

DR. REDDY'S LABORATORIES LIMITED

STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2017

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Half year ended		Year ended
		30.09.2017	30.06.2017	30.09.2016	30.09.2017	30.09.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenue from operations						
	a) Net sales / income from operations	34,905	32,489	35,287	67,394	67,144	138,663
	b) License fees and service income	555	670	570	1,225	1,058	2,146
	c) Other operating income	138	173	306	311	408	1,152
	Total revenue from operations	35,598	33,332	36,163	68,930	68,610	141,961
2	Other income	316	380	438	696	1,108	1,715
3	Total income (1 + 2)	35,914	33,712	36,601	69,626	69,718	143,676
4	Expenses						
	a) Cost of materials consumed	6,078	6,548	5,837	12,626	11,912	21,930
	b) Purchase of traded goods	3,308	2,799	3,223	6,107	6,505	13,752
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	983	245	(386)	1,228	(2,179)	(1,233)
	d) Employee benefits expense	7,890	8,073	8,161	15,963	16,211	31,068
	e) Selling expenses	3,028	3,264	3,549	6,292	6,817	12,934
	f) Depreciation and amortisation expense	2,702	2,592	2,622	5,294	5,058	10,266
	g) Finance costs	223	215	126	438	274	634
	h) Other expenditure	7,617	9,171	9,509	16,788	19,172	38,788
	Total expenses	31,829	32,907	32,641	64,736	63,770	128,139
5	Profit before tax (3 - 4)	4,085	805	3,960	4,890	5,948	15,537
6	Tax expense:						
	a) Current tax	615	301	1,028	916	2,296	3,096
	b) Deferred tax	508	(64)	(72)	444	(814)	(131)
7	Net profit for the period / year (5 - 6)	2,962	568	3,004	3,530	4,466	12,572
8	Share of profit of equity accounted investees, net of tax	92	98	85	190	158	349
9	Net profit after taxes and share of profit of associates (7 + 8)	3,054	666	3,089	3,720	4,624	12,921
10	Other comprehensive income						
	a) (i) Items that will not be reclassified subsequently to profit or loss	(680)	(1,594)	1,722	(2,274)	1,719	1,930
	(ii) Income tax relating to items that will not be reclassified subsequently to profit or loss	165	379	(334)	544	(334)	(404)
	b) (i) Items that will be reclassified subsequently to profit or loss	(126)	20	317	(106)	448	1,279
	(ii) Income tax relating to items that will be reclassified subsequently to profit or loss	46	(58)	(59)	(12)	(40)	136
	Total other comprehensive income	(595)	(1,253)	1,646	(1,848)	1,793	2,941
11	Total comprehensive income (9 + 10)	2,459	(587)	4,735	1,872	6,417	15,862
12	Paid-up equity share capital (face value Rs. 5/- each)	829	829	829	829	829	829
13	Reserves						121,792
14	Earnings per equity share (face value Rs.5/- each)						
	Basic	18.42	4.02	18.64	22.44	27.59	77.53
	Diluted	18.39	4.01	18.59	22.39	27.52	77.37
		(Not annualised)	(Not annualised)	(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			Half year ended		Year ended
		30.09.2017	30.06.2017	30.09.2016	30.09.2017	30.09.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Segment wise revenue and results:						
1	Segment revenue :						
	a) Pharmaceutical Services and Active Ingredients	7,210	5,972	7,538	13,182	13,865	27,832
	b) Global Generics	28,672	27,482	29,193	56,154	55,853	115,736
	c) Proprietary Products	728	539	588	1,267	1,211	2,783
	d) Others	444	578	498	1,022	897	1,791
	Total	37,054	34,571	37,817	71,625	71,826	148,142
	Less: Inter-segment revenue	1,456	1,239	1,654	2,695	3,216	6,181
	Add: Other un-allocable income	-	-	-	-	-	-
	Total revenue from operations	35,598	33,332	36,163	68,930	68,610	141,961
2	Segment results:						
	Gross profit from each segment						
	a) Pharmaceutical Services and Active Ingredients	1,125	533	1,278	1,658	2,417	4,497
	b) Global Generics	16,936	15,836	18,067	32,772	34,406	71,079
	c) Proprietary Products	633	418	507	1,051	1,032	1,951
	d) Others	225	310	252	535	435	853
	Total	18,919	17,097	20,104	36,016	38,290	78,380
	Less: Other un-allocable expenditure / (income), net	14,834	16,292	16,144	31,126	32,342	62,843
	Total profit before tax	4,085	805	3,960	4,890	5,948	15,537

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.
- Post implementation of Goods and Services Tax ("GST") with effect from 1 July 2017, revenue from operations is disclosed net of GST. Revenue from operations for the earlier periods included excise duty which is now subsumed in the GST. Revenue from operations for the half year ended 30 September 2017 includes excise duty upto 30 June 2017. Accordingly, revenue from operations for the quarter and half year ended 30 September 2017 are not comparable with those of the previous periods presented.
- 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 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. We have received Establishment Inspection report from the U.S. FDA for API manufacturing facility at Miryalaguda in June 2017 which indicates that the audit is closed.
- 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 were reviewed by the Audit Committee of the Board on 30 October 2017 and approved by the Board of Directors of the Company at their meeting held on 31 October 2017.
- The results for the quarter and half year ended 30 September 2017 were subjected to a "Limited review" by the Statutory Auditors of the Company. An unqualified report was issued by them thereon.

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7 Consolidated Balance Sheet

All amounts in Indian Rupees millions

Particulars	As at	As at
	30.09.2017	31.03.2017
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	50,839	50,281
Capital work-in-progress	5,881	6,095
Goodwill	5,150	4,763
Other intangible assets	14,694	14,263
Intangible assets under development	27,670	27,150
Investment in joint ventures	1,857	1,603
Financial assets		
Investments	2,960	5,223
Trade receivables	217	210
Other financial assets	826	829
Deferred tax assets (net)	6,598	6,784
Tax assets (net)	3,697	3,388
Other non-current assets	1,210	739
Total non-current assets	121,599	121,328
Current assets		
Inventories	26,998	28,528
Financial assets		
Investments	14,333	14,271
Trade receivables	42,092	37,986
Derivative instruments	173	264
Cash and cash equivalents	2,460	3,865
Other financial assets	855	1,432
Other current assets	12,226	10,491
Total current assets	99,137	96,837
TOTAL ASSETS	220,736	218,165
EQUITY AND LIABILITIES		
Equity		
Equity share capital	829	829
Other equity	119,870	121,792
Total equity	120,699	122,621
Liabilities		
Non-current liabilities		
Financial liabilities		
Borrowings	24,952	5,449
Other financial liabilities	187	183
Long term provisions	740	842
Deferred tax liabilities (net)	1,311	1,620
Other non-current liabilities	3,184	3,251
Total non-current liabilities	30,374	11,345
Current liabilities		
Financial liabilities		
Borrowings	28,639	43,626
Trade payables	11,063	10,569
Other financial liabilities	19,623	18,750
Liabilities for current tax (net)	1,702	1,482
Provisions	4,692	5,125
Other current liabilities	3,944	4,647
Total current liabilities	69,663	84,199
TOTAL EQUITY AND LIABILITIES	220,736	218,165

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




G V Prasad
Co-Chairman & Chief Executive Officer

