

Unaudited consolidated financial results of Dr. Reddy's Laboratories Limited and its subsidiaries for the quarter and nine months ended 31 December 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			Nine months ended		Year ended
		31.12.2016	30.09.2016	31.12.2015	31.12.2016	31.12.2015	31.03.2016
1	Revenues	37,065	35,857	39,679	105,267	117,146	154,708
2	Cost of revenues	15,166	15,760	16,089	45,093	46,141	62,427
3	Gross Profit (1 - 2)	21,899	20,097	23,590	60,174	71,005	92,281
4	Selling, General and Administrative expenses	11,341	11,774	12,039	35,399	34,070	45,702
5	Research and Development expenses	4,956	5,214	4,095	14,972	12,955	17,834
6	Other (income) / expense, net	(187)	(277)	(122)	(560)	(567)	(874)
	Total operating expenses	16,110	16,711	16,012	49,811	46,458	62,662
7	Operating profit (3) - (4 + 5 + 6)	5,789	3,386	7,578	10,363	24,547	29,619
	Finance income	218	491	396	1,302	1,368	2,251
	Finance expense	(174)	(126)	(458)	(448)	(1,430)	(4,959)
8	Finance (expense)/income, net	44	365	(62)	854	(62)	(2,708)
9	Share of profit of equity accounted affiliate, net of income taxes	89	84	64	247	170	229
10	Profit before tax (7 + 8 + 9)	5,922	3,835	7,580	11,464	24,655	27,140
11	Tax expense	1,221	885	1,788	2,550	5,388	7,127
12	Profit for the period	4,701	2,950	5,792	8,914	19,267	20,013
	Attributable to :						
	- Equity holders of the Company	4,701	2,950	5,792	8,914	19,267	20,013
	- Non-controlling interest	-	-	-	-	-	-
13	Earnings per share:						
	Basic earnings per share of Rs.5/- each	28.38	17.80	33.95	53.39	112.99	117.34
	Diluted earnings per share of Rs.5/- each	28.32	17.76	33.86	53.26	112.63	116.98
		(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	



Segment reporting (Consolidated)

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Nine months ended		Year ended
		31.12.2016	30.09.2016	31.12.2015	31.12.2016	31.12.2015	31.03.2016
	Segment wise revenue and results:						
1	Segment revenue: ⁽¹⁾						
	a) Pharmaceutical Services and Active Ingredients	5,400	5,784	5,082	15,876	16,614	22,379
	b) Global Generics	30,638	28,995	33,558	86,271	97,287	128,062
	c) Proprietary Products	603	588	654	1,811	2,014	2,659
	d) Others	424	490	385	1,309	1,231	1,608
	Net Revenue from operations	37,065	35,857	39,679	105,267	117,146	154,708
2	Segment results:						
	Gross Profit from each segment						
	a) Pharmaceutical Services and Active Ingredients	1,530	1,271	886	3,932	3,744	4,931
	b) Global Generics	19,649	18,067	22,017	54,055	64,992	84,427
	c) Proprietary Products	509	507	546	1,541	1,684	2,217
	d) Others	211	252	141	646	585	706
	Total	21,899	20,097	23,590	60,174	71,005	92,281
	Less: Other un-allocable expenditure, net of other income	15,977	16,262	16,010	48,710	46,350	65,141
	Total profit before tax	5,922	3,835	7,580	11,464	24,655	27,140

Global Generics segment includes operations of Biologics business.

⁽¹⁾ Segment Revenues for the three months ended 31 December 2016, 30 September 2016, and 31 December 2015 does not include inter-segment revenues from PSAI to Global generics, which is accounted for at a cost of Rs. 1,517, Rs. 1,654 million, and Rs. 1,252 million, respectively. Segment revenues for the nine months ended 31 December 2016 and 31 December 2015 does not include inter-segment revenues from PSAI to Global Generics, which is accounted for at a cost of Rs. 4,733 million and Rs. 3,954 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 on 3 February 2017 and approved by the Board of Directors of the Company at their meeting held on 4 February 2017. 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).
- Finance expense includes an amount of Rs. 637 million, Rs. 776 million and Rs. 4,621 million for the quarter, nine months ended 31 December 2015 and year ended 31 March 2016, 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. The U.S. FDA scheduled reinspection of the aforementioned manufacturing facilities in February and March 2017.
- 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, during the quarter ended 30 September 2016, 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 nine months ended 31 December 2016 have been subject to a "Limited review" by the independent Auditors of the Company. An unqualified report has been issued by them thereon.

Place: Hyderabad
Date: 4 February 2017



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

G V Prasad
Co-Chairman & Chief Executive Officer