

**DR. REDDY'S LABORATORIES LIMITED**  
**STATEMENT OF AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER & YEAR ENDED 31 MARCH 2017**

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Year Ended	
		31.03.2017	31.12.2016	31.03.2016	31.03.2017	31.03.2016
		(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>1</b>	<b>Revenue from operations</b>					
	a) Net sales / income from operations (inclusive of excise duty)	34,985	36,534	36,951	138,663	152,475
	b) License fees and service income	557	531	610	2,146	2,233
	c) Other operating income	577	167	389	1,152	975
	<b>Total revenue from operations (inclusive of excise duty)</b>	<b>36,119</b>	<b>37,232</b>	<b>37,950</b>	<b>141,961</b>	<b>155,683</b>
2	Other income	205	403	850	1,715	2,950
3	<b>Total Income (1+2)</b>	<b>36,324</b>	<b>37,635</b>	<b>38,800</b>	<b>143,676</b>	<b>158,633</b>
<b>4</b>	<b>Expenses</b>					
	a) Cost of materials consumed	4,649	5,369	6,121	21,930	26,799
	b) Purchase of traded goods	3,751	3,496	2,585	13,752	11,743
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	1,652	(706)	943	(1,233)	(957)
	d) Employee benefits expense	6,711	8,146	7,909	31,068	31,174
	e) Selling expenses	2,972	3,145	2,685	12,934	11,811
	f) Depreciation and amortisation	2,543	2,665	2,767	10,266	9,389
	g) Finance costs	196	164	170	634	826
	h) Other expenditure	10,479	9,137	12,890	38,788	39,260
	<b>Total expenses</b>	<b>32,953</b>	<b>31,416</b>	<b>36,070</b>	<b>128,139</b>	<b>130,045</b>
5	<b>Profit before tax (3 - 4)</b>	<b>3,371</b>	<b>6,219</b>	<b>2,730</b>	<b>15,537</b>	<b>28,588</b>
6	<b>Tax expense:</b>					
	Current Tax	(568)	1,368	1,667	3,096	7,432
	Deferred Tax	665	17	(104)	(131)	79
7	<b>Net profit for the period / year (5 - 6)</b>	<b>3,274</b>	<b>4,834</b>	<b>1,167</b>	<b>12,572</b>	<b>21,077</b>
8	Share of profit of equity accounted investees, net of tax	102	89	59	349	229
9	<b>Net Profit after taxes and share of profit of associates (7 + 8)</b>	<b>3,376</b>	<b>4,923</b>	<b>1,226</b>	<b>12,921</b>	<b>21,306</b>
10	Other comprehensive income					
	(a) (i) Items that will not be reclassified subsequently to profit or loss	(653)	864	(1,661)	1,930	(1,024)
	(ii) Income tax relating to Items that will not be reclassified subsequently to profit or loss	190	(261)	404	(404)	255
	(b) (i) Items that will be reclassified subsequently to profit or loss	287	544	(210)	1,279	493
	(ii) Income tax relating to Items that will be reclassified subsequently to profit or loss	130	47	59	136	(94)
	<b>Total Other comprehensive income</b>	<b>(46)</b>	<b>1,194</b>	<b>(1,408)</b>	<b>2,941</b>	<b>(370)</b>
11	<b>Total comprehensive income (9+10)</b>	<b>3,330</b>	<b>6,117</b>	<b>(182)</b>	<b>15,862</b>	<b>20,936</b>
12	Paid-up equity share capital (face value Rs. 5/- each)	829	829	853	829	853
13	Reserves				121,792	124,845
14	<b>Earnings per equity share (face value Rs.5/- each)</b>					
	- Basic	20.38	29.72	7.19	77.53	124.93
	- Diluted	20.34	29.65	7.17	77.37	124.54
		(Not annualised)	(Not annualised)	(Not annualised)		

See accompanying notes to the financial results



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DR. REDDY'S LABORATORIES LIMITED

