

DR. REDDY'S LABORATORIES LTD.

8-2-337, Road No. 3, Banjara Hills,
Hyderabad - 500034. Telangana, India.

CONTACT

INVESTOR RELATIONS

AMIT AGARWAL
amita@drreddys.com
(Ph: +91-40-4900 2135)

MEDIA RELATIONS

MITALI SARKAR
mitali.sarkar@drreddys.com
(Ph: +91-40-4900 2121)

Dr. Reddy's Q1 FY20 Financial Results

Hyderabad, India, July 29, 2019: Dr. Reddy's Laboratories Ltd. (BSE: 500124 | NSE: DRREDDY | NYSE: RDY) today announced its consolidated financial results for the quarter ended June 30, 2019 under International Financial Reporting Standards (IFRS).

Revenues

₹3,844 Cr

[YoY: 3% Up, QoQ: 4% Dc]

Gross Margin

51.7%

[Q1 FY19: 55.7%; Q4 FY19: 52.4%]

SG&A expenses

₹1,207 Cr

[YoY: Flat; QoQ: 3% Dc]

R&D expenses

₹361 Cr

[9.4% of Revenues]

Profit before Tax

₹850 Cr

[22.1% of Revenues]

Profit after Tax

₹663 Cr

[17.2% of Revenues]

Commenting on the results, CEO and Co-chairman, GV Prasad said "This quarter, we grew in most of our key markets and hope to continue this momentum with a sharper focus on performance. We will continue our journey of operational excellence, cost leadership and innovation across our businesses".

Dr. Reddy's Laboratories Limited and Subsidiaries

Consolidated Income Statement

| Particulars | Q1 FY20 | | Q1 FY19 | | YoY Gr % | Q4 FY19 | | QoQ Gr% |
|--|-------------|---------------|-------------|---------------|-------------|-------------|---------------|------------|
| | (\$) | (Rs.) | (\$) | (Rs.) | | (\$) | (Rs.) | |
| Revenues | 558 | 38,435 | 540 | 37,207 | 3 | 583 | 40,166 | (4) |
| Cost of Revenues | 270 | 18,576 | 239 | 16,479 | 13 | 277 | 19,113 | (3) |
| Gross Profit | 288 | 19,859 | 301 | 20,728 | (4) | 305 | 21,053 | (6) |
| Operating Expenses | | | | | | | | |
| Selling, General & Administrative expenses | 175 | 12,065 | 176 | 12,106 | (0) | 180 | 12,376 | (3) |
| Research and Development expenses | 52 | 3,609 | 60 | 4,157 | (13) | 53 | 3,662 | (1) |
| Other operating (income) | (55) | (3,759) | (4) | (303) | 1141 | (5) | (330) | 1038 |
| Results from operating activities | 115 | 7,944 | 69 | 4,768 | 67 | 78 | 5,345 | 49 |
| Net finance (income) | (6) | (393) | (2) | (156) | 152 | (5) | (349) | 13 |
| Share of (profit) / loss of equity accounted investees | (2) | (163) | (1) | (83) | 96 | (2) | (157) | 4 |
| Profit before income tax | 123 | 8,500 | 73 | 5,007 | 70 | 85 | 5,851 | 45 |
| Income tax expense | 27 | 1,872 | 6 | 446 | 320 | 22 | 1,507 | 24 |
| Profit for the period | 96 | 6,628 | 66 | 4,561 | 45 | 63 | 4,344 | 53 |
| Diluted Earnings Per Share (EPS) | 0.58 | 39.91 | 0.40 | 27.45 | 45 | 0.38 | 26.16 | 53 |

| As % to Revenues | Q1 FY20 | Q1 FY19 | Q4 FY19 |
|------------------|------------|------------|------------|
| Gross Profit | 51.7 | 55.7 | 52.4 |
| SG&A | 31.4 | 32.5 | 30.8 |
| R&D | 9.4 | 11.2 | 9.1 |
| EBITDA | 29.5 | 21.7 | 22.0 |
| PBT | 22.1 | 13.5 | 14.6 |
| PAT | 17.2 | 12.3 | 10.8 |

