

## Dr. Reddy's Q2 and H1 FY15 Financial Results

<p><b>Q2 FY15 Revenues at ₹35.9 billion</b> <i>(YoY growth of 7%)</i></p> <p><b>Q2 FY15 EBITDA at ₹8.7 billion</b> <i>(24% of the revenues)</i></p>	<p><b>H1 FY15 Revenues at ₹71.1 billion</b> <i>(YoY growth of 15%)</i></p> <p><b>H1 FY15 EBITDA at ₹17.6 billion</b> <i>(25% of the revenues)</i></p>
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**Hyderabad, India, October 29, 2014:** Dr. Reddy's Laboratories Ltd. (NYSE: RDY) today announced its unaudited consolidated financial results for the quarter ended September 30, 2014 under International Financial Reporting Standards (IFRS).

### Key Highlights (Q2 FY15)

- **Consolidated revenues at ₹35.9 billion, year-on-year growth of 7%.**
  - Revenues from the Global Generics (GG) segment at ₹28.9 billion, YoY growth of 9%
  - Revenues from the Pharmaceutical Services and Active Ingredients (PSAI) segment at ₹6.4 billion.
- **Gross Profit Margin at 58.5% versus 58.0% as in Q2 FY 14.**
- **Research & Development (R&D) expenses at ₹4.1 billion, 11.5% to revenues versus 9.0% to revenues as in Q2 FY14.**
- **Selling, general & administrative (SG&A) expenses at ₹10.7 billion, 29.7% to revenues.**
- **EBITDA of ₹8.7 billion, 24% of revenues.**
- **Profit after tax at ₹5.7 billion, 16% of revenues.**
- **During the quarter the company launched 9 new generic products, filed 10 new product registrations and 28 DMFs globally.**

On 18 October 2014, the Company entered into an asset purchase agreement with Novartis Consumer Health Inc. to acquire the title and rights to Habitrol® franchise (an over-the-counter nicotine replacement therapy transdermal patch) and to market the product in the U.S. territory. The agreement is subject to FTC review and the transfer of asset will happen post FTC clearance.

All amounts in millions, except EPS

All US dollar amounts based on convenience translation rate of 1 USD = ₹61.92

## Dr. Reddy's Laboratories Limited and Subsidiaries

### Unaudited Consolidated Income Statement

Particulars	Q2 FY15			Q2 FY14			Growth %
	(\$)	(Rs.)	%	(\$)	(Rs.)	%	
<b>Revenues</b>	<b>579</b>	<b>35,879</b>	<b>100</b>	<b>542</b>	<b>33,575</b>	<b>100</b>	<b>7</b>
Cost of revenues	241	14,893	41.5	228	14,106	42.0	6
<b>Gross profit</b>	<b>339</b>	<b>20,986</b>	<b>58.5</b>	<b>314</b>	<b>19,469</b>	<b>58.0</b>	<b>8</b>
<b>Operating Expenses</b>							
Selling, general & administrative expenses	172	10,673	29.7	157	9,736	29.0	10
Research and development expenses	66	4,113	11.5	49	3,009	9.0	37
Other (income)/expense, net	(4)	(265)	(0.7)	(10)	(636)	(1.9)	(58)
<b>Results from operating activities</b>	<b>104</b>	<b>6,465</b>	<b>18.0</b>	<b>119</b>	<b>7,360</b>	<b>21.9</b>	<b>(12)</b>
Finance (expense)/income, net	7	421	1.2	5	291	0.9	44
Share of profit of equity accounted investees, net of tax	1	51	0.1	1	44	0.1	17
<b>Profit before tax</b>	<b>112</b>	<b>6,937</b>	<b>19.3</b>	<b>124</b>	<b>7,695</b>	<b>22.9</b>	<b>(10)</b>
Tax expense	19	1,196	3.3	13	792	2.4	51
<b>Profit for the period</b>	<b>93</b>	<b>5,741</b>	<b>16.0</b>	<b>111</b>	<b>6,903</b>	<b>20.6</b>	<b>(17)</b>
<b>Diluted Earnings Per Share (EPS)</b>	<b>0.54</b>	<b>33.60</b>		<b>0.65</b>	<b>40.47</b>		<b>(17)</b>

### EBITDA Computation

Particulars	Q2 FY15		Q2 FY14	
	(\$)	(Rs.)	(\$)	(Rs.)
<b>Profit before tax</b>	112	6,937	124	7,695
Interest (income) / expense net	(3)	(178)	1	71
Depreciation	23	1,409	19	1,171
Amortization	9	548	9	562
<b>EBITDA</b>	<b>141</b>	<b>8,715</b>	<b>153</b>	<b>9,499</b>
<b>EBITDA (% to sales)</b>		<b>24.3</b>		<b>28.3</b>

All amounts in millions, except EPS

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## Segmental Analysis

### Global Generics

Revenues are at ₹28.9 billion, year-on-year growth of 9%, primarily driven by India, Rest of the World market territories (primarily Venezuela) and North America.

