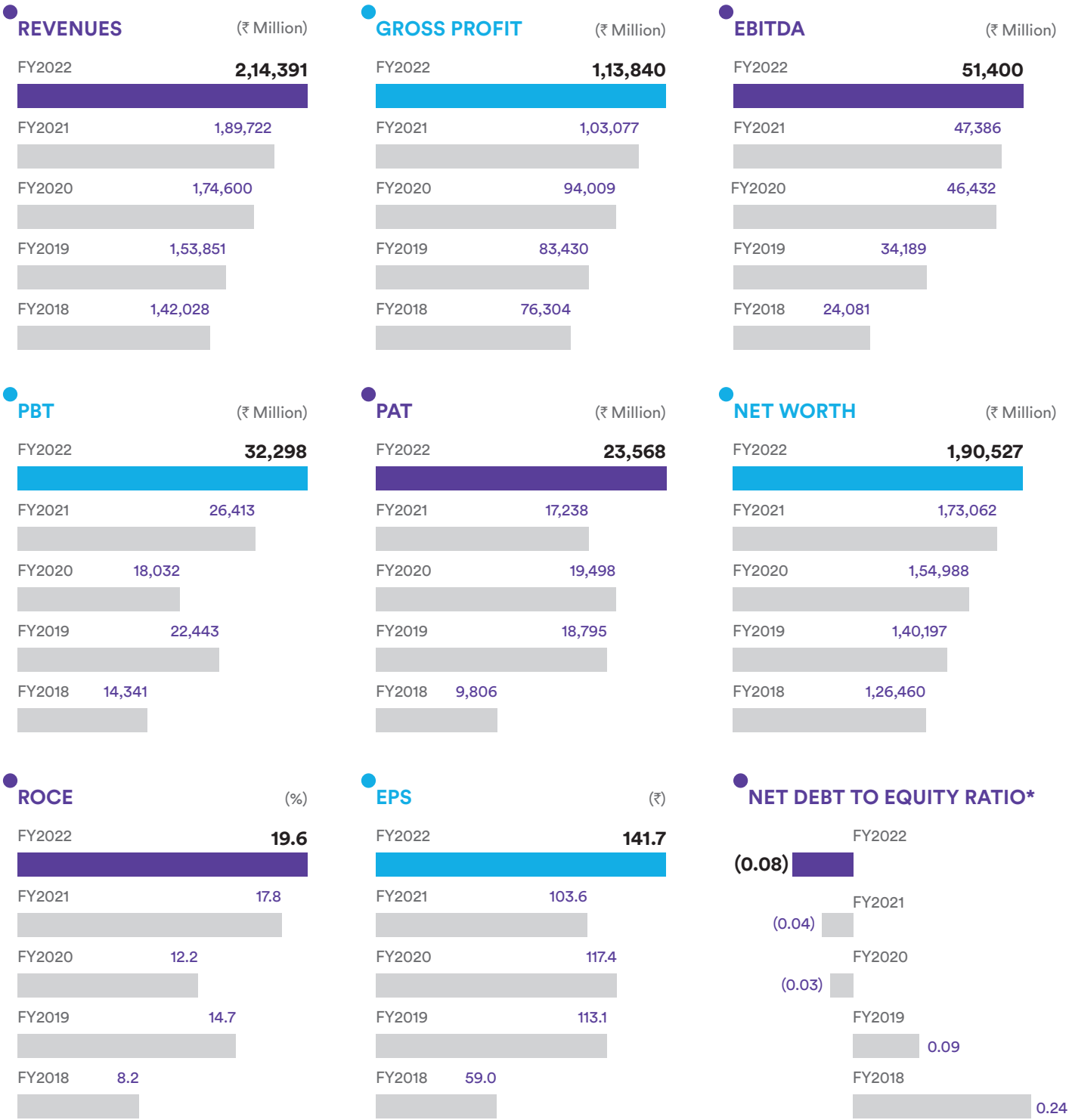
# What we do

## Our strategy pillars



# Strategy in action

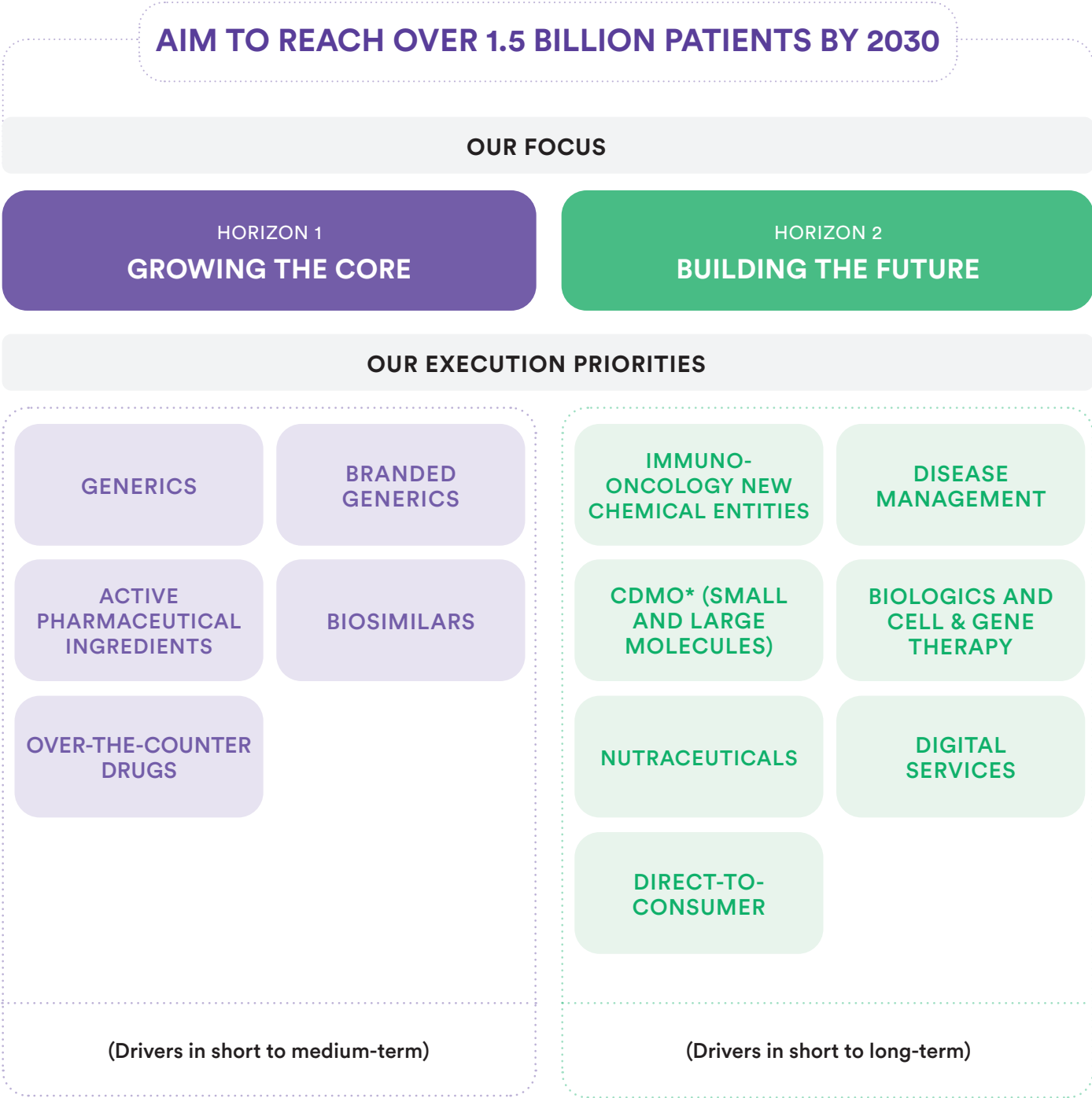
## Our key performance indicators



\*Net debt/equity computation excludes lease liabilities, FY2021 onwards

# Strategy in action

## The Next and the New



\*CDMO – Contract Development & Manufacturing Organisation



1 Inauguration of Nutraceuticals R&D Centre in Bachupally, Hyderabad

2 Partnership with Sunflower Pharma in China for paediatric orphan diseases

3 Inauguration of NBE lab at Aurigene Pharmaceutical Services Ltd

# Strategy in action

## Key awards and recognition



**Dow Jones Sustainability Index 2021** – among top 10 leaders globally; featured for 6<sup>th</sup> year in a row in Emerging Markets category



**Member of the Sustainability Yearbook 2022** – featured for the 2<sup>nd</sup> successive year



**Bloomberg Gender-Equality Index 2022** – only Indian pharma company in the index; featured for 5<sup>th</sup> year in a row



**CII Industrial Innovation Awards 2021** – Most Innovative Company



**Global Generics & Biosimilars Awards 2021** – ‘API Supplier of the Year’ and ‘CSR Initiative of the Year’



**United Nations Women's Empowerment Principles Awards** – 2<sup>nd</sup> runner-up in the Gender Inclusive Workplace category in Asia-Pacific



**CDP Supplier Engagement Leaderboard 2022**



**Indo-American Chamber of Commerce 2021** – Indian company in the U.S. for excellence in manufacturing



**Economic Times - Futurescape 8<sup>th</sup> Sustainability Index Report 2021** – ranked 13<sup>th</sup>; recognised as one of the top companies in India in Sustainability and CSR