EBITDA Computation

| Particulars | Q1 FY20 | | Q1 FY19 | | Q4 FY19 | |
|---------------------------------|------------|---------------|------------|--------------|------------|--------------|
| | (\$) | (Rs.) | (\$) | (Rs.) | (\$) | (Rs.) |
| Profit before Income Tax | 123 | 8,500 | 73 | 5,007 | 85 | 5,851 |
| Interest (income) net* | (3) | (239) | (1) | (46) | (3) | (215) |
| Depreciation# | 31 | 2,124 | 32 | 2,214 | 31 | 2,136 |
| Amortization# | 14 | 958 | 13 | 896 | 15 | 1,047 |
| EBITDA | 165 | 11,343 | 117 | 8,071 | 128 | 8,819 |

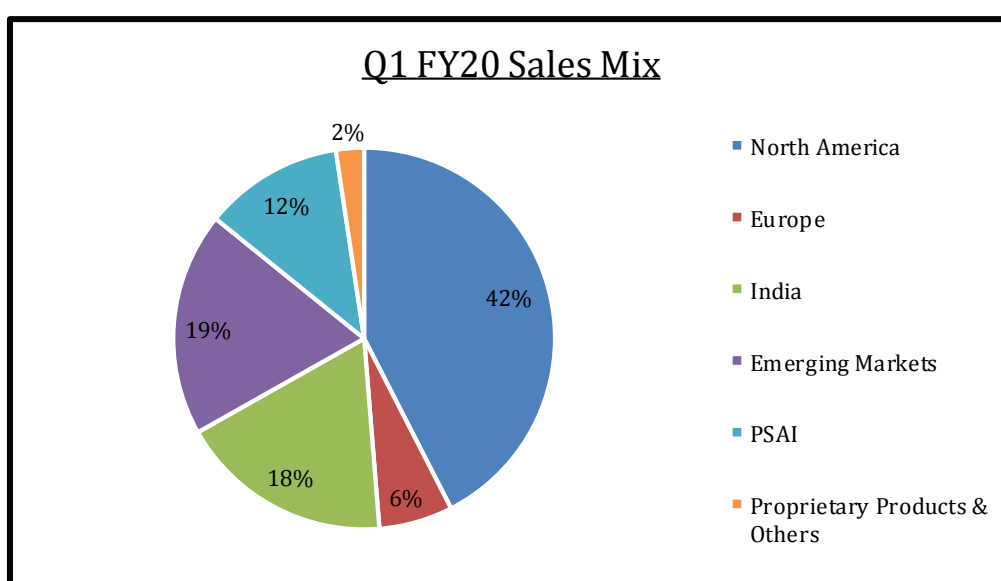
* Includes income from Investments # includes impairment charge

Key Balance Sheet Items

| Particulars | As on 30 th June, 2019 | | As on 31st March, 2019 | | As on 30 th June, 2018 | |
|---|-----------------------------------|----------|------------------------|----------|-----------------------------------|----------|
| | (\$) | (Rs.) | (\$) | (Rs.) | (\$) | (Rs.) |
| Cash and cash equivalents and other investments | 413 | 28,439 | 371 | 25,570 | 247 | 17,047 |
| Trade receivables (current & non-current) | 551 | 37,961 | 580 | 39,982 | 698 | 48,095 |
| Inventories | 510 | 35,137 | 487 | 33,579 | 457 | 31,498 |
| Property, plant and equipment | 785 | 54,083 | 785 | 54,088 | 827 | 57,020 |
| Goodwill and Other Intangible assets | 694 | 47,821 | 700 | 48,269 | 715 | 49,289 |
| Loans and borrowings (current & non-current) | 499 | 34,387 | 557 | 38,381 | 787 | 54,273 |
| Trade payables | 215 | 14,842 | 211 | 14,553 | 215 | 14,816 |
| Equity | 2,121 | 1,46,208 | 2,034 | 1,40,197 | 1,892 | 1,30,430 |