Segment Information

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Year Ended	
		31.03.2017	31.12.2016	31.03.2016	31.03.2017	31.03.2016
		(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	<b>Segment wise revenue and results:</b>					
1	<b>Segment revenue (inclusive of excise duty):</b>					
	a) Pharmaceutical Services and Active Ingredients	6,969	6,997	7,514	27,832	28,437
	b) Global Generics	29,169	30,714	30,902	115,736	128,330
	c) Proprietary Products	969	603	645	2,783	2,659
	d) Others	460	435	382	1,791	1,704
	<b>Total</b>	<b>37,567</b>	<b>38,749</b>	<b>39,443</b>	<b>148,142</b>	<b>161,130</b>
	Less: Inter segment revenue	1,448	1,517	1,493	6,181	5,447
	Add: Other unallocable income	-	-	-	-	-
	<b>Total revenue from operations</b>	<b>36,119</b>	<b>37,232</b>	<b>37,950</b>	<b>141,961</b>	<b>155,683</b>
2	<b>Segment results:</b>					
	Gross profit from each segment					
	a) Pharmaceutical Services and Active Ingredients	543	1,537	1,195	4,497	4,954
	b) Global Generics	17,024	19,649	19,435	71,079	84,427
	c) Proprietary Products	410	509	533	1,951	2,217
	d) Others	208	210	121	853	706
	<b>Total</b>	<b>18,185</b>	<b>21,905</b>	<b>21,284</b>	<b>78,380</b>	<b>92,304</b>
	Less: Other un-allocable expenditure / (income), net	14,814	15,686	18,554	62,843	63,716
	<b>Total profit before tax</b>	<b>3,371</b>	<b>6,219</b>	<b>2,730</b>	<b>15,537</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 as previously reported under Previous GAAP and Ind AS for the quarter and year ended 31 March 2016**

Particulars	Quarter ended 31.03.2016	Year ended 31.03.2016
<b>Net profit under previous GAAP</b>	<b>2,356</b>	<b>21,514</b>
Impact on account of measuring investments at fair value through profit and loss	55	817
Recognition of intangible assets not eligible for recognition under Previous GAAP	-	859
Reversal of goodwill amortised under Previous GAAP	108	404
Difference in measurement of employee share based payments	(6)	(16)
Difference in measurement of employee benefits	185	185
Impact on current and deferred taxes	(1,476)	(2,372)
Others	4	(85)
<b>Net profit for under Ind AS</b>	<b>1,226</b>	<b>21,306</b>

- Reconciliation of equity as on 31 March 2016 as previously reported under Previous GAAP to Ind AS**

Particulars	As on 31.03.2016	
Equity reported under previous GAAP as on 31 March 2016		<b>116,156</b>
<i>Adjustments:</i>		
Derecognition of provision for proposed dividend	4,101	
Impact on account of measuring investments at fair value	1,510	
Recognition of intangible assets not eligible for recognition under Previous GAAP	1,035	
Impact on current and deferred taxes	1,527	
Reversal of goodwill amortised under Previous GAAP	395	
Impact on account of consolidation of entities previously do not qualify for consolidation under previous GAAP	226	
Impact on account of expected credit loss on trade receivables	(57)	
Others	(48)	
<b>Equity reported under Ind AS as on 31 March 2016</b>		<b>124,845</b>

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**4 Statement of Assets and Liabilities**

