



Hyderabad, India, October 25, 2011

**Dr. Reddy's Q2 FY12 Financial Results : Q2 FY12 Revenues at ₹22.7 billion (\$462 million), YoY growth of 21%; Q2 FY12 Adjusted\* EBITDA at ₹5.1 billion (\$104 million), YoY growth of 20%; Q2 FY12 Adjusted\*\* PAT at ₹3.1 billion (\$63 million), YoY growth of 8%**

**Hyderabad, India, October 25, 2011:** Dr. Reddy's Laboratories Ltd. (NYSE: RDY) today announced its unaudited consolidated financial results for the quarter ended September 30, 2011 under International Financial Reporting Standards (IFRS).

### Key Highlights

- Consolidated revenues are at ₹22.7 billion (\$462 million) in Q2 FY12 versus ₹18.7 billion (\$381 million) in Q2 FY11, year-on-year growth of 21%. Consolidated revenues for H1 FY12 is at ₹42.5 billion (\$866 million).
  - Revenues from Global Generics for Q2 FY12 are at ₹16.1 billion (\$329 million). Year-on-year growth of 18% mainly driven by North America and Russia.
  - Revenues from PSAI are at ₹5.9 billion (\$121 million) in Q2 FY12, growth of 28% over previous year.
- Adjusted\* EBITDA of ₹5.1 billion (\$104 million) in Q2 FY12, is at 23% of revenues recording year-on-year growth of 20%. Consolidated adjusted EBITDA for H1 FY12 is at ₹9.4 billion (\$193 million).
- Adjusted\*\* Profit after Tax for Q2 FY12 is at ₹3.1 billion (\$63 million), is at 14% of revenues with year-on-year growth of 8%. Consolidated adjusted PAT for H1 FY12 is at ₹5.6 billion (\$115 million).
- During the quarter, the company launched 28 new generic products, filed 17 new product registrations and filed 11 DMFs globally.
- Dr. Reddy's today announced the final approval of its olanzapine 20 mg tablets, the generic version of Eli Lilly's Zyprexa® from the USFDA.

**\*Note:** Adjustments include: benefit from a part reversal of provision booked in Q1 for Voluntary Retirement Scheme (VRS) floated by the company.

**\*\*Note:** Adjustments include: a) interest on bonus debentures and b) benefit from a part reversal of provision booked in Q1 on account of Voluntary Retirement Scheme (VRS) floated by the company.

*All figures in millions, except EPS  
All dollar figures based on convenience translation rate of 1USD = ₹49.05*

### Dr. Reddy's Laboratories Limited and Subsidiaries

#### Unaudited Consolidated Income Statement

Particulars	Q2 FY12			Q2 FY11			Growth %
	(\$)	(₹)	%	(\$)	(₹)	(%)	
<b>Revenue</b>	<b>462</b>	<b>22,679</b>	<b>100</b>	<b>381</b>	<b>18,704</b>	<b>100</b>	<b>21</b>
Cost of revenues	214	10,473	46	178	8,718	47	20
<b>Gross profit</b>	<b>249</b>	<b>12,206</b>	<b>54</b>	<b>204</b>	<b>9,986</b>	<b>53</b>	<b>22</b>
<b>Operating Expenses</b>							
Selling, general & administrative expenses	147	7,216	32	116	5,709	31	26
Research and development expenses	30	1,459	6	26	1,270	7	15
Other operating (income) / expense	(4)	(215)	(1)	(4)	(218)	(1)	(2)
<b>Results from operating activities</b>	<b>76</b>	<b>3,745</b>	<b>17</b>	<b>66</b>	<b>3,225</b>	<b>17</b>	<b>16</b>
Net finance (income) / expense	1	50	0	1	35	0	42
Share of (profit) / loss of equity accounted investees	(0)	(13)	(0)	(0)	(3)	(0)	-
<b>Profit / (loss) before income tax</b>	<b>76</b>	<b>3,709</b>	<b>16</b>	<b>65</b>	<b>3,194</b>	<b>17</b>	<b>16</b>
Income tax (benefit) / expense	13	631	3	7	327	2	93
<b>Profit / (loss) for the period</b>	<b>63</b>	<b>3,078</b>	<b>14</b>	<b>58</b>	<b>2,867</b>	<b>15</b>	<b>7</b>
<b>Diluted EPS</b>	<b>0.4</b>	<b>18.1</b>		<b>0.3</b>	<b>16.9</b>		