Revenue Mix by Segment

| Particulars | Q1 FY20 | Q1 FY19 | YoY Growth % | Q4 FY19 | QoQ Growth % |
|--|---------------|---------------|--------------|---------------|--------------|
| | (Rs.) | (Rs.) | | (Rs.) | % |
| Global Generics | 32,982 | 30,636 | 8 | 30,384 | 9 |
| North America | 16,322 | 15,903 | 3 | 14,957 | 9 |
| Europe | 2,404 | 2,016 | 19 | 1,912 | 26 |
| India | 6,960 | 6,074 | 15 | 6,505 | 7 |
| Emerging Markets | 7,296 | 6,643 | 10 | 7,010 | 4 |
| Pharmaceutical Services and Active Ingredients (PSAI) | 4,539 | 5,409 | (16) | 6,765 | (33) |
| Proprietary Products & Others | 914 | 1,162 | (21) | 3,017 | (70) |
| Total | 38,435 | 37,207 | 3 | 40,166 | (4) |



Segmental Analysis

Global Generics (GG)

Revenues from **GG** segment at ₹33.0 billion. Year-on-year growth of 8%, primarily driven by Emerging Markets, India and Europe. Sequential growth is 9%.

- Revenues from **North America** at ₹16.3 billion. Year-on-year growth is 3%. Sequential growth of 9%, is driven by contribution from new products and increase in volumes, partly offset by price erosion coupled with adverse foreign exchange movement. We launched five new products (Daptomycin, Testosterone gel, Tobramycin, Vitamin K & OTC calcium carbonate) and re-launched Isotretinoin during the quarter.

As of 30th June 2019, cumulatively 107 generic filings are pending for approval with the USFDA (104 ANDAs and 3 NDAs under 505(b)(2) route). Of these 104 ANDAs, 58 are Para IVs out of which we believe 34 have 'First to File' status.

- Revenues from **Emerging Markets** at ₹7.3 billion. Year-on-year growth is 10%. Sequential growth is 4%.
 - Revenues from **Russia** at ₹4.0 billion. Year-on-year growth of 5%. Growth primarily driven by new launches and better realizations in some of the key molecules.
 - Revenues from other **CIS countries and Romania** market at ₹1.2 billion. Year-on-year growth of 2%.
 - Revenues from **Rest of World (RoW)** territories at ₹2.1 billion. Year-on-year growth of 27%, primarily driven by new products, traction in new markets and volume traction in base business.
- Revenues from **India** at ₹7.0 billion. Year-on-year growth of 15%, driven by volume traction and improved realizations in base business and new product launches. Sequential growth is 7%.
- Revenues from **Europe** at ₹2.4 billion. Year-on-year growth of 19%, primarily on account of new products and volume traction on account of improvement in supplies. Sequential growth is 26%.

Pharmaceutical Services and Active Ingredients (PSAI)

- Revenues from **PSAI** at ₹4.5 billion. Year-on-year decline of 16% and sequential decline is 33% due to decline in the sales volume of certain products.

Proprietary Products (PP)

- Revenues from **PP** at ₹281 million. Year-on-year decline of 61% due to absence of the derma products sales (which were divested in the previous year).

