

DR REDDYS LABORATORIES LTD  
Form 6-K  
July 31, 2014

**FORM 6-K**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934**

**July 2014**

**Commission File Number 1-15182**

**DR. REDDY S LABORATORIES LIMITED**

**(Name of Registrant)**

**8-2-337, Road No. 3, Banjara Hills  
Hyderabad, Andhra Pradesh 500 034, India  
+91-40-4900-2900**

**(Address of Principal Executive Offices)**

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Indicate by check mark whether registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  Yes is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b):

Not applicable.

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**Press Release**

Dr. Reddy s Laboratories Ltd.  
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**Dr. Reddy s Q1 FY15 Financial Results**

**Q1 FY15 Revenues at Rs.35.2 billion (YoY growth of 24%)**

**Q1 FY15 EBITDA at Rs.8.9 billion (25% of revenues, YoY growth of 56%)**

**Q1 FY15 PAT at Rs.5.5 billion (16% of revenues, YoY growth of 52%)**

**Hyderabad, India, July 30, 2014:** Dr. Reddy s Laboratories Ltd. (NYSE: RDY) today announced its unaudited consolidated financial results for the quarter ended June 30, 2014 under International Financial Reporting Standards (IFRS).

**Key Highlights (Q1 FY15)**

**Consolidated revenues at Rs.35.2 billion, year-on-year growth of 24%**

Revenues from the Global Generics (GG) segment at Rs.29.0 billion, year-on-year growth of 32%

Revenues from the Pharmaceutical Services and Active Ingredients (PSAI) segment at Rs.5.5 billion, year-on-year decline of 6%

**Gross Profit Margin at 59.3% versus 52.8% as in Q1 FY 14**

**Research & Development (R&D) expenses at Rs.3.9 billion, year-on-year increase of 59%. Expenses at 11.0% of revenues versus 8.5% of revenues as in Q1 FY14.**

**Selling, general & administrative (SG&A) expenses at Rs.10.7 billion, year-on-year increase of 21%. Expenses at 30.4% of revenues versus 30.9% of revenues as in Q1 FY14.**

**EBITDA at Rs.8.9 billion, 25% of revenues; year-on-year growth of 56%.**

**Profit after tax at Rs.5.5 billion, 16% of revenues; year-on-year growth of 52%**

**During the quarter the company launched 25 new generic products, filed 27 new product applications and 20 DMFs globally.**

All amounts in millions, except EPS

All US dollar amounts based on convenience translation rate of 1 USD =  
Rs.60.06**Dr. Reddy s Laboratories Limited and Subsidiaries****Unaudited Consolidated Income Statement**

| Particulars   | Q1 FY15     |               |             | Q1 FY14     |               |             | Growth<br>% |
|---|-------------|---------------|-------------|-------------|---------------|-------------|-------------|
|   | (\$)        | (Rs.)         | %           | (\$)        | (Rs.)         | %           |             |
| <b>Revenues</b>   | <b>586</b>  | <b>35,175</b> | <b>100</b>  | <b>474</b>  | <b>28,449</b> | <b>100</b>  | <b>24</b>   |
| Cost of revenues  | 239         | 14,331        | 40.7        | 224         | 13,430        | 47.2        | 7           |
| <b>Gross profit</b>                                       | <b>347</b>  | <b>20,844</b> | <b>59.3</b> | <b>250</b>  | <b>15,019</b> | <b>52.8</b> | <b>39</b>   |
| <b>Operating Expenses</b>                                 |             |               |             |             |               |             |             |
| Selling, general & administrative expenses                | 178         | 10,679        | 30.4        | 146         | 8,794         | 30.9        | 21          |
| Research and development expenses                         | 65          | 3,875         | 11.0        | 40          | 2,430         | 8.5         | 59          |
| Other (income) / expense, net                             | (3)         | (185)         | (0.5)       | (6)         | (376)         | (1.3)       | (51)        |
| <b>Results from operating activities</b>                  | <b>108</b>  | <b>6,475</b>  | <b>18.4</b> | <b>69</b>   | <b>4,171</b>  | <b>14.7</b> | <b>55</b>   |
| Net finance income / (expense)                            | 8           | 481           | 1.4         | (1)         | (70)          | (0.2)       |             |
| Share of profit of equity accounted investees, net of tax | 1           | 53            | 0.2         | 1           | 36            | 0.1         | 50          |
| <b>Profit before tax</b>                                  | <b>117</b>  | <b>7,009</b>  | <b>19.9</b> | <b>69</b>   | <b>4,137</b>  | <b>14.5</b> | <b>69</b>   |
| Tax expense   | 25          | 1,505         | 4.3         | 9           | 528           | 1.9         | 185         |
| <b>Profit for the period</b>                              | <b>92</b>   | <b>5,504</b>  | <b>15.6</b> | <b>60</b>   | <b>3,609</b>  | <b>12.7</b> | <b>52</b>   |
| <b>Diluted Earnings Per Share (EPS)</b>                   | <b>0.54</b> | <b>32.24</b>  |             | <b>0.35</b> | <b>21.17</b>  |             | <b>52</b>   |

