

DR. REDDY'S LABORATORIES LIMITED

PART I : STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2016

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

| Sl. No. | Particulars | Quarter ended | | | Half Year ended | | Year ended |
|-----------|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------|
| | | 30.09.2016 | 30.06.2016 | 30.09.2015 | 30.09.2016 | 30.09.2015 | 31.03.2016 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| 1 | Income from operations | | | | | | |
| | a) Net sales / income from operations (inclusive of excise duty) | 26,059 | 21,507 | 28,823 | 47,566 | 54,112 | 100,060 |
| | b) License fees and service income | 49 | 41 | 120 | 90 | 166 | 2,288 |
| | c) Other operating income | 167 | 89 | 230 | 256 | 360 | 571 |
| | Total income from operations (inclusive of excise duty) | 26,275 | 21,637 | 29,173 | 47,912 | 54,638 | 102,919 |
| 2 | Expenses | | | | | | |
| | a) Cost of materials consumed | 4,904 | 4,936 | 5,292 | 9,840 | 10,510 | 20,727 |
| | b) Purchase of traded goods | 1,816 | 1,594 | 1,480 | 3,410 | 3,023 | 6,104 |
| | c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | (83) | (1,251) | (185) | (1,334) | (566) | (288) |
| | d) Employee benefits expense | 4,802 | 4,684 | 4,241 | 9,486 | 8,307 | 16,934 |
| | e) Selling expenses | 2,636 | 2,521 | 2,519 | 5,157 | 5,142 | 9,275 |
| | f) Depreciation and amortisation | 1,893 | 1,725 | 1,591 | 3,618 | 3,014 | 6,495 |
| | g) Other expenditure | 6,731 | 6,795 | 6,422 | 13,415 | 12,177 | 29,514 |
| | Total expenses | 22,699 | 21,004 | 21,360 | 43,592 | 41,607 | 88,761 |
| 3 | Profit before other income and finance costs (1 - 2) | 3,576 | 633 | 7,813 | 4,320 | 13,031 | 14,158 |
| 4 | Other income | 639 | 3,918 | 627 | 4,446 | 1,732 | 3,249 |
| 5 | Profit before finance costs (3 + 4) | 4,215 | 4,551 | 8,440 | 8,766 | 14,763 | 17,407 |
| 6 | Finance costs | 123 | 126 | 146 | 249 | 359 | 641 |
| 7 | Profit before tax (5 - 6) | 4,092 | 4,425 | 8,294 | 8,517 | 14,404 | 16,766 |
| 8 | Tax expense | 960 | 334 | 1,468 | 1,294 | 2,644 | 3,023 |
| 9 | Net profit for the period / year (7 - 8) | 3,132 | 4,091 | 6,826 | 7,223 | 11,760 | 13,743 |
| 10 | Other Comprehensive income | (24) | (124) | (8) | (148) | (22) | (289) |
| 11 | Total Comprehensive income (9 + 10) | 3,108 | 3,967 | 6,818 | 7,075 | 11,738 | 13,454 |
| 12 | Paid-up equity share capital (face value Rs. 5/- each) | 829 | 828 | 853 | 829 | 853 | 853 |
| 13 | Other Equity | | | | | | 119,931 |
| 14 | Earnings per equity share (par value Rs. 5/- each) | | | | | | |
| | - Basic | 18.91 | 24.13 | 40.02 | 43.10 | 68.98 | 80.59 |
| | - Diluted | 18.86 | 24.07 | 39.90 | 43.00 | 68.75 | 80.34 |
| | | <i>(Not annualised)</i> | <i>(Not annualised)</i> | <i>(Not annualised)</i> | <i>(Not annualised)</i> | <i>(Not annualised)</i> | |

See accompanying notes to the financial results



(MSK)

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 | | | Half Year ended | | Year ended |
|---------|--|---------------|---------------|---------------|-----------------|---------------|----------------|
| | | 30.09.2016 | 30.06.2016 | 30.09.2015 | 30.09.2016 | 30.09.2015 | 31.03.2016 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | Segment wise revenue, results and capital employed: | | | | | | |
| 1 | Segment revenue (inclusive of excise duty): | | | | | | |
| | a) Pharmaceutical Services and Active Ingredients | 5,979 | 5,248 | 6,150 | 11,227 | 11,972 | 23,096 |
| | b) Global Generics | 21,928 | 17,920 | 24,478 | 39,848 | 45,307 | 85,131 |
| | c) Proprietary Products | - | - | 1 | - | 1 | 1 |
| | Total (inclusive of excise duty) | 27,907 | 23,168 | 30,629 | 51,075 | 57,280 | 108,228 |
| | Less: Inter segment revenue | 1,632 | 1,531 | 1,456 | 3,163 | 2,642 | 5,309 |
| | Add: Other unallocable income | - | - | - | - | - | - |
| | Total income from operations | 26,275 | 21,637 | 29,173 | 47,912 | 54,638 | 102,919 |
| 2 | Segment results: | | | | | | |
| | Profit / (loss) before tax and interest from each segment | | | | | | |
| | a) Pharmaceutical Services and Active Ingredients | (250) | (743) | 152 | (993) | 428 | (1,324) |
| | b) Global Generics | 5,178 | 3,865 | 9,464 | 9,043 | 17,035 | 23,081 |
| | c) Proprietary Products | (871) | (750) | (718) | (1,621) | (1,441) | (2,975) |
| | Total | 4,057 | 2,372 | 8,898 | 6,429 | 16,022 | 18,782 |
| | Less: (i) Interest | 123 | 126 | 146 | 249 | 359 | 641 |
| | (ii) Other un-allocable expenditure / (income), net | (158) | (2,179) | 458 | (2,337) | 1,259 | 1,375 |
| | Total profit before tax | 4,092 | 4,425 | 8,294 | 8,517 | 14,404 | 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.

