

Audited consolidated financial results of Dr. Reddy's Laboratories Limited and its subsidiaries for the quarter and year ended 31 March 2017 prepared in compliance 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			Year ended	
		31.03.2017	31.12.2016	31.03.2016	31.03.2017	31.03.2016
		(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
1	Revenues	35,542	37,065	37,562	140,809	154,708
2	Cost of revenues	17,360	15,166	16,286	62,453	62,427
3	<b>Gross Profit (1 - 2)</b>	<b>18,182</b>	<b>21,899</b>	<b>21,276</b>	<b>78,356</b>	<b>92,281</b>
4	Selling, General and Administrative expenses	10,973	11,341	11,632	46,372	45,702
5	Research and Development expenses	4,579	4,956	4,879	19,551	17,834
6	Other (income) / expense, net	(505)	(187)	(307)	(1,065)	(874)
	<b>Total operating expenses</b>	<b>15,047</b>	<b>16,110</b>	<b>16,204</b>	<b>64,858</b>	<b>62,662</b>
7	<b>Operating profit (3) - (4 + 5 + 6)</b>	<b>3,135</b>	<b>5,789</b>	<b>5,072</b>	<b>13,498</b>	<b>29,619</b>
	Finance income	285	218	883	1,587	2,251
	Finance expense	(333)	(174)	(3,529)	(781)	(4,959)
8	<b>Finance (expense)/income, net</b>	<b>(48)</b>	<b>44</b>	<b>(2,646)</b>	<b>806</b>	<b>(2,708)</b>
9	Share of profit of equity accounted affiliate, net of income taxes	102	89	59	349	229
10	<b>Profit before tax (7 + 8 + 9)</b>	<b>3,189</b>	<b>5,922</b>	<b>2,485</b>	<b>14,653</b>	<b>27,140</b>
11	Tax expense	64	1,221	1,739	2,614	7,127
12	<b>Profit for the period</b>	<b>3,125</b>	<b>4,701</b>	<b>746</b>	<b>12,039</b>	<b>20,013</b>
	<b>Attributable to :</b>					
	- Equity holders of the Company	3,125	4,701	746	12,039	20,013
	- Non-controlling interest	-	-	-	-	-
13	<b>Earnings per share:</b>					
	Basic earnings per share of Rs.5/- each	18.86	28.38	4.37	72.24	117.34
	Diluted earnings per share of Rs.5/- each	18.83	28.32	4.36	72.09	116.98
		(Not annualised)	(Not annualised)	(Not annualised)		

(MSK)



**Segment reporting (Consolidated)**

Sl. No.	Particulars	Quarter ended			Year ended	
		31.03.2017	31.12.2016	31.03.2016	31.03.2017	31.03.2016
		(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	<b>Segment wise revenue and results:</b>					
1	<b>Segment revenue:</b> <sup>(1)</sup>					
	a) Pharmaceutical Services and Active Ingredients	5,401	5,400	5,765	21,277	22,379
	b) Global Generics	29,138	30,638	30,775	115,409	128,062
	c) Proprietary Products	552	603	645	2,363	2,659
	d) Others	451	424	377	1,760	1,608
	<b>Net Revenue from operations</b>	<b>35,542</b>	<b>37,065</b>	<b>37,562</b>	<b>140,809</b>	<b>154,708</b>
2	<b>Segment results:</b>					
	Gross Profit from each segment					
	a) Pharmaceutical Services and Active Ingredients	541	1,530	1,187	4,473	4,931
	b) Global Generics	17,024	19,649	19,435	71,079	84,427
	c) Proprietary Products	410	509	533	1,951	2,217
	d) Others	207	211	121	853	706
	<b>Total</b>	<b>18,182</b>	<b>21,899</b>	<b>21,276</b>	<b>78,356</b>	<b>92,281</b>
	Less: Other un-allocable expenditure, net of other income	14,993	15,977	18,791	63,703	65,141
	<b>Total profit before tax</b>	<b>3,189</b>	<b>5,922</b>	<b>2,485</b>	<b>14,653</b>	<b>27,140</b>

Global Generics segment includes operations of Biologics business.

<sup>(1)</sup> Segment Revenues for the three months ended 31 March 2017, 31 December 2016, and 31 March 2016 does not include inter-segment revenues from PSAI to Global Generics, which is accounted for at a cost of Rs.1,449 million, Rs. 1,517 and Rs. 1,493 million, respectively. Segment revenues for the year ended 31 March 2017 and 31 March 2016 does not include inter-segment revenues from PSAI to Global Generics, which is accounted for at a cost of Rs.6,181 million and Rs.5,447 millions respectively.

