



Dr Reddy's Laboratories Ltd.

**USGAAP Financials**  
**UNAUDITED FINANCIAL STATEMENTS**

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USGAAP - Statement of Income

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except share data)

	(Audited)	(Un-audited)		
	Year ended March 31, 2001	Three months ended 2000	2001	December 31, 2001
<b>Revenues:</b>				
Product sales, net of allowances for sales returns (includes excise duties of Rs.733,841 for the year ended March 31, 2001 and Rs.139,972 and Rs.188,822 for the three months ended December 31, 2000 and 2001 respectively) .....	Rs.10,974,809	Rs. 2,563,638	Rs. 4,451,074	US\$ 92,212
License fees .....	-	-	124,757	2,585
	<u>10,974,809</u>	<u>2,563,638</u>	<u>4,575,831</u>	<u>94,797</u>
Cost of revenues .....	5,735,847	1,461,393	1,816,052	37,623
Gross profit .....	<u>5,238,962</u>	<u>1,102,245</u>	<u>2,759,779</u>	<u>57,174</u>
Operating expenses:				
Selling, general and administrative expenses .....	2,818,870	663,726	984,686	20,400
Research and development expenses .....	508,837	109,179	235,763	4,884
Amortisation expenses .....	482,334	117,264	109,379	2,266
Foreign exchange (gain)/loss .....	(62,105)	(18,255)	(59,673)	(1,236)
Total operating expenses .....	<u>3,747,936</u>	<u>871,914</u>	<u>1,270,155</u>	<u>26,314</u>
Operating income .....	<u>1,491,026</u>	<u>230,331</u>	<u>1,489,624</u>	<u>30,860</u>
Equity in loss of affiliates .....	(31,520)	(5,643)	(37,133)	(769)
Other (expenses)/income, net .....	(387,005)	(70,412)	42,405	878
Income/(loss) before income taxes and minority interest .....	<u>1,072,501</u>	<u>154,276</u>	<u>1,494,896</u>	<u>30,969</u>
Income tax (expense)/benefit .....	(321,396)	(42,224)	(182,529)	(3,781)
Minority interest .....	(9,155)	(2,993)	331	7
Net income .....	<u>Rs.741,950</u>	<u>Rs. 109,059</u>	<u>Rs. 1,312,698</u>	<u>US\$ 27,195</u>
Basic and diluted net income per equity share	11.74	1.73	17.16	0.36
Weighted average number of equity shares used in computing basic and diluted net income per equity share .....	63,177,560	63,177,560	76,485,136	76,485,136

See accompanying notes to the consolidated financial statements

**BALANCE SHEET**  
(in thousands, except share data)

	(Audited)	(Un-audited)	
	As of March 31,	As of December 31,	
	2001	2001	2001
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	Rs.478,979	Rs. 4,037,805	US\$ 83,650
Restricted cash .....	18,670	44,931	931
Accounts receivable, net of allowances .....	2,379,703	3,921,512	81,241
Inventories.....	1,919,354	2,641,272	54,719
Deferred income taxes .....	158,931	168,253	3,486
Due from related parties.....	23,338	8,587	178
Other current assets.....	328,796	533,015	11,042
Total current assets .....	<u>5,307,771</u>	<u>11,355,375</u>	<u>235,247</u>
Property, plant and equipment, net.....	3,243,706	3,566,868	73,894
Due from related parties .....	34,523	60,459	1,253
Intangible assets.....	2,889,373	2,644,746	54,791
Investment securities.....	21,337	20,000	414
Investment in affiliates .....	284,970	277,016	5,739
Other assets .....	101,205	103,712	2,149
Total assets.....	<u>Rs.11,882,885</u>	<u>Rs. 18,028,176</u>	<u>US\$ 373,486</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Borrowings from banks.....	Rs.2,569,095	Rs. 150,280	US\$ 3,113
Current portion of long-term debt.....	379,515	2,960	61
Current portion of capital lease obligations.....	109	-	-
Trade accounts payable.....	684,364	1,060,267	21,965
Due to related parties.....	1,083	1,067	22
Taxes payable.....	163,120	179,121	3,711
Accrued expenses.....	383,432	566,330	11,733
Other current liabilities .....	331,683	336,966	6,981
Total current liabilities .....	<u>4,512,401</u>	<u>2,296,991</u>	<u>47,586</u>
Long-term debt, excluding current portion .....	1,003,378	45,299	938
Deferred revenue .....	69,813	288,382	5,974
Deferred income taxes .....	864,857	762,514	15,797
Other liabilities .....	175,970	155,742	3,226
Total liabilities .....	<u>6,626,419</u>	<u>3,548,928</u>	<u>73,522</u>
Minority interest .....	16,002	-	-
<b>Stockholders' equity:</b>			
Equity shares at Rs.5 par value; 100,000,000 shares authorized; Issued and outstanding; 63,177,560 and 76,515,948 shares as on March 31, 2001 and December 31, 2001 respectively ...	315,889	382,580	7,926
Additional paid-in capital .....	4,296,154	10,146,975	210,213
Retained earnings .....	627,137	3,947,316	81,776
Equity shares held by a controlled trust: 41,400 shares .....	(4,882)	(4,882)	(101)
Accumulated other comprehensive income .....	6,166	7,259	150
Total stockholders' equity.....	<u>5,240,464</u>	<u>14,479,248</u>	<u>299,964</u>
Total liabilities and stockholders' equity .....	<u>Rs.11,882,885</u>	<u>Rs. 18,028,176</u>	<u>US\$ 373,486</u>

