

DR. REDDY'S LABORATORIES LIMITED  
STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER & NINE MONTHS ENDED 31 DECEMBER 2016

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
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>1</b>	<b>Income from operations</b>						
	a) Net sales / income from operations (inclusive of excise duty)	36,534	35,287	39,100	103,678	115,524	152,475
	b) License fees and service income	531	570	580	1,589	1,623	2,233
	c) Other operating income	167	306	117	575	586	975
	<b>Total income from operations (inclusive of excise duty)</b>	<b>37,232</b>	<b>36,163</b>	<b>39,797</b>	<b>105,842</b>	<b>117,733</b>	<b>155,683</b>
<b>2</b>	<b>Expenses</b>						
	a) Cost of materials consumed	5,369	5,837	6,633	17,281	20,678	26,799
	b) Purchase of traded goods	3,496	3,223	3,072	10,001	9,158	11,743
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(706)	(386)	98	(2,885)	(1,900)	(957)
	d) Employee benefits expense	8,146	8,161	7,893	24,357	23,265	31,174
	e) Selling expenses	3,145	3,549	3,002	9,962	9,126	11,811
	f) Depreciation and amortisation	2,665	2,622	2,354	7,723	6,622	9,389
	g) Other expenditure	9,137	9,509	9,259	28,309	26,370	39,260
	<b>Total expenses</b>	<b>31,252</b>	<b>32,515</b>	<b>32,311</b>	<b>94,748</b>	<b>93,319</b>	<b>129,219</b>
<b>3</b>	<b>Profit before other income and finance costs (1 - 2)</b>	<b>5,980</b>	<b>3,648</b>	<b>7,486</b>	<b>11,094</b>	<b>24,414</b>	<b>26,464</b>
<b>4</b>	<b>Other income</b>	<b>403</b>	<b>438</b>	<b>618</b>	<b>1,510</b>	<b>2,100</b>	<b>2,950</b>
<b>5</b>	<b>Profit before finance costs (3 + 4)</b>	<b>6,383</b>	<b>4,086</b>	<b>8,104</b>	<b>12,604</b>	<b>26,514</b>	<b>29,414</b>
<b>6</b>	<b>Finance costs</b>	<b>164</b>	<b>126</b>	<b>160</b>	<b>438</b>	<b>656</b>	<b>826</b>
<b>7</b>	<b>Profit before tax (5 - 6)</b>	<b>6,219</b>	<b>3,960</b>	<b>7,944</b>	<b>12,166</b>	<b>25,858</b>	<b>28,588</b>
<b>8</b>	<b>Tax expense</b>	<b>1,385</b>	<b>956</b>	<b>2,151</b>	<b>2,867</b>	<b>5,948</b>	<b>7,511</b>
<b>9</b>	<b>Net profit for the period / year (7 - 8)</b>	<b>4,834</b>	<b>3,004</b>	<b>5,793</b>	<b>9,299</b>	<b>19,910</b>	<b>21,077</b>
<b>10</b>	<b>Share of profit of equity accounted investees, net of tax</b>	<b>89</b>	<b>85</b>	<b>64</b>	<b>247</b>	<b>170</b>	<b>229</b>
<b>11</b>	<b>Net Profit after taxes and share of profit of associates (9 + 10)</b>	<b>4,923</b>	<b>3,089</b>	<b>5,857</b>	<b>9,546</b>	<b>20,080</b>	<b>21,306</b>
<b>12</b>	<b>Other comprehensive income</b>	<b>1,194</b>	<b>1,646</b>	<b>1,215</b>	<b>2,987</b>	<b>1,038</b>	<b>(370)</b>
<b>13</b>	<b>Total comprehensive income</b>	<b>6,117</b>	<b>4,735</b>	<b>7,072</b>	<b>12,533</b>	<b>21,118</b>	<b>20,936</b>
<b>14</b>	<b>Paid-up equity share capital (face value Rs. 5/- each)</b>	<b>829</b>	<b>829</b>	<b>853</b>	<b>829</b>	<b>853</b>	<b>853</b>
<b>15</b>	<b>Reserves</b>						<b>124,845</b>
<b>16</b>	<b>Earnings per equity share (face value Rs. 5/- each)</b>						
	- Basic	29.72	18.64	34.34	57.18	117.75	124.93
	- Diluted	29.65	18.59	34.25	57.04	117.38	124.54
		(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	

