

DR. REDDY'S LABORATORIES LIMITED
STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2021

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Year ended
		30.06.2021	31.03.2021	30.06.2020	31.03.2021
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
1	Revenue from operations				
	a) Net sales / income from operations	48,262	46,083	43,244	184,202
	b) License fees and service income	932	1,201	931	5,520
	c) Other operating income	257	398	90	753
	Total revenue from operations	49,451	47,682	44,265	190,475
2	Other income	1,079	826	871	2,914
3	Total income (1 + 2)	50,530	48,508	45,136	193,389
4	Expenses				
	a) Cost of materials consumed	11,139	10,261	11,439	42,958
	b) Purchase of stock-in-trade	9,735	6,768	5,276	25,736
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(3,853)	(1,614)	(3,519)	(7,905)
	d) Employee benefits expense	9,465	8,930	8,724	36,299
	e) Depreciation and amortisation expense	2,839	3,088	2,923	12,288
	f) Impairment of non-current assets	1,838	15	-	6,768
	g) Finance costs	193	297	233	970
	h) Selling and other expenses	13,782	12,790	11,132	47,920
	Total expenses	45,138	40,535	36,208	165,034
5	Profit before tax and before share of equity accounted investees(3 - 4)	5,392	7,973	8,928	28,355
6	Share of profit of equity accounted investees, net of tax	166	179	77	480
7	Profit before tax (5+6)	5,558	8,152	9,005	28,835
8	Tax expense / (benefit):				
	a) Current tax	1,367	1,380	3,166	8,172
	b) Deferred tax	387	1,199	(107)	1,147
9	Net profit after taxes and share of profit of associates (7 - 8)	3,804	5,573	5,946	19,516
10	Other comprehensive income				
	a) (i) Items that will not be reclassified subsequently to profit or loss	(1,243)	1,042	207	4,026
	(ii) Income tax relating to items that will not be reclassified to profit or loss	293	(220)	-	(220)
	b) (i) Items that will be reclassified subsequently to profit or loss	(68)	(6)	731	1,913
	(ii) Income tax relating to items that will be reclassified to profit or loss	173	(24)	(156)	(319)
	Total other comprehensive income	(845)	792	782	5,400
11	Total comprehensive income (9 + 10)	2,959	6,365	6,728	24,916
12	Paid-up equity share capital (face value Rs. 5/- each)	832	832	831	832
13	Other equity				175,585
14	Earnings per equity share (face value Rs. 5/- each)				
	Basic	22.95	33.61	35.87	117.67
	Diluted	22.89	33.51	35.78	117.34
		(Not annualised)	(Not annualised)	(Not annualised)	



Segment Information

All amounts in Indian Rupees millions

Sl. No	Particulars	Quarter ended			Year ended
		30.06.2021	31.03.2021	30.06.2020	31.03.2021
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Segment wise revenue and results:				
1	Segment revenue :				
	a) Pharmaceutical Services and Active Ingredients	8,980	9,923	10,165	39,284
	b) Global Generics	41,251	39,007	35,092	154,759
	c) Proprietary Products	59	243	56	523
	d) Others	483	390	489	2,814
	Total	50,773	49,563	45,802	197,380
	Less: Inter-segment revenue	1,322	1,881	1,537	6,905
	Total revenue from operations	49,451	47,682	44,265	190,475
2	Segment results:				
	Gross profit from each segment				
	a) Pharmaceutical Services and Active Ingredients	1,634	2,517	2,859	9,444
	b) Global Generics	23,718	22,446	21,526	91,111
	c) Proprietary Products	45	238	56	482
	d) Others	306	178	317	2,058
	Total	25,703	25,379	24,758	103,095
	Less: Selling and other un-allocable expenditure/(income), net	20,145	17,227	15,753	74,260
	Total profit before tax	5,558	8,152	9,005	28,835

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:

