

**DR. REDDY'S LABORATORIES LIMITED**  
**UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE, 2006**

All amounts in Indian Rupees lakhs, except share data

Sl. No.	PARTICULARS	Quarter ended		Year ended
		30.06.06	30.06.05	31.03.06
		(Unaudited)	(Unaudited)	(Audited)
1	Sales / income from operations (including excise duty)	72,554	53,523	209,551
	Less: Excise duty recovered on sales	2,461	2,230	9,106
	<b>Net sales / income from operations</b>	<b>70,093</b>	<b>51,293</b>	<b>200,445</b>
2	License fees and service income	4,296	55	905
3	Other income	2,829	2,284	12,307
4	<b>Total income (1 + 2 + 3)</b>	<b>77,218</b>	<b>53,632</b>	<b>213,657</b>
5	<b>Total expenditure</b>	<b>58,276</b>	<b>42,365</b>	<b>174,005</b>
a	(Increase)/ decrease in stock	(1,186)	604	(3,672)
b	Material consumed	27,563	17,373	79,287
c	Excise duty	51	44	765
d	Research and development expenses	5,820	4,441	17,254
e	Personnel costs	6,150	5,186	21,284
f	Selling expenses	7,482	5,617	24,367
g	Provision for decline in the value of long-term investments	-	-	1,750
h	Other expenditure	12,396	9,100	32,970
6	<b>Profit before interest, depreciation, amortisation and tax (4 - 5)</b>	<b>18,942</b>	<b>11,267</b>	<b>39,652</b>
7	Interest	1,324	324	2,142
8	<b>Profit after interest but before depreciation amortisation and tax (6 - 7)</b>	<b>17,618</b>	<b>10,943</b>	<b>37,510</b>
9	Depreciation and amortisation	3,154	2,613	11,133
10	Provision for taxation			
	- Current tax	650	-	1,383
	- Fringe benefit tax	145	188	688
11	Deferred tax expense	488	1,808	3,193
12	<b>Net profit ( 8 - 9 - 10 - 11)</b>	<b>13,181</b>	<b>6,334</b>	<b>21,113</b>
13	Paid - up equity share capital (face value Rs.5 each)	3,835	3,827	3,835
14	Reserves (excluding revaluation reserve)	-	-	222,379
15	Aggregate of Non-Promoter share holding			
	-Number of shares (face value Rs.5 each)	55,871,466	56,419,177	55,568,783
	-Percentage of share holding	72.84	73.71	72.45
16	Earnings per share for the period (in rupees) per Rs.5 share			
	Basic	17.19	8.28	27.58
	Diluted	17.09	8.23	27.44
		(Not annualised)	(Not annualised)	

**DR. REDDY'S LABORATORIES LIMITED**  
**UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE, 2006**

All amounts in Indian Rupees lakhs, except share data

SI. No.	PARTICULARS	Quarter ended		Year ended
		30.6.06	30.6.05	31.3.06
		(Unaudited)	(Unaudited)	(Audited)
1	<b>Segment wise revenue, results and capital employed:</b>			
	<b>Segment revenue :</b>			
	a) Active Pharmaceutical Ingredients and Intermediates	25,190	20,246	85,361
	b) Formulations	31,041	26,057	98,310
	c) Generics	12,722	6,450	22,055
	d) Critical Care and Biotechnology	1,699	1,259	5,873
	e) Custom Pharmaceutical Services	11,158	369	9,956
	e) Drug Discovery	258	5	21
	<b>Total</b>	<b>82,068</b>	<b>54,386</b>	<b>221,576</b>
	Less: Inter segment revenue	4,843	2,768	15,217
	Add : Other unallocable Income/(expense)	(7)	2,014	7,298
	<b>Total income</b>	<b>77,218</b>	<b>53,632</b>	<b>213,657</b>
2	<b>Segment results :</b>			
	Profit / (loss) before tax and interest from each segment			
	a) Active Pharmaceutical Ingredients and Intermediates	3,144	1,478	8,438
	b) Formulations	12,442	10,855	35,887
	c) Generics	4,190	(53)	(2,038)
	d) Critical Care and Biotechnology	(295)	(203)	(233)
	e) Custom Pharmaceutical Services	1,254	(329)	(1,042)
	f) Drug Discovery	(2,241)	(2,167)	(6,689)
	<b>Total</b>	<b>18,494</b>	<b>9,581</b>	<b>34,323</b>
	Less: (i) Interest	1,324	324	2,142
	(ii) Other un-allocable expenditure	2,706	927	5,804
	<b>Total profit before tax</b>	<b>14,464</b>	<b>8,330</b>	<b>26,377</b>
3	<b>Capital Employed:</b>			
	a) Active Pharmaceutical Ingredients and Intermediates	68,661	53,052	62,809
	b) Formulations	50,857	37,345	39,302
	c) Generics	35,241	21,688	23,308
	d) Critical Care and Biotechnology	10,740	8,349	10,422
	e) Custom Pharmaceutical Services	13,394	2,210	8,460
	f) Drug Discovery	3,503	1,193	2,884
	g) Others	56,475	90,353	79,029
	<b>Total</b>	<b>238,871</b>	<b>214,190</b>	<b>226,214</b>

