

Unaudited consolidated financial results of Dr. Reddy's Laboratories Limited and its subsidiaries for the quarter and half year ended 30 September 2016 prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

All amounts in Indian Rupees millions, except share data and where otherwise stated

Sl. No.	Particulars	Quarter ended			Half Year ended		Year ended
		30.09.2016	30.06.2016	30.09.2015	30.09.2016	30.09.2015	31.03.2016
1	Revenues	35,857	32,345	39,889	68,202	77,467	154,708
2	Cost of revenues	15,760	14,167	15,421	29,927	30,052	62,427
3	<b>Gross Profit (1 - 2)</b>	<b>20,097</b>	<b>18,178</b>	<b>24,468</b>	<b>38,275</b>	<b>47,415</b>	<b>92,281</b>
4	Selling, General and Administrative expenses	11,774	12,284	11,058	24,058	22,031	45,702
5	Research and Development expenses	5,214	4,802	4,473	10,016	8,860	17,834
6	Other (income) / expense, net	(277)	(96)	(320)	(373)	(445)	(874)
	<b>Total operating expenses</b>	<b>16,711</b>	<b>16,990</b>	<b>15,211</b>	<b>33,701</b>	<b>30,446</b>	<b>62,662</b>
7	<b>Operating profit (3) - (4 + 5 + 6)</b>	<b>3,386</b>	<b>1,188</b>	<b>9,257</b>	<b>4,574</b>	<b>16,969</b>	<b>29,619</b>
	Finance income	491	593	387	1,084	972	2,251
	Finance expense	(126)	(148)	(603)	(274)	(972)	(4,959)
8	<b>Finance (expense)/income, net</b>	<b>365</b>	<b>445</b>	<b>(216)</b>	<b>810</b>	<b>-</b>	<b>(2,708)</b>
9	Share of profit of equity accounted affiliate, net of income taxes	84	74	57	158	106	229
10	<b>Profit before tax (7 + 8 + 9)</b>	<b>3,835</b>	<b>1,707</b>	<b>9,098</b>	<b>5,542</b>	<b>17,075</b>	<b>27,140</b>
11	Tax expense	885	444	1,880	1,329	3,600	7,127
12	<b>Profit for the period</b>	<b>2,950</b>	<b>1,263</b>	<b>7,218</b>	<b>4,213</b>	<b>13,475</b>	<b>20,013</b>
	Attributable to :						
	- Equity holders of the Company	2,950	1,263	7,218	4,213	13,475	20,013
	- Non-controlling interest	-	-	-	-	-	-
13	<b>Earnings per share:</b>						
	Basic earnings per share of Rs.5/- each	17.80	7.45	42.32	25.14	79.04	117.34
	Diluted earnings per share of Rs.5/- each	17.76	7.43	42.20	25.08	78.78	116.98
		(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	



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## Segment reporting (Consolidated)

Sl. No.	Particulars	All amounts in Indian Rupees millions					
		Quarter ended			Half Year ended		Year ended
		30.09.2016	30.06.2016	30.09.2015	30.09.2016	30.09.2015	31.03.2016
1	<b>Segment wise revenue and results:</b>						
	<b>Segment revenue: <sup>(1)</sup></b>						
	a) Pharmaceutical Services and Active Ingredients	5,784	4,692	5,918	10,476	11,532	22,379
	b) Global Generics	28,995	26,638	32,768	55,633	63,729	128,062
	c) Proprietary Products	588	620	663	1,208	1,360	2,659
	d) Others	490	395	540	885	846	1,608
	<b>Net Revenue from operations</b>	<b>35,857</b>	<b>32,345</b>	<b>39,889</b>	<b>68,202</b>	<b>77,467</b>	<b>154,708</b>
2	<b>Segment results:</b>						
	Gross Profit from each segment						
	a) Pharmaceutical Services and Active Ingredients	1,271	1,131	1,526	2,402	2,858	4,931
	b) Global Generics	18,067	16,339	22,058	34,406	42,975	84,427
	c) Proprietary Products	507	525	561	1,032	1,138	2,217
	d) Others	252	183	323	435	444	706
	<b>Total</b>	<b>20,097</b>	<b>18,178</b>	<b>24,468</b>	<b>38,275</b>	<b>47,415</b>	<b>92,281</b>
	Less: Other un-allocable expenditure, net of other income	16,262	16,471	15,370	32,733	30,340	65,141
<b>Total profit before tax</b>	<b>3,835</b>	<b>1,707</b>	<b>9,098</b>	<b>5,542</b>	<b>17,075</b>	<b>27,140</b>	

Global Generics segment includes operations of Biologics business.

<sup>(1)</sup> Segment Revenues for the three months ended 30 September 2016, 30 June 2016 and 30 September 2015 does not include inter-segment revenues from PSAI to Global generics, which is accounted for at a cost of Rs.1,654 million, Rs.1,562 million and Rs.1,498 million, respectively. Segment revenues for the six months ended 30 September 2016 and 30 September 2015 does not include inter-segment revenues from PSAI to Global Generics, which is accounted for at a cost of Rs.3,216 million and Rs.2,702 millions respectively. Segment revenues for the year ended 31 March 2016 does not include inter-segment revenues from PSAI to Global Generics, which is accounted for at a cost of Rs.5,447 million.