Income Statement Highlights:

- Gross profit margin at 51.7%.
 - declined by ~70 bps sequentially and ~400 bps over that of previous year
 - sequentially – excluding the impact of one-time out licensing income of ₹1.8 billion realized from the sale of derma brands, the gross margins have witnessed improvement of 150 bps on a sequential basis
 - YoY impacted by price erosion due to increased competitive intensity in some of our key molecules in the US and Europe, and lower sales from PSAI business
 - Gross profit margin for GG and PSAI business segments are at 57.6% and 7.2% respectively.
- SG&A expenses at ₹12.1 billion, remained flat on a year-on-year basis and declined by 3% sequentially.
- R&D expenses at ₹3.6 billion. As % to Revenues- Q1 FY20: 9.4% | Q4 FY 19: 9.1% | Q1 FY19: 11.2%. Focus continues on building complex generics, bio-similars and differentiated products pipeline.
- Other operating income at ₹3.8 billion; includes ₹3.5 billion received from Celgene pursuant to an agreement entered towards settlement of any claim the Company or its affiliates may have had for damages under section 8 of the Canadian Patented Medicines (Notice of Compliance) Regulations in regard to the Company's ANDS for a generic version of REVLIMID brand capsules, (Lenalidomide) pending before Health Canada.
- Net Finance income at ₹393 million compared to ₹156 million in Q1 FY19. The increase is primarily on account of higher profit on sales of investments by ₹202 million during the quarter.
- Profit after Tax at ₹6.6 billion. The effective tax rate is around 22% for the quarter.
- Diluted earnings per share is at ₹39.91
- Capital expenditure is at ₹1.1 billion.

Organizational Update:

With effect from August 1, 2019, Erez Israeli will be elevated as Chief Executive Officer (CEO) of Dr. Reddy's Laboratories Limited. GV Prasad will continue as the Co-Chairman and Managing Director and Erez Israeli will continue to report to him.

Since joining Dr. Reddy's as Chief Operating Officer (COO) in April 2018, Erez has spear-headed the transformation agenda of the organization by ensuring clear focus and strategy, setting foundations for a sustainable financial growth and leading business delivery. His appointment will help to propel the organization's growth agenda forward.

Earnings Call Details (06:30 pm IST, 09:00 am EDT, July 29, 2019)

The Company will host an earnings call to discuss the performance and answer any questions from participants.

Audio conference Participants can dial-in on the numbers below:

Universal Access Number: **+91 22 6280 1219**
Secondary number: **+91 22 7115 8120**

Local Access number: **+91 70456 71221**
(Available all over India)

| | | |
|--------------------------------|------------------|-----------------------|
| International Toll Free Number | USA | 1 866 746 2133 |
| | UK | 0 808 101 1573 |
| | Singapore | 800 101 2045 |
| | Hong Kong | 800 964 448 |

Playback of call: **+91 22 7194 5757, +91 22 6663 5757**
Conference ID: **20718**

Transcript of the event will be available at www.drreddys.com. Playback will be available for a few days.

.....
About Dr. Reddy's: Dr. Reddy's Laboratories Ltd. (BSE: 500124, NSE: DRREDDY, NYSE: RDY) is an integrated pharmaceutical company, committed to providing affordable and innovative medicines for healthier lives. Through its three businesses - Pharmaceutical Services & Active Ingredients, Global Generics and Proprietary Products – Dr. Reddy's offers a portfolio of products and services including APIs, custom pharmaceutical services, generics, biosimilars and differentiated formulations. Our major therapeutic areas of focus are gastrointestinal, cardiovascular, diabetology, oncology, pain management and dermatology. Dr. Reddy's operates in markets across the globe. Our major markets include – USA, India, Russia & CIS countries, and Europe. For more information, log on to: www.drreddys.com
.....

Disclaimer: This press release may include statements of future expectations and other forward-looking statements that are based on the management's current views and assumptions and involve known or unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions such as performance of financial markets, credit defaults, currency exchange rates, interest rates, persistency levels and frequency / severity of insured loss events (ii) mortality and morbidity levels and trends, (iii) changing levels of competition and general competitive factors, (iv) changes in laws and regulations and in the policies of central banks and/or governments, (v) the impact of acquisitions or reorganisation, including related integration issues.

The company assumes no obligation to update any information contained herein.