**EBITDA Computation**

| Particulars                | Q1 FY15    |              | Q1 FY14   |              |
|----------------------------|------------|--------------|-----------|--------------|
|                            | (\$)       | (Rs.)        | (\$)      | (Rs.)        |
| <b>Profit before tax</b>   | <b>117</b> | <b>7,009</b> | <b>69</b> | <b>4,137</b> |
| Interest income            | (0)        | (5)          | (1)       | (61)         |
| Depreciation               | 22         | 1,317        | 19        | 1,117        |
| Amortization               | 9          | 555          | 8         | 496          |
| <b>EBITDA</b>              | <b>148</b> | <b>8,876</b> | <b>95</b> | <b>5,689</b> |
| <b>EBITDA (% to sales)</b> |            |              | <b>25</b> | <b>20</b>    |



All amounts in millions, except EPS

All US dollar amounts based on convenience translation rate of 1 USD =  
Rs.60.06

## SEGMENTAL ANALYSIS

### Global Generics

Revenues at Rs.29.0 billion, year-on-year growth of 32%, primarily driven by North America, select Emerging Market territories and India.

Revenues from **North America** at Rs.16.5 billion, year-on-year growth of 51%.

Sustained performance from limited competition launches namely decitabine, azacitadine, zoledronic acid injection 5mg/100mL, donepezil 23mg and divalproex ER.

Progress on market share expansion of key base molecules namely metoprolol succinate and ziprasidone.

4 new products were launched during the quarter.

9 product filings in the US in the Q1 FY15. Cumulatively, 70 ANDAs are pending for approval with the USFDA of which 42 are Para IVs, and we believe 8 to have First To File status.

Revenues from **Emerging Markets** at Rs.7.1 billion, year-on-year growth of 19%.

Revenues from **Russia** at Rs.4.2 billion, year-on-year growth of 18% in local currency, largely driven by higher volumes in the OTC segment and certain key products in prescription segment.

Emerging Markets (**Ex-Russia**) at Rs.2.9 billion recorded year-on-year growth of 25% primarily driven by Venezuela Market.

Revenues from **India** at Rs.4.0 billion, year-on-year growth of 15%.

Growth is driven by healthy volume expansion in our focus brands, some of which are also listed under the NLEM portfolio.

IMS June 14, Dr Reddy's MAT Gr% 9.6% versus IPM MAT Gr% of 9.4%. (Source: IMS).

### Pharmaceutical Services and Active Ingredients

Revenues from PSAI at Rs.5.5 billion, year-on-year decline of 6%.

During the quarter 20 DMFs were filed globally, of which 5 were filed in the US. The cumulative number of DMF filings as of June 30, 2014 is 678.