### Notes:

- The unaudited results have been reviewed by the Audit Committee of the Board and approved by the Board of Directors of the Company at their meeting held on 25 October 2016. The above financial results have been prepared from the consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards and its interpretations (IFRS), as issued by the International Accounting Standards Board (IASB).
- On 10 June 2016, the Company entered into a definitive purchase agreement with Teva Pharmaceutical Industries Limited ("Teva") and an affiliate of Allergan plc ("Allergan") to acquire a portfolio of eight Abbreviated New Drug Applications ("ANDAs") in the United States for U.S.\$350 million in cash at closing. The acquisition of these ANDAs was contingent on the closing of the Teva/Allergan generics purchase transaction and approval by the U.S. Federal Trade Commission of the Company as a buyer. The acquisition was consummated on 3 August 2016 upon the completion of all closing conditions, and the Company paid Rs. 23,366 million (U.S.\$350 million) as the consideration for the acquired portfolio of ANDAs. As the acquired ANDAs are being developed, they are recorded as intangible assets under development.
- Consequent to an amendment to the collaboration, license and option agreement with Curis Inc. ("Curis"), the Company was allotted 10,208,333 equity shares in Curis in lieu of certain future milestone payments that would be due to the Company under the collaboration agreement. These equity shares are recorded at USD 1.84 per share representing the market price of such equity shares on the date of allotment. The aggregate market value of such equity shares on the date of allotment was Rs. 1,247 million (USD 18.8 million).
- Other expenditure for the quarter and year ended 31 March 2016 includes foreign exchange loss of Rs. 3,845 million and Rs. 4,621 million, respectively, on account of currency devaluation and translation of monetary assets and liabilities using SIMADI / DICOM rate pertaining to the Company's Venezuelan subsidiary.
- The Company received a warning letter, dated 5 November 2015 from the U.S. FDA, regarding deviations with current Good Manufacturing Practices at its API manufacturing facilities in Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as regarding violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The Company submitted its response to the warning letter on 7 December 2015. The Company believes that it can resolve the issues raised by the U.S. FDA satisfactorily in a timely manner. The Company takes the matters identified by U.S. FDA in the warning letter seriously and will continue to work diligently to address the observations identified in the warning letter and is concurrently continuing to develop and implement its corrective action plans relating to the warning letter. Further, the Company has provided an update to the U.S. FDA on the progress of remediation in January 2016, March 2016, May 2016 and August 2016.
- On 26 September 2016, the Bombay High court dismissed the writ petition filed by the Indian Pharmaceutical Alliance in July 2014 contending the validity of certain notifications issued in July 2014 by the National Pharmaceutical Pricing Authority. Consequently, an amount of Rs. 344 million was recorded as a potential liability including the interest thereon. The aforesaid amount was included under "selling expenses".
- The results for the quarter and half year ended 30 September 2016 have been subject to a "Limited review" by the independent Auditors of the Company. An unqualified report has been issued by them thereon.



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## 8 Condensed Consolidated Balance Sheet

All amounts in Indian Rupees millions

Particulars	As at	
	30.09.2016	31.03.2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,443	4,921
Other investments	18,936	35,034
Trade and other receivables	36,939	41,306
Inventories	28,516	25,578
Derivative financial instruments	110	175
Current tax assets	1,782	1,664
Other current assets	11,431	11,010
<b>Total current assets</b>	<b>100,157</b>	<b>119,688</b>
<b>Non-current assets</b>		
Property, plant and equipment	56,052	53,961
Goodwill	3,832	3,848
Other intangible assets	46,934	20,796
Investment in equity accounted investees	1,488	1,309
Other investments – non-current	4,922	1,988
Deferred tax assets	5,954	4,997
Other non-current assets	1,076	1,063
<b>Total non-current assets</b>	<b>120,258</b>	<b>87,962</b>
<b>Total assets</b>	<b>220,415</b>	<b>207,650</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables	12,281	12,300
Derivative financial instruments	28	108
Current tax liabilities	2,151	2,581
Bank Overdraft	137	-
Short-term borrowings	49,551	22,718
Long-term borrowings, current portion	115	110
Provisions	4,601	4,759
Other current liabilities	20,623	22,070
<b>Total current liabilities</b>	<b>89,487</b>	<b>64,646</b>
<b>Non-current liabilities</b>		
Long-term loans and borrowings, excluding current portion	10,677	10,685
Provisions - non-current	50	55
Deferred tax liabilities	1,168	767
Other non-current liabilities	3,769	3,161
<b>Total non-current liabilities</b>	<b>15,664</b>	<b>14,668</b>
<b>Total liabilities</b>	<b>105,151</b>	<b>79,314</b>
<b>Equity</b>		
Share capital	829	853
Share premium	7,295	22,601
Share based payment reserve	859	1,100
Retained earnings	100,398	99,550
Other components of equity	5,883	4,232
<b>Total equity</b>	<b>115,264</b>	<b>128,336</b>
<b>Total liabilities and equity</b>	<b>220,415</b>	<b>207,650</b>

By order of the Board  
For Dr. Reddy's Laboratories Limited



G V Prasad  
Co-Chairman & Chief Executive Officer

Place: Visakhapatnam  
Date: 25 October 2016



  
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