**CII SCALE Award 2021** – for excellence in logistics and supply chain for 7<sup>th</sup> consecutive year



**Dr. Reddy's Colombia** – Great Place to Work Certification 2021



**Frost & Sullivan-TERI Sustainability 4.0 Awards 2022** – Sustainable Corporate of the Year award



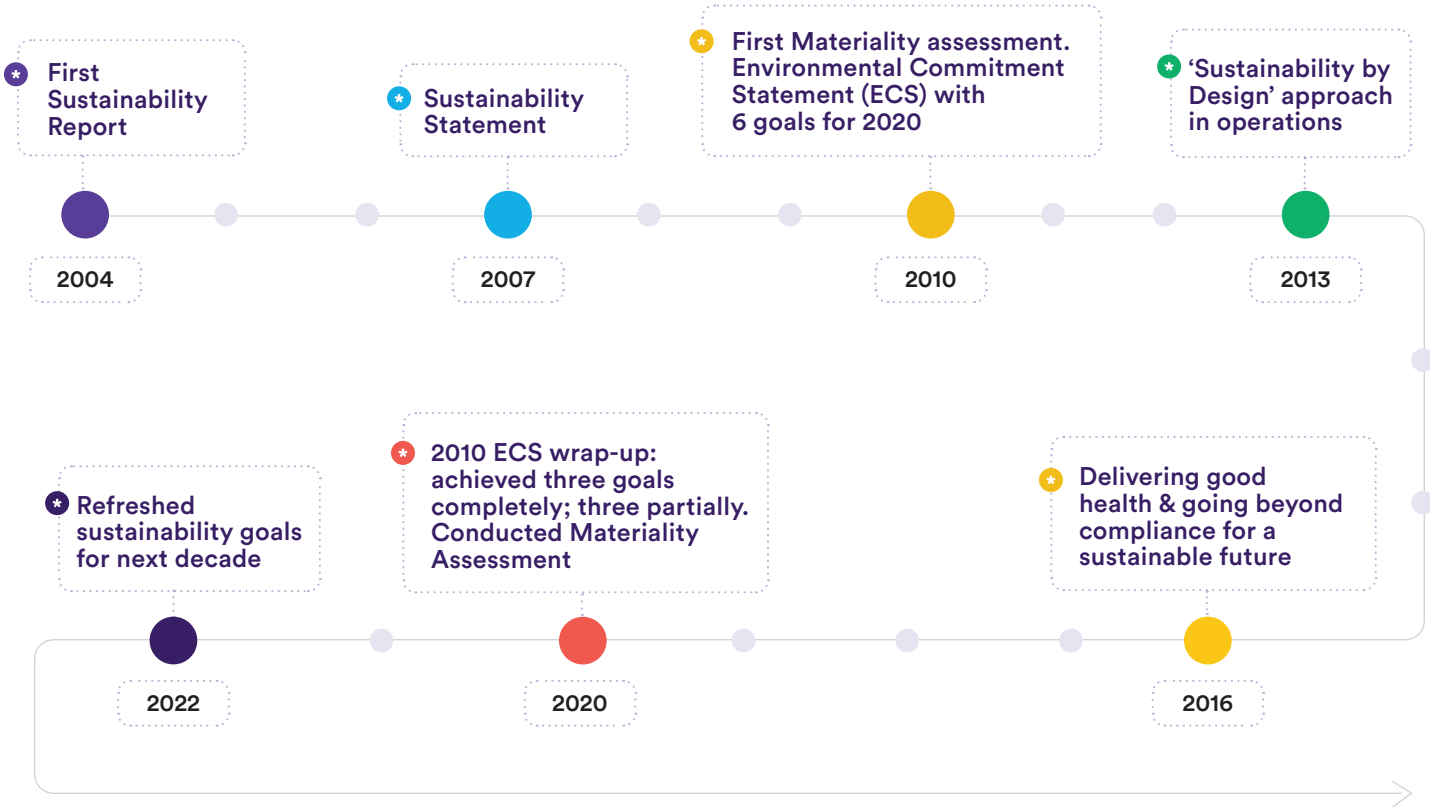
**Top Employers Institute** – recognised as Top Employer in South Africa



# Sustainability – Core to our purpose and strategy

Our sustainability journey so far

Sustainability has always been an important focus area for us





ENVIRONMENT

- » Waste minimization
- » Waste management
- » Water neutrality
- » Emissions and renewable power



SOCIAL


- » Community development
- » People practices
- » Responsible corporate citizen



GOVERNANCE

- » Strong focus on ethics, compliance and transparency

## Our sustainability goals for the next decade




Being committed to environmental stewardship

**Reducing carbon emissions**

- » 100% renewable power (RE100) by 2030
- » Carbon neutral in direct emissions (Scope 1 & 2) by 2030
- » 12.5% reduction in indirect carbon emissions (Scope 3) by 2030

**Water positivity**

- » Water-positive by 2025



Making our products accessible and affordable for patients

**Access**


- » Serve 1.5BN+ patients by 2030

**Affordability**

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

**Innovation**


- » 3 innovative products improving standard of treatment every year



Contributing to a fairer and more socially inclusive world

**Equity, diversity and inclusion**

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



Enhancing trust with our stakeholders

- » Highest standards of Compliance and Ethics backed by robust Corporate Governance
- » Progressively enhance disclosure on ESG progress to reach top quartile by 2025
- » 100% of our strategic suppliers to be compliant with our internal ESG framework by 2030

