

Unaudited consolidated financial results of Dr. Reddy's Laboratories Limited and its subsidiaries for the quarter and nine months ended 31 December 2017 prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Nine months ended		Year ended
		31.12.2017	30.09.2017	31.12.2016	31.12.2017	31.12.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenues	38,060	35,460	37,065	106,679	105,267	140,809
2	Cost of revenues	16,649	16,559	15,166	49,270	45,093	62,453
3	Gross profit (1 - 2)	21,411	18,901	21,899	57,409	60,174	78,356
4	Selling, general and administrative expenses	12,048	11,032	11,341	34,843	35,399	46,372
5	Research and development expenses	4,667	4,175	4,956	13,917	14,972	19,551
6	Other (income)/expense, net	(313)	(114)	(187)	(621)	(560)	(1,065)
	<b>Total operating expenses</b>	<b>16,402</b>	<b>15,093</b>	<b>16,110</b>	<b>48,139</b>	<b>49,811</b>	<b>64,858</b>
7	<b>Operating profit [(3) - (4 + 5 + 6)]</b>	<b>5,009</b>	<b>3,808</b>	<b>5,789</b>	<b>9,270</b>	<b>10,363</b>	<b>13,498</b>
	Finance income	1,053	199	218	1,688	1,302	1,587
	Finance expense	(202)	(223)	(174)	(640)	(448)	(781)
8	<b>Finance (expense)/income, net</b>	<b>851</b>	<b>(24)</b>	<b>44</b>	<b>1,048</b>	<b>854</b>	<b>806</b>
9	Share of profit of equity accounted investees, net of tax	85	92	89	275	247	349
10	<b>Profit before tax (7 + 8 + 9)</b>	<b>5,945</b>	<b>3,876</b>	<b>5,922</b>	<b>10,593</b>	<b>11,464</b>	<b>14,653</b>
11	Tax expense	2,601	1,027	1,221	3,809	2,550	2,614
12	<b>Profit for the period / year</b>	<b>3,344</b>	<b>2,849</b>	<b>4,701</b>	<b>6,784</b>	<b>8,914</b>	<b>12,039</b>
	Attributable to :						
	- Equity holders of the Company	3,344	2,849	4,701	6,784	8,914	12,039
	- Non-controlling interest	-	-	-	-	-	-
13	<b>Earnings per share:</b>						
	Basic earnings per share of Rs.5/- each	20.16	17.18	28.38	40.91	53.39	72.24
	Diluted earnings per share of Rs.5/- each	20.13	17.15	28.32	40.83	53.26	72.09
		(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	



(MSK)

Segment reporting (consolidated)

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Nine months ended		Year ended
		31.12.2017	30.09.2017	31.12.2016	31.12.2017	31.12.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	<b>Segment wise revenue and results:</b>						
	<b>Segment revenue:</b>						
	a) Pharmaceutical Services and Active Ingredients	6,785	7,110	6,917	19,785	20,609	27,458
	b) Global Generics	30,105	28,618	30,638	86,178	86,271	115,409
	c) Proprietary Products	2,137	748	603	3,397	1,811	2,363
	d) Others	382	440	424	1,363	1,309	1,760
	<b>Total</b>	<b>39,409</b>	<b>36,916</b>	<b>38,582</b>	<b>110,723</b>	<b>110,000</b>	<b>146,990</b>
	Less: Inter-segment revenues	1,349	1,456	1,517	4,044	4,733	6,181
	<b>Net revenue from operations</b>	<b>38,060</b>	<b>35,460</b>	<b>37,065</b>	<b>106,679</b>	<b>105,267</b>	<b>140,809</b>
2	<b>Segment results:</b>						
	Gross profit from each segment						
	a) Pharmaceutical Services and Active Ingredients	1,296	1,107	1,530	2,936	3,932	4,473
	b) Global Generics	17,912	16,936	19,649	50,684	54,055	71,079
	c) Proprietary Products	2,022	633	509	3,073	1,541	1,951
	d) Others	181	225	211	716	646	853
	<b>Total</b>	<b>21,411</b>	<b>18,901</b>	<b>21,899</b>	<b>57,409</b>	<b>60,174</b>	<b>78,356</b>
	Less: Other un-allocable expenditure, net of other income	15,466	15,025	15,977	46,816	48,710	63,703
	<b>Total profit before tax</b>	<b>5,945</b>	<b>3,876</b>	<b>5,922</b>	<b>10,593</b>	<b>11,464</b>	<b>14,653</b>

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

Notes:

- The unaudited results have been reviewed by the Audit Committee of the Board on 24 January 2018 and approved by the Board of Directors of the Company at their meeting held on 25 January 2018. 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).
- Post implementation of Goods and Services Tax ("GST") in India with effect from 1 July 2017, revenues are disclosed net of GST. Revenues for the earlier periods included excise duty which is now subsumed in the GST. Revenues for the nine months ended 31 December 2017 include excise duty upto 30 June 2017. Accordingly, revenues for the quarter and nine months ended 31 December 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.
- In the United States of America, The Tax Cuts and Jobs Act of 2017 was approved and enacted in to law on 22 December 2017. The law includes significant changes to the U.S. corporate income tax system, including a reduction in Federal corporate tax rate from 35% to 21%. Consequent to this enactment, the Company has re-measured its U.S. deferred tax assets and liabilities based on the new tax law and this resulted in a one-off charge of Rs. 930 million for the quarter ended 31 December 2017.
- During the quarter ended 31 December 2017, the Company entered into a settlement agreement with the U.S. Department of Justice with respect to a litigation involving packaging for five blister packed prescription products. Consequent to the settlement, the Company has agreed to pay Rs.319 million (U.S.\$5 million) to the Department of Justice. The same has been provided in the books of account under the head "selling, general and administrative expenses".
- The results for the quarter and nine months ended 31 December 2017 were subjected to a "Limited review" by the Independent Auditors of the Company. An unqualified report was issued by them thereon.

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



G V Prasad

Managing Director & Chief Executive Officer

Place: Hyderabad  
Date: 25 January 2018



(MSK)