**Profit Reconciliation:**

Adjusted EBITDA Reconciliation	Q2 FY12			Q2 FY11
	(\$)	(₹)	(\$)	(₹)
<b>PBT</b>	76	3,709	65	3,194
Interest	5	225	0	6
Depreciation	18	879	15	731
Amortization	8	389	6	317
<b>EBITDA</b>	<b>106</b>	<b>5,203</b>	<b>87</b>	<b>4,248</b>
Adjustments:				
Part reversal of provision booked in Q1 for Voluntary Retirement Scheme	(2)	(94)		
<b>Adjusted EBITDA</b>	<b>104</b>	<b>5,109</b>	<b>87</b>	<b>4,248</b>

  

Adjusted PAT Reconciliation	Q2 FY12			Q2 FY11
	(\$)	(₹)	(\$)	(₹)
<b>PAT</b>	63	3,078	58	2,867
Adjustments:				
Interest on Bonus Debentures	2	118		
Part reversal of provision booked in Q1 for Voluntary Retirement Scheme	(2)	(94)		
Tax normalizing adjustment	(0)	(4)		
<b>Adjusted PAT</b>	<b>63</b>	<b>3,099</b>	<b>58</b>	<b>2,867</b>

**Segmental Analysis****Global Generics**

Revenues from Global Generics segment are at ₹16.1 billion (\$329 million) in Q2 FY12 registering growth of 18% over previous year.

- Revenues from North America at ₹6.3 billion in Q2 FY12 versus ₹4.4 billion in Q2 FY11. Growth in USD terms of 45% was led by new product launches in the last twelve months and market share improvement in key products.
  - 5 new products launched during the quarter, including limited competition products such as fondaparinux and fexofenadine pseudoephedrine D24 OTC.
  - 24 products of our prescription portfolio feature among the Top 3 rank in market share (Source: IMS Sales Volumes July 2011).
  - During the quarter, 4 ANDAs were filed. The cumulative ANDA filings as of 30th September, 2011 are 177. A total of 76 ANDAs are pending for approval with the USFDA of which 40 are Para IVs and 11 are FTFs.
- Revenues in Russia & Other CIS markets at ₹3.4 billion in Q2 FY12 versus ₹2.8 billion in Q2 FY11, year-on-year growth of 23%.
  - Revenues in Russia at ₹2.9 billion in Q2 FY12 versus ₹2.3 billion in Q2 FY11, year-on-year growth in USD terms of 30%, largely driven by volume growth in key brands.
    - OTC portfolio growth of 33% over previous year; OTC sales at 25% of overall Russia sales.
    - Dr. Reddy's year-on-year secondary prescription sales growth at 20% versus industry's growth of 10%. (Source: Pharmexpert August 2011). Dr. Reddy's is ranked 12th in market share.
  - Revenues in Other CIS markets remained flat at ₹477 million in Q2 FY12.
- Revenues in India increased by 9% to ₹3.5 billion in Q2 FY12 versus ₹3.2 billion in Q2 FY11.
  - 3 new products launched during the quarter.
  - Biosimilar portfolio growth of 22% over previous year ; represents 6% to sales.
- Revenues from Europe at ₹2.1 billion in Q2 FY12, declined by 10% over previous year.
  - Revenues from Germany declined by 27% to ₹1.2 billion in Q2 FY12 due to continuing impact of tenders.
  - Revenues from Rest of Europe grew by 26% to ₹933 million in Q2 FY12 driven by new launches in UK and growth in out-licensing business.

**Pharmaceutical Services and Active Ingredients (PSAI)**

- Revenues from PSAI are at ₹5.9 billion in Q2 FY 12 versus ₹4.6 billion in Q2 FY11, year-on-year increase of 28%.
  - Growth in Active Ingredients business led by new product launches in Europe.
  - Pharmaceutical Services business grew on account of improved customer order book status.

- o During the quarter, 11 DMFs were filed globally, with 2 in US, 2 in Europe, 1 in Canada and 6 in rest of the markets. The cumulative DMF filings as of 30th September 2011 are 506.