**Notes:**

- The audited results have been reviewed by the Audit Committee of the Board on 11 May 2017 and approved by the Board of Directors of the Company at their meeting held on 12 May 2017. 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).
- Finance expense includes an amount of Rs. 3,845 million and Rs. 4,621 million for the quarter and year ended 31 March 2016, respectively, on account of currency devaluation and translation of monetary assets and liabilities using SIMADI / DICOM rate pertaining to the Company's Venezuelan subsidiary.
- 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. 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.
- On 10 June 2016, the Company entered into a definitive purchase agreement with Teva Pharmaceutical Industries Limited ("Teva") and an affiliate of Allergan plc ("Allergan") to acquire a portfolio of eight Abbreviated New Drug Applications ("ANDAs") in the United States for USD 350 million in cash at closing. The acquisition of these ANDAs was contingent on the closing of the Teva/Allergan generics purchase transaction and approval by the U.S. Federal Trade Commission of the Company as a buyer. The acquisition was consummated on 3 August 2016 upon the completion of all closing conditions, and the Company paid Rs. 23,366 million (USD 350 million) as the consideration for the acquired portfolio of ANDAs. As the acquired ANDAs are being developed, they are recorded as intangible assets under development.
- Consequent to an amendment to the collaboration, license and option agreement with Curis Inc. ("Curis"), during the quarter ended 30 September 2016, the Company was allotted 10,208,333 equity shares in Curis in lieu of certain future milestone payments that would be due to the Company under the collaboration agreement. These equity shares were recorded at USD 1.84 per share representing the market price of such equity shares on the date of allotment. The aggregate market value of such equity shares on the date of allotment was Rs. 1,247 million (USD 18.8 million).
- Consequent to the decline in the expected cash flows of some of the products forming part of a cash generating unit ("CGU") under the Global Generics segment, the Company, following the guidance under Ind AS 36 "Impairment of assets", estimated the recoverable amount of the CGU and assessed that the recoverable amount of the CGU is lower than its carrying cost. Accordingly, an amount of Rs.335 millions was recorded as an impairment during the quarter ended 31 March 2017. The said impairment charge was recorded under "other expenditure".
- 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, during the quarter ended 30 September 2016, an amount of Rs. 344 million was recorded as a potential liability including the interest thereon. The aforesaid amount was included under "selling expenses". As on 31 March 2017, the carrying value of the aforesaid liability was Rs. 374 million.
- The reduction in the income tax expense for the quarter ended 31 March 2017 is primarily due to resolution of certain tax matters pertaining to prior years.
- The Board of Directors, at their meeting held on 12 May 2017, have recommended a final dividend of Rs. 20 per share subject to the approval of shareholders.
- The figures of the last quarter are the balancing figures between audited figures in respect of the full financial year and published year to date figures up to the third quarter of the relevant financial year. Also the figures upto the end of third quarter were only reviewed and not subject to audit.




**11 Consolidated statement of financial position**

Particulars	As at	As at
	31.03.2017	31.03.2016
	Audited	Audited
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,866	4,921
Other investments	14,270	35,034
Trade and other receivables	38,065	41,306
Inventories	28,529	25,578
Derivative financial instruments	262	175
Current tax assets	3,413	1,664
Other current assets	11,970	11,010
<b>Total current assets</b>	<b>100,375</b>	<b>119,688</b>
<b>Non-current assets</b>		
Property, plant and equipment	57,160	53,961
Goodwill	3,752	3,848
Other intangible assets	44,925	20,796
Trade and other receivables	206	-
Investment in equity accounted investees	1,603	1,309
Other investments – non-current	5,237	1,988
Deferred tax assets	5,580	4,997
Other non-current assets	983	1,063
<b>Total non-current assets</b>	<b>119,446</b>	<b>87,962</b>
<b>Total assets</b>	<b>219,821</b>	<b>207,650</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables	13,417	12,300
Derivative financial instruments	10	108
Current tax liabilities	1,483	2,581
Bank Overdraft	87	-
Short-term borrowings	43,539	22,718
Long-term borrowings, current portion	110	110
Provisions	4,509	4,759
Other current liabilities	21,845	22,070
<b>Total current liabilities</b>	<b>85,000</b>	<b>64,646</b>
<b>Non-current liabilities</b>		
Long-term loans and borrowings, excluding current portion	5,449	10,685
Provisions - non-current	47	55
Deferred tax liabilities	1,204	767
Other non-current liabilities	4,077	3,161
<b>Total non-current liabilities</b>	<b>10,777</b>	<b>14,668</b>
<b>Total liabilities</b>	<b>95,777</b>	<b>79,314</b>
<b>Equity</b>		
Share capital	829	853
Share premium	7,359	22,601
Share based payment reserve	998	1,100
Retained earnings	108,224	99,550
Other components of equity	6,634	4,232
<b>Total equity</b>	<b>124,044</b>	<b>128,336</b>
<b>Total liabilities and equity</b>	<b>219,821</b>	<b>207,650</b>

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

  
G V Prasad  
Co-Chairman & Chief Executive Officer

Place: Hyderabad  
Date: 12 May 2017

  
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