**Notes:**

- 1 Pursuant to clause 41 of the listing agreements, the investor complaints received, disposed off and lying unresolved as on 30 June, 2006 are given in the table below:

Nature of Complaints	Opening balance	Additions	Disposal	Closing balance
Non receipt of Share certificates and dividend	0	6	6	0

- 2 On 19 May, 2006, the Company through its wholly owned subsidiary Reddy Pharma Iberia, S.A., acquired marketing authorisations of the pharmaceutical specialties, marketing authorisation applications and a trademark along with physical inventories of the related products from Laboratories Litaphar, S.A. (Litaphar) for a total consideration of Rs. 2,189 lakhs. This has been accounted as acquisition of intangibles and inventories.
- 3 During the quarter ended 30 June, 2006 the Company received a license fee of Rs. 3,509 lakhs from an overseas subsidiary in connection with sale of certain products.
- 4 Mr. V.S. Vasudevan, the present President and CFO will be moving as Head of Europe region w.e.f. 29 July, 2006. Consequently, Mr. Saumen Chakraborty, currently Executive Vice President and Global Chief of HR, IT and Business Process Excellence, will take over as CFO from 29 July, 2006.
- 5 In view of Accounting Standard (AS) 15 (revised 2005) "Employee Benefits", issued by The Institute of Chartered Accountants of India which is applicable w.e.f. 1 April, 2006, an additional one-time provision against compensated absences amounting Rs. 857 lakhs (net of deferred tax asset of Rs. 434 lakhs) up to 31 March, 2006 has been charged to the opening balance of revenue reserves during the quarter ended 30 June, 2006.
- 6 The figures for the previous periods have been re-grouped/reclassified, wherever necessary, to conform with the current period classification.
- 7 The above results have been taken on record by the Board of Directors of the Company at its meeting held on 27 July, 2006.

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

Place: Hyderabad  
Date: 27 July 2006

Satish Reddy  
Managing Director & Chief Operating Officer

DR. REDDY'S LABORATORIES LIMITED

CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE, 2006

All amounts in Indian Rupees lakhs, except share data

SI No.	Particulars	Quarter ended		Year ended
		30.06.2006 (Unaudited)	30.06.2005 (Unaudited)	31.03.2006 (Audited)
1	Sales / Income from operations (including Excise Duty and other similar duties and taxes) Less: Excise duty and other similar duties and taxes <b>Net sales / income from operations</b>	140,256 6,580 <b>133,676</b>	56,818 3,002 <b>53,816</b>	246,052 11,395 <b>234,657</b>
2	License fees and service income	1,236	160	1,609
3	Other income	2,455	2,390	12,055
4	<b>Total income (1+2+3 )</b>	<b>137,367</b>	<b>56,366</b>	<b>248,321</b>
5	<b>Total Expenditure</b>	<b>109,709</b>	<b>47,526</b>	<b>205,577</b>
a	Increase in stock	(12,484)	(575)	(4,223)
b	Material consumed	70,331	18,992	85,869
c	Excise duty and other similar duties and taxes	51	44	765
d	Research and development expenses, net	5,416	4,301	17,373
e	Personnel costs	15,361	7,483	34,953
f	Selling expenses	12,670	5,928	27,968
g	Other expenditure	18,364	11,353	42,872
6	<b>Profit before interest, depreciation, amortisation and tax (4 - 5)</b>	<b>27,658</b>	<b>8,840</b>	<b>42,744</b>
7	Interest	3,885	350	6,442
8	<b>Profit after interest but before depreciation, amortisation and tax (6 -7)</b>	<b>23,773</b>	<b>8,490</b>	<b>36,302</b>
9	Depreciation and amortisation	8,481	3,476	16,169
10	Provision for taxation - Current tax - Fringe benefit tax	3,696 147	4 191	1,725 697
11	Deferred tax expense/(benefit)	(1,443)	1,749	3,037
12	<b>Net profit before minority interest ( 8 - 9 - 10-11)</b>	<b>12,892</b>	<b>3,070</b>	<b>14,674</b>
13	Minority interest	-	(1)	(1)
14	<b>Net profit attributable to the shareholders of the parent</b>	<b>12,892</b>	<b>3,069</b>	<b>14,673</b>
15	Paid - up equity share capital (Face value Rs.5/- each)	3,835	3,827	3,835
16	Reserves (Excluding revaluation reserve)	-	-	203,053
17	Earnings per share for the period (in Rupees) per Rs.5/- share Basic Diluted	16.81 16.71	4.01 3.99	19.17 19.07
		(Not Annualised)	(Not Annualised)	