### Income Statement Highlights:

- Gross profit at ₹12.2 billion (\$249 million) in Q2 FY12, margin of 54% to revenues, marginal increase over previous year.
- Selling, General & Administration (SG&A) expenses including amortization at ₹7.2 billion (\$147 million) increased by 26% over Q2 FY11. This increase is on account of a) higher freight costs both on account of increase in sales volumes as well as rate increases, b) inflation and year-on-year increments linked increase in manpower costs across businesses, c) incremental costs at Bristol and Shreveport manufacturing facilities in the US and d) the increase in the OTC-related selling and marketing costs in Russia and other CIS markets as compared to previous year.
- R&D expenses at ₹1.5 billion (\$30 million) in Q2 FY12, increase of 15% over Q2 FY11.
- Net Finance costs are at ₹50 million (\$1 million) in Q2 FY 12 versus ₹35 million (\$0.7 million) in Q2 FY11  
The change is on account of :
  - o Net forex gain of ₹151 million (\$3 million) versus net forex loss of ₹49 million (\$1 million) in Q2 FY11.
  - o Net interest expense of ₹225 million (\$5 million) in Q2 FY12 versus ₹5 million (\$0.1 million) in Q2 FY11.
  - o Profit on sale of investments of ₹25 million (\$0.5 million) in Q2 FY12 versus ₹19 million (\$0.4 million) in Q2 FY11.
- Adjusted EBITDA of ₹5.1 billion (\$104 million) in Q2 FY12, is at 23% of revenues with year-on-year growth of 20%.
- Adjusted Profit after Tax for Q2 FY12 is at ₹3.1 billion (\$63 million), is at 14% of revenues with year-on-year growth of 8%.
- Adjusted EPS for Q2 FY 12 is at ₹18.2 (\$0.4) versus ₹16.9 (\$0.3) in Q2 FY11.
- Capital expenditure for H1 FY12 is at ₹3.6 billion (\$73 million).

### Appendix 1: Q2 FY12 Key Balance Sheet Items

(In millions)

Particulars	As on 30 <sup>th</sup> Sep 11			As on 30 <sup>th</sup> Jun 11	
	(\$)	(₹)	(\$)	(₹)	
Cash and cash equivalents	155	7,596	111	5,468	
Trade receivables	419	20,568	349	17,136	
Inventories	379	18,592	355	17,401	
Property, plant and equipment	641	31,450	622	30,524	
Goodwill and other intangible assets	308	15,115	304	14,921	
Loans and borrowings (current & non-current)	638	31,303	488	23,940	
Trade payables	182	8,940	172	8,433	
Equity	980	48,081	997	48,902	

### Appendix 2: Q2 FY12 Revenue Mix by Segment

(In millions)

Particulars	Q2 FY12			Q2 FY 11			Growth %
	(\$)	(₹)	as a %	(\$)	(₹)	as a %	
<b>Global Generics</b>	<b>329</b>	<b>16,136</b>	<b>71</b>	<b>279</b>	<b>13,667</b>	<b>73</b>	<b>18</b>
North America		6,287	39		4,416	32	42
Europe		2,117	13		2,366	17	(10)
India		3,459	21		3,160	23	9
Russia & Other CIS		3,380	21		2,751	20	23
RoW		893	6		974	7	(8)
<b>PSAI</b>	<b>121</b>	<b>5,933</b>	<b>26</b>	<b>94</b>	<b>4,617</b>	<b>25</b>	<b>28</b>
North America		1,068	18		814	18	31
Europe		2,303	39		1,551	34	48
India		752	13		653	14	15
RoW		1,810	31		1,599	35	13
<b>Others</b>	<b>12</b>	<b>610</b>	<b>3</b>	<b>9</b>	<b>420</b>	<b>2</b>	<b>45</b>
<b>Total</b>	<b>462</b>	<b>22,678</b>	<b>100</b>	<b>381</b>	<b>18,704</b>	<b>100</b>	<b>21</b>

### Appendix 3: Q2 FY12 Revenue Mix by Geography

(In millions)

Q2 FY12

Q2FY 11

Growth %

	(\$)	(₹)	as a %	(\$)	(₹)	as a %	
North America	159	7,777	34	111	5,464	29	42
Europe	92	4,536	20	84	4,102	22	11
India	86	4,210	19	78	3,813	20	10
Russia & Other CIS	69	3,380	15	56	2,751	15	23
Others	57	2,775	12	52	2,573	14	8
<b>Total</b>	<b>462</b>	<b>22,678</b>	<b>100</b>	<b>18,704</b>	<b>18,</b>	<b>100</b>	<b>21</b>