**CASH FLOW STATEMENT**  
(in thousands, except share data)

	(Un-audited)		
	Three months ended December 31,		
	2000	2001	2001
Cash flows from operating activities:			
Net income/(loss).....	Rs 109,059	Rs. 1,312,698	US\$ 27,195
Adjustments to reconcile net income/(loss) to net cash from operating activities:			
Deferred tax expense/(benefit) .....	(27,141)	75,238	1,559
Depreciation and amortization.....	228,591	226,209	4,686
Loss/(gain) on sale of property, plant and equipment.....	55	422	9
Provision for doubtful accounts receivable.....	17,889	16,189	335
Allowance for sales returns .....	6,608	27,534	570
Inventory write-downs. ....	1,738	10,980	227
Deferred revenue .....	-	(16,982)	(352)
Equity in loss of affiliates. ....	5,643	37,133	769
Exchange (gain)/loss on remeasurement.....	30,536	(8,087)	(168)
Minority interest .....	2,993	(331)	(7)
Changes in operating assets and liabilities:			
Accounts receivable, net of allowances .....	(113,815)	524,972	10,876
Inventories.....	(153,649)	(147,767)	(3,061)
Other assets .....	61,080	(213,417)	(4,421)
Due to / from related parties.....	(677,680)	(8,972)	(186)
Trade accounts payable .....	767,840	69,357	1,437
Accrued expenses.....	12,837	127,400	2,639
Taxes payable .....	10,958	(75,153)	(1,557)
Other liabilities.....	(78,344)	(138,636)	(2,872)
Net cash provided by/(used in) operating activities .....	<u>205,198</u>	<u>1,818,787</u>	<u>37,679</u>
Cash flows from investing activities:			
Restricted cash.....	2,661	(29,691)	(615)
Expenditure on property, plant and equipment .....	(214,126)	(273,293)	(5,662)
Proceeds from sale of property, plant and equipment.....	6,711	702	15
Purchase of investment securities.....	(118,123)	(20,567)	(426)
Net cash used in investing activities .....	<u>(322,877)</u>	<u>(322,849)</u>	<u>(6,688)</u>
Cash flows from financing activities:			
Proceeds from/(repayments of) borrowing from banks, net.....	176,130	(128,048)	(2,653)
Proceeds from issuance of long-term debt.....	23,660	2,412	50
Repayment of long-term debt.....	(94,263)	(39,942)	(827)
Principal payments under capital lease obligations.....	(9)	-	-
Dividends.....	(16,178)	(421,313)	(8,728)
Net cash provided by financing activities .....	<u>89,340</u>	<u>(586,891)</u>	<u>(12,159)</u>
Effect of exchange rate changes on cash.....	(17,528)	32,604	675
Net increase in cash and cash equivalents during the year ..	(45,867)	941,651	19,508
Cash and cash equivalents at the beginning of the year .....	586,253	3,096,154	64,142
Cash and cash equivalents at the end of the year.....	<u>Rs.540,386</u>	<u>Rs. 4,037,805</u>	<u>US\$ 83,650</u>
Supplemental disclosures:			
Cash paid for:			
Interest (net of interest capitalized) .....	Rs. 85,114	Rs. 3,663	US\$ 76
Income taxes .....	54,800	175,000	3,625
Supplemental schedule of non-cash investing activities:			
Property, plant and equipment purchased on credit during the year .....	6,253	16,949	351
Non cash investing and financial activities:			
Acquisition of minority interest:			
Fair value of assets acquired in acquisitions.....	-	14,373	298
Fair value of intangibles acquired.....	-	114,071	2,363
Fair value of liabilities assumed in acquisitions.....	-	55,627	1,152
Increase in stock holders' equity .....	-	72,817	1,509

## PROFIT RECONCILIATION OF INDIAN – US GAAP FOR Q3 FY02

	Rs. million
<b>Net Income as per Indian GAAP</b>	<b>1615.31</b>
Deferred Revenue Expenditure charged off as per Indian GAAP	-
<b>Net Income as per Indian GAAP excluding extraordinary item charge off</b>	<b>1615.31</b>
<b>Differences:</b>	
R&D Expenses	2.35
Depreciation & Amortization	89.12
Income Tax	31.01
Sales Recognition	307.07
Consolidation of Subsidiaries	(133.17)
Equity in loss of affiliates /JVs	37.13
Others	(30.90)
<b>Total Differences</b>	<b>302.61</b>
<b>Net Income as per US GAAP</b>	<b><u>1312.70</u></b>