- These results have been prepared in accordance with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013, read with the Companies (Indian Accounting Standards) Rules 2015 as amended.
- On 14 June 2021, the Company received the arbitration decision and award in favour of Hatchtech Pty Limited regarding the Civil Litigation and Arbitration relating to the acquisition of the product Xeglyze®. The award required the Company to pay an amount of Rs. 3,401 million (U.S.\$ 46.25 million) towards milestone payments, interest, and fees. As the Company was carrying Rs. 1,471 million (U.S.\$ 20 million) as the provision towards this litigation, an additional expense of Rs. 1,930 million (U.S.\$ 26.25 million) [Rs. 1,838 million (U.S.\$ 25 million) as impairment and Rs. 92 million (U.S.\$ 1.25 million) as other expenses] was recognized during the three months ended 30 June 2021.
- During the year ended 31 March 2021, there were significant changes to the market conditions for certain of the products. The changes include the launch by competitor of generic version of the product, decrease in the market potential of products primarily due to higher than expected price erosion and increased competition, and higher than expected value erosion. Due to these adverse market developments, the Company recorded an impairment loss of:
 - Rs. 3,180 million relating to Ethinyl estradiol / Ethenogestral vaginal ring (a generic equivalent to NuvaRing®);
 - Rs. 1,587 million relating to Saxagliptin and metformin (generic version of Kombiglyze-XR) and Phentermine and Topiramate (generic version of Qsymia®);
 - Rs. 1,471 million relating to Xeglyze®;
 - Rs. 484 million relating to other intangible assets; and
 - Rs. 46 million relating to property, plant and equipment.
- Tax expense for the year ended 31 March 2021 includes the following:
 - Rs. 1,012 million of benefit, in the quarter ended 30 June 2020, on account of recognition of deferred tax asset consequent to a planned restructuring activity between the Group companies; and
 - Rs. 627 million of expense, in the quarter ended 31 March 2021, on account of derecognition of deferred tax asset due to non-availability of depreciation on goodwill pursuant to an amendment to section 2(11) of the Income Tax Act in the Finance Act, 2021.
- During the quarter ended 31 December 2020, the Company entered into a definitive agreement with Glenmark Pharmaceuticals Ltd. to acquire, certain brands in various Emerging Market countries for a total consideration of Rs. 1,516 million. The said transaction was accounted for as an acquisition of product related intangibles.



- 6 On 10 June 2020, the Company completed the acquisition of select divisions of Wockhardt Limited's branded generics business in India and the territories of Nepal, Sri Lanka, Bhutan and Maldives. The business comprises a portfolio of 62 brands in multiple therapy areas, such as respiratory, neurology, venous malformations, dermatology, gastroenterology, pain, and vaccines. This entire portfolio has been transferred to the Company, along with related sales and marketing teams, the manufacturing plant located in Baddi, Himachal Pradesh, and employees. During the quarter ended 30 September 2020, the Company completed the purchase price allocation. The fair value of consideration transferred is Rs.16,115 million. The Company recognised Rs. 373 million, Rs. 14,888 million and Rs. 530 million towards property, plant and equipment, intangible assets, and goodwill, respectively.
- 7 The Company has commenced a detailed investigation into an anonymous complaint. The complaint alleges that healthcare professionals in Ukraine and potentially in other countries were provided with improper payments by or on behalf of the Company in violation of U.S. anti-corruption laws, specifically the U.S. Foreign Corrupt Practices Act. A U.S. law firm is conducting the investigation at the instruction of a committee of the Company's Board of Directors. The investigation is ongoing. The Company has disclosed the matter to the U.S. Department of Justice, Securities and Exchange Commission ("SEC") and Securities Exchange Board of India, and on July 6, 2021 the Company received a subpoena from the SEC for the production of documents pertaining to certain CIS geographies, and the Company is in the process of responding to the same. While the matter may result in government enforcement actions against the Company in the United States and/or foreign jurisdictions, which could lead to civil and criminal sanctions under relevant laws, the probability of such action and the outcome are not reasonably ascertainable at this time.
- 8 The Code on Social Security, 2020 ('Code') received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the related final rules have not yet been issued and the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code and the rules thereunder when they come into effect.
- 9 On 22 October 2020, the Company experienced a cybersecurity incident related to ransomware. The Company could contain the incident in a timely fashion and has also ensured that all traces of the infection are completely cleaned from the network. All affected systems were restored and brought back to normalcy in the order of priority. Based on our forensic investigation, no evidence was found of any data breaches leading to personally identifiable information. Since then, the Company has also been focused on implementing significant improvements to its cyber and data security systems to safeguard from such risks in the future.
- 10 The Company continues to consider the impact of COVID-19 pandemic in assessing the recoverability of receivables, goodwill, intangible assets, and certain investments. For this purpose, the Company considered internal and external sources of information up to the date of approval of these financial results. The Company based on its judgements, estimates and assumptions including sensitivity analysis expects to fully recover the carrying amount of receivables, goodwill, intangible assets, investments and other assets. The Company will continue to closely monitor any material changes to future economic conditions.
- 11 The unaudited results have been reviewed by the Audit Committee of the Board and approved by the Board of Directors of the Company at their meeting held on 27 July 2021.
- 12 The figures of the quarter ended 31 March 2021 are the balancing number between audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the relevant financial year, which are subject to limited review.
- 13 The results for the quarter ended 30 June 2021 were subject 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



G V Prasad
Co-Chairman & Managing Director

Place: Hyderabad
Date: 27 July 2021