Notes:

- The Company has consolidated the financial statements of the following subsidiaries:  
OOO JV Reddy Biomed Limited, Reddy Pharmaceuticals Hong Kong Limited, Dr. Reddy's Laboratories Inc., Reddy Cheminor S.A., Reddy Antilles N.V., Dr. Reddy's Farmaceutica Do Brazil Ltda., Dr. Reddy's Laboratories (EU) Limited, Dr. Reddy's Laboratories (UK) Limited, Aurigene Discovery Technologies Limited, Aurigene Discovery Technologies Inc., Cheminor Investments Limited, DRL Investments Limited, Reddy Netherlands B.V., Reddy US Therapeutics Inc., Dr Reddy's Laboratories (Proprietary) Limited, OOO Dr Reddy's Laboratories Limited, Reddy Pharmaceutical Inc., Dr Reddy's Bio-Sciences Ltd, Trigenesis Therapeutics Inc., Industrias Quimicas Falcon de Mexico S.A.de.C.V, Lacock Holdings Limited, Reddy Holding GmbH, beta Holding GmbH, beta Healthcare Verwaltungs GmbH, betapharm Arzneimittel GmbH, beta Healthcare Solutions GmbH, beta Institut gGmbH, Reddy Pharma Iberia S.A., beta Healthcare GmbH & Co.KG(Partnership firm) and Globe Enterprises(Partnership firm).
- Kunshan Rotam Reddy Pharmaceutical Company Limited (a joint venture) has been accounted for under the proportionate consolidation method in accordance with AS 27 - "Financial Reporting of Interests in Joint Ventures".
- Mr V.S.Vasudevan the present President and CFO will be moving as Head of Europe region with effect from 29 July 2006. Consequently, Mr. Saumen Chakraborty, currently Executive Vice President and Global Chief of HR, IT and Business Process Excellence, will take over as CFO from 29 July 2006. Mr Andrew Miller, the General Counsel of the Company based out of US has decided to return full time to the practice of law at the firm, Budd Lerner, where he will continue to represent Dr. Reddy's. The Company does not intend to hire a new General Counsel in the US.
- On 3 March 2006, the Company through its step down subsidiary Reddy Holding GmbH acquired 100% of the outstanding common shares of Betapharm Group for a consideration of Rs. 2,60,633 lakhs. Betapharm is a leading generics pharmaceuticals company in Germany. The strategic investment in Betapharm is a step towards realizing the Company's intention of building a global generics business in key European markets. The transaction has been accounted for under the purchase method of accounting under AS 21 - "Consolidated Financial Statements" and the resultant goodwill of Rs.1,93,981 lakhs has been recorded in the books.
- On 30 December 2005, the Company acquired 100% of the share capital of Industrias Quimicas Falcon de Mexico, S.A.De.C.V. ( "Falcon"), a Roche group company for a cash consideration of Rs.23,202.46 lakhs. Additionally, the Company has paid Rs.2,434.24 lakhs for acquisition of customer relationships which has been accounted as an intangible asset. Falcon is primarily engaged in the manufacturing and selling of active pharmaceutical ingredients Naproxen, Naproxen Sodium and steroids.
- On 19 May 2006, the Company through its wholly owned subsidiary Reddy Pharma Iberia, S.A., acquired marketing authorisations of the pharmaceutical specialties, marketing authorisation applications and a trademark along with physical inventories of the related products from Laboratories Litaphar, S.A. (Litaphar) for a total consideration of Rs. 2,189 lakhs. This has been accounted as acquisition of intangibles and inventories.
- The results of the current quarter include the results of the acquisitions described in notes 4, 5 and 6 above and are therefore not comparable with the previous period.
- During the quarter, the Group has entered in a supply and distribution agreement for sale of authorised generic version of certain products with an innovator company. Under the terms of the agreement, the Group has agreed to procure these products at an agreed price during the six month exclusivity period and sell the products to ultimate customers, with an agreed profit share arrangement between the Group and the innovator. The procurement cost and the profit share payout have been accounted under material cost. Sales under the above arrangement amounted to Rs.33,599 lakhs for the quarter ended 30 June 2006.
- The figures for the previous periods have been re-grouped/re-classified, wherever necessary, to conform with the current period classification.
- The above results have been taken on record by the Board of Directors of the Company at its meeting held on 27 July 2006.

Place: Hyderabad  
Date: 27 July 2006

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

Satish Reddy  
Managing Director & Chief Operating Officer