

DR. REDDY'S LABORATORIES LIMITED
STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2016

All amounts in Indian Rupees millions, except share data and where otherwise stated

| Sl. No. | Particulars | Quarter ended | | | Year ended |
|-----------|-------------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 30.06.2016 (Unaudited) | 31.03.2016 (Unaudited) | 30.06.2015 (Unaudited) | 31.03.2016 (Unaudited) |
| 1 | Income from operations | | | | |
| | a) Net sales / income from operations (Net of excise duty) | 21,285 | 21,441 | 25,083 | 99,218 |
| | b) License fees and service income | 41 | 2,021 | 46 | 2,288 |
| | c) Other operating income | 89 | 106 | 130 | 571 |
| | Total income from operations (net) | 21,415 | 23,568 | 25,259 | 102,077 |
| 2 | Expenses | | | | |
| | a) Cost of materials consumed | 4,714 | 4,902 | 5,012 | 19,885 |
| | b) Purchase of traded goods | 1,594 | 1,267 | 1,543 | 6,104 |
| | c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | (1,251) | 461 | (381) | (288) |
| | d) Employee benefits expense | 4,684 | 4,322 | 4,066 | 16,934 |
| | e) Selling expenses | 2,521 | 1,558 | 2,623 | 9,275 |
| | f) Depreciation and amortisation | 1,725 | 1,812 | 1,423 | 6,495 |
| | g) Other expenditure | 6,795 | 10,735 | 5,755 | 29,514 |
| | Total expenses | 20,782 | 25,057 | 20,041 | 87,919 |
| 3 | Profit / (loss) before other income and finance costs (1 - 2) | 633 | (1,489) | 5,218 | 14,158 |
| 4 | Other income | 3,918 | 987 | 1,105 | 3,249 |
| 5 | Profit / (loss) before finance costs (3 + 4) | 4,551 | (502) | 6,323 | 17,407 |
| 6 | Finance costs | 126 | 147 | 213 | 641 |
| 7 | Profit / (loss) before tax (5 - 6) | 4,425 | (649) | 6,110 | 16,766 |
| 8 | Tax expense / (benefit) | 334 | (262) | 1,176 | 3,023 |
| 9 | Net profit / (loss) for the period / year (7 - 8) | 4,091 | (387) | 4,934 | 13,743 |
| 10 | Other Comprehensive income | (124) | (220) | (14) | (289) |
| 11 | Total Comprehensive income (9 + 10) | 3,967 | (607) | 4,920 | 13,454 |
| 12 | Paid-up equity share capital (face value Rs. 5/- each) | 828 | 853 | 853 | 853 |
| 13 | Reserves | | | | 123,991 |
| 14 | Earnings per share (in Rupees) per Rs. 5/- share | | | | |
| | - Basic | 24.13 | (2.26) | 28.95 | 80.59 |
| | - Diluted | 24.07 | (2.26) | 28.85 | 80.34 |
| | | <i>(Not annualised)</i> | <i>(Not annualised)</i> | <i>(Not annualised)</i> | |

See accompanying notes to the financial results

DR. REDDY'S LABORATORIES LIMITED
Segment Information

All amounts in Indian Rupees millions, except share data and where otherwise stated

| Sl. No. | Particulars | Quarter ended | | | Year ended |
|---------|-----------------------------------------------------------|---------------|---------------|---------------|----------------|
| | | 30.06.2016 | 31.03.2016 | 30.06.2015 | 31.03.2016 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | Segment wise revenue and results: | | | | |
| 1 | Segment revenue: | | | | |
| | a) Pharmaceutical Services and Active Ingredients | 5,227 | 6,199 | 5,778 | 22,913 |
| | b) Global Generics | 17,719 | 18,854 | 20,667 | 84,472 |
| | c) Proprietary Products | - | - | - | 1 |
| | Total | 22,946 | 25,053 | 26,445 | 107,386 |
| | Less: Inter segment revenue | 1,531 | 1,485 | 1,186 | 5,309 |
| | Add: Other unallocable income | - | - | - | - |
| | Total income from operations | 21,415 | 23,568 | 25,259 | 102,077 |
| 2 | Segment results: | | | | |
| | Profit / (loss) before tax and interest from each segment | | | | |
| | a) Pharmaceutical Services and Active Ingredients | (743) | (1,042) | 276 | (1,324) |
| | b) Global Generics | 3,865 | 1,667 | 7,571 | 23,081 |
| | c) Proprietary Products | (750) | (918) | (723) | (2,975) |
| | Total | 2,372 | (293) | 7,124 | 18,782 |
| | Less: (i) Interest | 126 | 147 | 213 | 641 |
| | (ii) Other un-allocable expenditure / (income), net | (2,179) | 209 | 801 | 1,375 |
| | Total profit / (loss) before tax | 4,425 | (649) | 6,110 | 16,766 |

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.

2 Reconciliation between financial results as previously reported under Previous GAAP and Ind AS for the quarter ended 30 June 2015

| Particulars | Amounts in Indian Rupees millions |
|-----------------------------------------------------------------------------------|-----------------------------------|
| Net profit under previous GAAP | 4,758 |
| Impact on account of measuring investments at fair value through profit and loss | 196 |
| Recognition of intangible assets not eligible for recognition under Previous GAAP | 5 |
| Reversal of goodwill amortised under Previous GAAP | (9) |
| Difference in measurement of employee share based payments | 22 |
| Impact on current and deferred taxes | (37) |
| Others | (1) |
| Net profit for the period under Ind AS | 4,934 |

- Other income includes dividend income of Rs. 3,018 million from one of the wholly owned subsidiaries of the Company in Switzerland.
- During the quarter ended 30 June 2016, the Company bought back and extinguished 5,077,504 equity shares for an aggregate purchase price of Rs. 15,694 million. The aggregate face value of the shares bought back was Rs. 25 million.
- Other expenditure for the year ended 31 March 2016 includes provision for doubtful debts of Rs. 3,559 million pertaining to outstanding receivable from Venezuelan subsidiary.


 (M.S.K.)


DR. REDDY'S LABORATORIES LIMITED

- 6 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 and May 2016.
- 7 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 26 July 2016.
- 8 The results for all the periods presented have been subjected 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 & Chief Executive Officer

Place: Hyderabad
Date: 26 July 2016



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