See accompanying notes to the financial results



Segment Information		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 (Unaudited)	30.09.2016 (Unaudited)	31.12.2015 (Unaudited)	31.12.2016 (Unaudited)	31.12.2015 (Unaudited)	31.03.2016 (Unaudited)
<b>Segment wise revenue and results:</b>							
1	<b>Segment revenue (inclusive of excise duty):</b>						
	a) Pharmaceutical Services and Active Ingredients	6,997	7,538	9,127	20,863	20,923	28,437
	b) Global Generics	30,714	29,193	30,879	86,567	97,429	128,330
	c) Proprietary Products	603	588	653	1,814	2,014	2,659
	d) Others	435	498	390	1,331	1,321	1,704
	<b>Total</b>	<b>38,749</b>	<b>37,817</b>	<b>41,049</b>	<b>110,575</b>	<b>121,687</b>	<b>161,130</b>
	Less: Inter segment revenue	1,517	1,654	1,252	4,733	3,954	5,447
	Add: Other unallocable income	-	-	-	-	-	-
	<b>Total income from operations</b>	<b>37,232</b>	<b>36,163</b>	<b>39,797</b>	<b>105,842</b>	<b>117,733</b>	<b>155,683</b>
2	<b>Segment results:</b>						
	Gross profit from each segment						
	a) Pharmaceutical Services and Active Ingredients	1,537	1,278	894	3,954	3,768	4,954
	b) Global Generics	19,649	18,067	22,017	54,055	64,992	84,427
	c) Proprietary Products	509	507	545	1,541	1,684	2,217
	d) Others	210	252	142	645	586	706
	<b>Total</b>	<b>21,905</b>	<b>20,104</b>	<b>23,598</b>	<b>60,195</b>	<b>71,030</b>	<b>92,304</b>
	Less: Other un-allocable expenditure / (income), net	15,686	16,144	15,654	48,029	45,172	63,716
	<b>Total profit before tax</b>	<b>6,219</b>	<b>3,960</b>	<b>7,944</b>	<b>12,166</b>	<b>25,858</b>	<b>28,588</b>

Global Generics includes operations of Biologics business. Inter-segment revenue represents sale from Pharmaceutical Services and Active Ingredients to Global Generics at cost.

#### Segmental Capital employed

As certain assets of the Company including manufacturing facilities, development facilities and treasury assets and liabilities are often deployed interchangeably across segments, it is impractical to allocate these assets and liabilities to each segment. Hence, the details for capital employed have not been disclosed in the above table.

#### Notes:

- The Company adopted Indian Accounting Standards ("Ind AS") from 1 April 2016 and accordingly these results have been prepared in accordance with the recognition and measurement principles laid down in the Ind AS 34, Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting pronouncements generally accepted in India. Financial results for all the periods presented have been prepared in accordance with the recognition and measurement principles of Ind AS 34.
- Reconciliation between financial results under Previous GAAP and Ind AS for the quarter and nine months ended 31 December 2015

Particulars	Quarter ended 31.12.2015	Nine months ended 31.12.2015
<b>Net profit under previous GAAP</b>	<b>6,703</b>	<b>19,158</b>
Impact on account of measuring investments at fair value through profit and loss	224	762
Recognition of intangible assets not eligible for recognition under Previous GAAP	250	859
Reversal of goodwill amortised under Previous GAAP	98	296
Difference in measurement of employee share based payments	(18)	(10)
Impact on current and deferred taxes	(1,334)	(896)
Others	(66)	(89)
<b>Net profit under Ind AS</b>	<b>5,857</b>	<b>20,080</b>

- Other expenditure 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 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 results for the quarter and nine months ended 31 December 2015 and the year ended 31 March 2016 have been reviewed by other auditors. An unmodified report has been issued by them thereon.
- The results for the quarter and nine months ended 31 December 2016 periods presented have been subjected to a "Limited review" by the Statutory Auditors of the Company. An unqualified report has been issued by them thereon.

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



*[Signature]*

G V Prasad  
Co-Chairman & Chief Executive Officer

Place: Hyderabad  
Date: 4 February 2017

*[Signature]* (MSK)