

**DR. REDDY'S LABORATORIES LIMITED**  
**STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2017**

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)
<b>1</b>	<b>Revenue from operations</b>						
	a) Net sales / income from operations	36,164	34,905	36,534	103,558	103,678	138,663
	b) License fees and service income	1,896	555	531	3,121	1,589	2,146
	c) Other operating income	281	138	167	592	575	1,152
	<b>Total revenue from operations</b>	<b>38,341</b>	<b>35,598</b>	<b>37,232</b>	<b>107,271</b>	<b>105,842</b>	<b>141,961</b>
<b>2</b>	<b>Other income</b>	<b>430</b>	<b>316</b>	<b>403</b>	<b>1,103</b>	<b>1,510</b>	<b>1,715</b>
<b>3</b>	<b>Total income (1 + 2)</b>	<b>38,771</b>	<b>35,914</b>	<b>37,635</b>	<b>108,374</b>	<b>107,352</b>	<b>143,676</b>
<b>4</b>	<b>Expenses</b>						
	a) Cost of materials consumed	6,378	6,078	5,369	19,004	17,281	21,930
	b) Purchase of traded goods	3,906	3,308	3,496	10,013	10,001	13,752
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	83	983	(706)	1,311	(2,885)	(1,233)
	d) Employee benefits expense	8,181	7,890	8,146	24,144	24,357	31,068
	e) Selling expenses	3,357	3,028	3,145	9,649	9,962	12,934
	f) Depreciation and amortisation expense	2,715	2,702	2,665	8,009	7,723	10,266
	g) Finance costs	172	223	164	610	438	634
	h) Other expenditure	8,509	7,617	9,137	25,274	28,309	38,788
	<b>Total expenses</b>	<b>33,301</b>	<b>31,829</b>	<b>31,416</b>	<b>98,014</b>	<b>95,186</b>	<b>128,139</b>
<b>5</b>	<b>Profit before tax (3 - 4)</b>	<b>5,470</b>	<b>4,085</b>	<b>6,219</b>	<b>10,360</b>	<b>12,166</b>	<b>15,537</b>
<b>6</b>	<b>Tax expense:</b>						
	a) Current tax	653	615	1,368	1,569	3,663	3,096
	b) Deferred tax	1,875	508	17	2,319	(796)	(131)
<b>7</b>	<b>Net profit for the period / year (5 - 6)</b>	<b>2,942</b>	<b>2,962</b>	<b>4,834</b>	<b>6,472</b>	<b>9,299</b>	<b>12,572</b>
<b>8</b>	<b>Share of profit of equity accounted investees, net of tax</b>	<b>85</b>	<b>92</b>	<b>89</b>	<b>275</b>	<b>247</b>	<b>349</b>
<b>9</b>	<b>Net profit after taxes and share of profit of associates (7 + 8)</b>	<b>3,027</b>	<b>3,054</b>	<b>4,923</b>	<b>6,747</b>	<b>9,546</b>	<b>12,921</b>
<b>10</b>	<b>Other comprehensive income</b>						
	a) (i) Items that will not be reclassified subsequently to profit or loss	(1,430)	(680)	864	(3,704)	2,583	1,930
	(ii) Income tax relating to items that will not be reclassified subsequently to profit or loss	331	165	(261)	875	(594)	(404)
	b) (i) Items that will be reclassified subsequently to profit or loss	(103)	(126)	544	(209)	991	1,279
	(ii) Income tax relating to items that will be reclassified subsequently to profit or loss	16	46	47	4	7	136
	<b>Total other comprehensive income</b>	<b>(1,186)</b>	<b>(595)</b>	<b>1,194</b>	<b>(3,034)</b>	<b>2,987</b>	<b>2,941</b>
<b>11</b>	<b>Total comprehensive income (9 + 10)</b>	<b>1,841</b>	<b>2,459</b>	<b>6,117</b>	<b>3,713</b>	<b>12,533</b>	<b>15,862</b>
<b>12</b>	<b>Paid-up equity share capital (face value Rs. 5/- each)</b>	<b>829</b>	<b>829</b>	<b>829</b>	<b>829</b>	<b>829</b>	<b>829</b>
<b>13</b>	<b>Reserves</b>						<b>121,792</b>
<b>14</b>	<b>Earnings per equity share (face value Rs.5/- each)</b>						
	Basic	18.25	18.42	29.72	40.69	57.18	77.53
	Diluted	18.22	18.39	29.65	40.61	57.04	77.37
		(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	

See accompanying notes to the financial results

DR. REDDY'S LABORATORIES LIMITED

Segment Information

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)
	<b>Segment wise revenue and results:</b>						
1	<b>Segment revenue :</b>						
	a) Pharmaceutical Services and Active Ingredients	6,895	7,210	6,997	20,077	20,863	27,832
	b) Global Generics	30,270	28,672	30,714	86,424	86,567	115,736
	c) Proprietary Products	2,136	728	603	3,403	1,814	2,783
	d) Others	389	444	435	1,411	1,331	1,791
	<b>Total</b>	<b>39,690</b>	<b>37,054</b>	<b>38,749</b>	<b>111,315</b>	<b>110,575</b>	<b>148,142</b>
	Less: Inter-segment revenue	1,349	1,456	1,517	4,044	4,733	6,181
	Add: Other un-allocable income	-	-	-	-	-	-
	<b>Total revenue from operations</b>	<b>38,341</b>	<b>35,598</b>	<b>37,232</b>	<b>107,271</b>	<b>105,842</b>	<b>141,961</b>
2	<b>Segment results:</b>						
	Gross profit from each segment						
	a) Pharmaceutical Services and Active Ingredients	1,302	1,125	1,537	2,960	3,954	4,497
	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	210	716	645	853
	<b>Total</b>	<b>21,417</b>	<b>18,919</b>	<b>21,905</b>	<b>57,433</b>	<b>60,195</b>	<b>78,380</b>
	Less: Other un-allocable expenditure / (income), net	15,947	14,834	15,686	47,073	48,029	62,843
	<b>Total profit before tax</b>	<b>5,470</b>	<b>4,085</b>	<b>6,219</b>	<b>10,360</b>	<b>12,166</b>	<b>15,537</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.
- 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 nine months ended 31 December 2017 includes excise duty upto 30 June 2017. Accordingly, revenue from operations 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. 873 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 "other expenditure".
- The unaudited results were 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 results for the quarter and nine months ended 31 December 2017 were subjected to a "Limited review" by the Statutory 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