(MSK)



DR. REDDY'S LABORATORIES LIMITED

Statement of Assets and Liabilities

All amounts in Indian Rupees millions

| Particulars | As at | |
|--------------------------------------|----------------|----------------|
| | 30.09.2016 | 31.03.2016 |
| | (Unaudited) | (Unaudited) |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 37,073 | 35,938 |
| Capital work-in-progress | 6,877 | 6,150 |
| Goodwill | 323 | 323 |
| Other intangible assets | 7,707 | 8,131 |
| Financial assets | | |
| Investments | 17,959 | 17,781 |
| Loans | 1,917 | 2,201 |
| Other financial assets | 412 | 456 |
| Deferred tax assets, net | 891 | 635 |
| Current tax assets, net | 1,445 | 1,491 |
| Other non-current assets | 762 | 639 |
| Total Non-Current assets | 75,366 | 73,745 |
| Current assets | | |
| Inventories | 19,111 | 16,996 |
| Financial assets | | |
| Investments | 16,804 | 32,979 |
| Trade receivables | 43,320 | 38,895 |
| Cash and cash equivalents | 410 | 2,021 |
| Loans | 249 | 184 |
| Others | 11,486 | 11,032 |
| Total Current assets | 91,380 | 102,107 |
| TOTAL - ASSETS | 166,746 | 175,852 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Equity share capital | 829 | 853 |
| Other equity | 108,128 | 119,931 |
| Total Equity | 108,957 | 120,784 |
| Liabilities | | |
| Non-current liabilities | | |
| Financial liabilities | | |
| Borrowings | 9,997 | 9,944 |
| Provisions | 749 | 665 |
| Other Non-current liabilities | - | 571 |
| Total Non-current liabilities | 10,746 | 11,180 |
| Current liabilities | | |
| Financial liabilities | | |
| Borrowings | 22,551 | 20,896 |
| Trade payables | 7,563 | 7,192 |
| Other financial liabilities | 14,100 | 13,601 |
| Other current liabilities | 726 | 494 |
| Provisions | 2,103 | 1,705 |
| Total Current liabilities | 47,043 | 43,888 |
| TOTAL EQUITY AND LIABILITIES | 166,746 | 175,852 |

(MSK)



DR. REDDY'S LABORATORIES LIMITED

Notes

1 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 and half year ended 30 September 2015

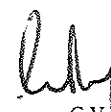
| Particulars | Quarter ended | Half year ended |
|---|---------------|-----------------|
| | 30.09.2015 | 30.09.2015 |
| Net profit under previous GAAP | 6,475 | 11,234 |
| Impact on account of measuring investments at fair value through profit and loss | 332 | 528 |
| Recognition of intangible assets not eligible for recognition under Previous GAAP | - | 5 |
| Reversal of goodwill amortised under Previous GAAP | 5 | 4 |
| Difference in measurement of employee share based payments | (14) | 8 |
| Impact on current and deferred taxes | 30 | (7) |
| Others | (2) | (12) |
| Net profit under Ind AS | 6,826 | 11,760 |

3 Reconciliation of equity as on 31 March 2016 as previously reported under Previous GAAP to Ind AS

| Particulars | As on 31 Mar 2016 | |
|---|-------------------|----------------|
| | | |
| Equity reported under Indian GAAP as on 31 March 2016 | | 115,201 |
| <i>Adjustments:</i> | | |
| Derecognition of provision for proposed dividend | 4,101 | |
| Impact on account of measuring investments at fair value | 1,218 | |
| Recognition of intangible assets not eligible for recognition under Previous GAAP | 102 | |
| Impact on current and deferred taxes | (646) | |
| Impact on account of expected credit loss on trade receivables | (40) | |
| Others | (5) | |
| | | 4,730 |
| Equity reported under Ind AS as on 31 March 2016 | | 119,931 |

- 4 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.
- 5 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, May 2016 and August 2016.
- 6 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, an amount of Rs. 344 million was recorded as a potential liability including the interest thereon. The aforesaid amount was included under "selling expenses".
- 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 25 October 2016.
- 8 The results for the quarter and half year ended 30 September 2015, quarter ended 30 June 2016, and the year ended 31 March 2016 have been reviewed by other auditors. An unmodified report has been issued by them thereon.
- 9 The results for the quarter and half year ended 30 September 2016 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: Visakhapatnam
Date: 25 Oct 2016