**Appendix 4: H1 FY12 Consolidated Income Statement**

*All figures in millions,  
except EPS All dollar figures based on convenience translation rate of 1USD = ₹49.05*

Particulars	H1 FY12			H1 FY11			Growth %
	(\$)	(₹)	%	(\$)	(₹)	(%)	
<b>Revenue</b>	<b>866</b>	<b>42,462</b>	<b>100</b>	<b>724</b>	<b>35,535</b>	<b>100</b>	<b>19</b>
Cost of revenues	402	19,701	46	339	16,635	47	18
<b>Gross profit</b>	<b>464</b>	<b>22,761</b>	<b>54</b>	<b>385</b>	<b>18,900</b>	<b>53</b>	<b>20</b>
<b>Operating Expenses</b>							
Selling, general & administrative expenses	285	13,972	33	228	11,191	31	25
Research and development expenses	54	2,656	6	46	2,263	6	17
Other operating (income) / expense	(8)	(401)	(1)	(8)	(404)	(1)	(1)
<b>Results from operating activities</b>	<b>133</b>	<b>6,533</b>	<b>15</b>	<b>119</b>	<b>5,850</b>	<b>16</b>	<b>12</b>
Net finance (income) / expense	2	96	0	4	212	1	(55)
Share of (profit) / loss of equity accounted investees	(0)	(17)	(0)	(0)	(8)	(0)	113
<b>Profit / (loss) before income tax</b>	<b>132</b>	<b>6,455</b>	<b>15</b>	<b>115</b>	<b>5,647</b>	<b>16</b>	<b>14</b>
Income tax (benefit) / expense	15	751	2	14	684	2	10
<b>Profit / (loss) for the period</b>	<b>116</b>	<b>5,704</b>	<b>13</b>	<b>101</b>	<b>4,963</b>	<b>14</b>	<b>15</b>
<b>Diluted EPS</b>	<b>0.7</b>	<b>33.6</b>		<b>0.6</b>	<b>29.2</b>		

**Appendix 5: H1 FY12 Profit Reconciliation**

(In millions)

Adjusted EBITDA Reconciliation	H1 FY12			H1 FY11
	(\$)	(₹)	(\$)	(₹)
<b>PBT</b>	132	6,455	115	5,647
Interest	9	446	(0)	(3)
Depreciation	35	1,708	29	1,416
Amortization	16	794	12	605
<b>Reported EBITDA</b>	<b>192</b>	<b>9,404</b>	<b>156</b>	<b>7,665</b>
Adjustments:				
One-time charge of Voluntary Retirement Scheme	1	42		
<b>Adjusted EBITDA</b>	<b>193</b>	<b>9,445</b>	<b>156</b>	<b>7,665</b>
Adjusted PAT Reconciliation	H1 FY12			H1 FY11
	(\$)	(₹)	(\$)	(₹)
<b>Reported PAT</b>	116	5,704	101	4,963
Adjustments:				
Interest on Bonus Debentures	5	236		
One-time charge of Voluntary Retirement Scheme	1	42		
Tax normalizing adjustment	(7)	(364)		
<b>Adjusted PAT</b>	<b>115</b>	<b>5,618</b>	<b>101</b>	<b>4,963</b>

**About Dr. Reddy's**

Dr. Reddy's Laboratories Ltd. (NYSE: RDY) is an integrated global pharmaceutical company, committed to providing affordable and innovative medicines for healthier lives. Through its three businesses - Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products – Dr. Reddy's offers a portfolio of products and services including APIs, custom pharmaceutical services, generics, biosimilars, differentiated formulations and NCEs. Therapeutic focus is on gastro-intestinal, cardiovascular, diabetology, oncology, pain management, anti-infective and pediatrics. Major markets include India, USA, Russia and CIS, Germany, UK, Venezuela, S. Africa, Romania, and New Zealand. For more information, log on to: [www.drreddys.com](http://www.drreddys.com)

**Disclaimer**

This press release includes forward-looking statements, as defined in the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. Such factors include, but are not limited to, changes in local and global economic conditions, our ability to successfully implement our strategy, the market acceptance of and demand for our products, our growth and expansion, technological change and our exposure to market risks. By their nature, these expectations and projections are only estimates and could be materially different from actual results in the future.

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**Note:** All discussions in this release are based on unaudited consolidated IFRS financials.