- o Revenues from **North America** at ₹14.3 billion, year-on-year growth of 8%.
  - Sustained performance of FY14 'limited competition' launches namely decitabine, azacitidine, and divalproex sodium ER.
  - Progress on market share expansion of key molecules namely divalproex sodium ER, metoprolol succinate and ziprasidone.
  - 1 new product launched during the quarter.
  - 2 ANDA filings during the quarter. Cumulatively, 72 ANDAs are pending for approval with the USFDA of which 45 are Para IVs, and we believe 11 to have 'First To File' status.
- o Revenues from **Emerging Markets** at ₹8.3 billion, year-on-year growth of 14%.
  - Revenues from Russia at ₹4.1 billion, year-on-year decline of 11% primarily on account of the Rouble devaluation. In constant currency the growth is flat.
  - Emerging Markets Ex-Russia at ₹4.2 billion recorded year-on-year growth of 57% primarily driven by strong performance in Venezuela Market.
- o Revenues from **India** for at ₹4.8 billion, year-on-year growth of 14%.
  - Growth is driven by healthy volume expansion in our focus brands, some of which are also listed under the NLEM portfolio.

### Pharmaceutical Services and Active Ingredients (PSAI)

- Revenues from PSAI at ₹6.4 billion.
- During the quarter 28 DMFs were filed globally, filed 3 in the US, 19 in the ROW and 6 in Europe. The cumulative number of DMF filings as of September 30, 2014 is 703.

## Income Statement Highlights:

- o Gross profit margin at 58.5% registered a 50 basis points improvement over Q2 FY14. Gross profit margin for GG and PSAI business segments are at 65.6% and 26.8% respectively.
- o SG&A expenses at ₹10.7 billion, year-on-year increase of 10%. The increase is largely due to annual increments, additional manpower deployment in the past 12 months and other sales and marketing spend for events specific to this quarter.
- o R&D expenses at ₹4.1 billion, year-on-year growth of 37%. 11.5% of revenues in Q2 FY15 as compared to 9.0% of revenues in Q2 FY14. The increase is in line with our planned scale-up in development activities.
- o Net Finance income at ₹421 million compared to ₹291 million in Q2 FY14. The increase is on account of :
  - Net reduction in forex benefit of ₹118 million
  - Net Incremental interest benefit of ₹247 million
- o EBITDA at ₹8.7 billion, year-on-year decline of 8%; 24% of revenues.
- o Profit after Tax at ₹5.7 billion, year-on-year decline of 17%; 16% of revenues.
- o Diluted earnings per share in Q2 FY 15 at ₹33.60
- o Capital expenditure for Q2 FY15 is ₹2.3 billion.

## Appendix 1: Key Balance Sheet Items

Particulars	As on 30th Sep 14		As on 30th June 14	
	(\$)	(Rs.)	(\$)	(Rs.)
Cash and cash equivalents and Other Investment	464	28,737	532	32,950
Trade receivables	609	37,722	583	36,110
Inventories	454	28,123	409	25,319
Property, plant and equipment	752	46,559	732	45,350
Goodwill and Other Intangible assets	220	13,648	231	14,277
Loans and borrowings (current & non-current)	627	38,854	675	41,818
Trade payables	207	12,843	172	10,640
Equity	1,599	99,004	1,562	96,729

## Appendix 2: Revenue Mix by Segment

Particulars	Q2 FY15			Q2 FY14			Growth %
	(\$)	(Rs.)	%	(\$)	(Rs.)	%	
<b>Global Generics</b>	<b>466</b>	<b>28,868</b>	<b>80</b>	<b>429</b>	<b>26,548</b>	<b>79</b>	<b>9</b>
North America		14,293	49		13,244	50	8
Europe		1,434	5		1,761	6	(19)
India		4,799	17		4,207	16	14
Russia & Other CIS		4,798	17		5,516	21	(13)
Rest of World		3,545	12		1,820	7	95
<b>PSAI</b>	<b>103</b>	<b>6,392</b>	<b>18</b>	<b>103</b>	<b>6,403</b>	<b>19</b>	<b>(0)</b>
North America		1,298	20		944	14	37
Europe		1,493	23		2,358	37	(37)
India		2,020	32		1,071	17	89
Rest of World		1,581	25		2,030	32	(22)
<b>Proprietary Products &amp; Others</b>	<b>10</b>	<b>618</b>	<b>2</b>	<b>10</b>	<b>624</b>	<b>2</b>	<b>(1)</b>
<b>Total</b>	<b>579</b>	<b>35,879</b>	<b>100</b>	<b>542</b>	<b>33,575</b>	<b>100</b>	<b>7</b>

## 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.

## 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 and differentiated formulations. Major therapeutic focus is on gastro-intestinal, cardiovascular, diabetology, oncology, pain management and anti-infective. Major markets include India, USA, Russia-CIS and Europe apart from other select geographies within Emerging Markets.*

For more information, log on to: [www.drreddys.com](http://www.drreddys.com)

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