All amounts in Indian Rupees millions

Particulars	As at	As at
	31.03.2017	31.03.2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	50,281	46,130
Capital work-in-progress	6,095	6,626
Goodwill	4,763	4,650
Other intangible assets	14,263	14,850
Intangible assets under development	27,150	1,096
Investment in joint ventures	1,603	1,311
Financial assets		
Investments	5,223	1,986
Trade receivables non current	210	-
Other financial assets	829	788
Deferred tax assets, net	6,784	5,905
Other non-current assets	4,127	2,559
<b>Total non-current assets</b>	<b>121,328</b>	<b>85,901</b>
<b>Current assets</b>		
Inventories	28,528	25,579
Financial assets		
Investments	14,271	35,034
Trade receivables	37,986	41,250
Derivative instruments	264	176
Cash and cash equivalents	3,865	4,921
Other financial assets	1,432	1,332
Other current assets	10,491	9,648
<b>Total current assets</b>	<b>96,837</b>	<b>117,940</b>
<b>TOTAL ASSETS</b>	<b>218,165</b>	<b>203,841</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity share capital	829	853
Other equity	121,792	124,845
<b>Total equity</b>	<b>122,621</b>	<b>125,698</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Financial liabilities		
Borrowings	5,449	10,685
Other financial liabilities	183	243
Long term provisions	842	947
Deferred tax liabilities, net	1,620	537
Other non-current liabilities	3,251	2,260
<b>Total non-current liabilities</b>	<b>11,345</b>	<b>14,672</b>
<b>Current liabilities</b>		
Financial liabilities		
Borrowings	43,626	22,718
Trade payables	10,569	9,068
Other financial liabilities	18,750	20,502
Liabilities for current tax (net)	1,482	2,304
Provisions	5,125	5,290
Other current liabilities	4,647	3,589
<b>Total current liabilities</b>	<b>84,199</b>	<b>63,471</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>218,165</b>	<b>203,841</b>


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DR. REDDY'S LABORATORIES LIMITED

- 5 Consequent to the decline in the expected cash flows of some of the products forming part of a cash generating unit ("CGU") under the Global Generics segment, the Company, following the guidance under Ind AS 36 "Impairment of assets", estimated the recoverable amount of the CGU and assessed that the recoverable amount of the CGU is lower than its carrying cost. Accordingly, an amount of Rs.335 millions was recorded as an impairment during the quarter ended 31 March 2017. The said impairment charge was recorded under "other expenditure".
- 6 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 USD 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 (USD 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.
- 7 Consequent to an amendment to the collaboration, license and option agreement with Curis Inc. ("Curis"), during the quarter ended 30 September 2016, 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 were 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).
- 8 Other expenditure includes an amount of Rs. 3,845 million and Rs. 4,621 million for the quarter 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.
- 9 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 completed the reinspection of the aforementioned facilities in March and April 2017. The Company has responded to the observations identified by the U.S. FDA.
- 10 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". As on 31 March 2017, the carrying value of the aforesaid liability was Rs. 374 million.
- 11 The reduction in the income tax expense for the quarter ended 31 March 2017 is primarily due to resolution of certain tax matters pertaining to prior years.
- 12 The audited results have been reviewed by the Audit Committee of the Board on 11 May 2017 and approved by the Board of Directors of the Company at their meeting held on 12 May 2017.
- 13 The Board of Directors, at their meeting held on 12 May 2017, have recommended a final dividend of Rs. 20 per share subject to the approval of shareholders.
- 14 The comparative financial information of the Group including Joint Ventures for the year ended 31 March 2016 prepared in accordance with Ind AS, included in these consolidated Ind AS financial results, have been audited by the predecessor auditor. The report of the predecessor auditor on the comparative financial information dated 12 May 2017 expressed an unmodified opinion. The financial information for the quarter ended 31 March 2016 represents the derived figures between the audited figures in respect of the financial year ended 31 March 2016 and the published year to date figures upto 31 December 2015, being the date of the end of the third quarter of the previous financial year, which were subjected to a limited review by the predecessor auditor.
- 15 The figures of the last quarter are the balancing figures between audited figures in respect of the full financial year up to 31 March 2017 and the unaudited published year to date figures up to 31 December 2016, being the date of the end of the third quarter of the financial year which were subjected to limited review.
- 16 The results for the quarter and year ended 31 March 2017 periods presented have been audited 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



G V Prasad  
Co-Chairman & Chief Executive Officer

Place: Hyderabad  
Date: 12 May 2017