**INCOME STATEMENT HIGHLIGHTS:**

Gross profit margin at 59.3% and improved by approximately 650 basis points over Q1 FY14. Gross profit margin for GG and PSAI business segments are at 66.5% and 22.3% respectively. GG gross profit margin improved primarily on account of better product mix.

SG&A expenses at Rs.10.7 billion increased by 21% on a year-on-year basis. However there is a 55 basis points improvement wrt revenues. Increase in absolute value is largely due to depreciation of the rupee against multiple currencies, annual increment, additional manpower deployment in the past 12 months and other sales and marketing spend for events specific to this quarter.

R&D expenses at Rs.3.9 billion, year-on-year growth of 59%. 11.0% of revenues in Q1 FY15 as compared to 8.5% of revenues in Q1 FY14. The increase is in line with our planned scale-up in development activities.

Net Finance income of Rs.481 million compared to Net Finance expense of Rs.70 million in Q1 FY14. The change is on account of :

Net incremental forex benefit of Rs.606 million.

Net Incremental interest expense of Rs.56 million.

EBITDA at Rs.8.9 billion, year-on-year growth of 56%; 25% of revenues.

Profit after Tax at Rs.5.5 billion, year-on-year growth of 52%; 16% of revenues.

Diluted earnings per share in Q1 FY 15 at Rs.32.24

Capital expenditure for Q1 FY15 is Rs.2.2 billion.

**Appendix 1: Key Balance Sheet Items**

| Particulars   | As on 30th June 14 |        | As on 31st March 14 |        |
|---|--------------------|--------|---------------------|--------|
|   | (\$)               | (Rs.)  | (\$)                | (Rs.)  |
| Cash and cash equivalents and Other current Investments | 549                | 32,950 | 558                 | 33,534 |
| Trade receivables                                       | 601                | 36,110 | 550                 | 33,037 |
| Inventories   | 422                | 25,319 | 399                 | 23,992 |
| Property, plant and equipment                           | 755                | 45,350 | 740                 | 44,424 |
| Goodwill and Other Intangible assets                    | 238                | 14,277 | 245                 | 14,697 |
| Loans and borrowings (current & non-current)            | 696                | 41,818 | 745                 | 44,741 |
| Trade payables  | 177                | 10,640 | 175                 | 10,503 |
| Equity  | 1,611              | 96,730 | 1,512               | 90,801 |

**Appendix 2: Revenue Mix by Segment**

| Particulars                              | Q1 FY15    |               |            | Q1 FY14    |               |            | Growth     |
|--|------------|---------------|------------|------------|---------------|------------|------------|
|  | (\$)       | (Rs.)         | %          | (\$)       | (Rs.)         | %          | %          |
| <b>Global Generics</b>                   | <b>483</b> | <b>29,003</b> | <b>82</b>  | <b>365</b> | <b>21,903</b> | <b>77</b>  | <b>32</b>  |
| North America                            |            | 16,468        | 57         |            | 10,871        | 50         | 51         |
| Europe                                   |            | 1,459         | 5          |            | 1,573         | 7          | (7)        |
| India                                    |            | 3,999         | 14         |            | 3,493         | 16         | 14         |
| Russia & Other CIS                       |            | 4,861         | 17         |            | 4,489         | 20         | 8          |
| Rest of World                            |            | 2,215         | 8          |            | 1,477         | 7          | 50         |
| <b>PSAI</b>                              | <b>92</b>  | <b>5,538</b>  | <b>16</b>  | <b>98</b>  | <b>5,868</b>  | <b>21</b>  | <b>(6)</b> |
| North America                            |            | 547           | 10         |            | 1,093         | 19         | (50)       |
| Europe                                   |            | 2,681         | 48         |            | 2,093         | 36         | 28         |
| India                                    |            | 775           | 14         |            | 791           | 13         | (2)        |
| Rest of World                            |            | 1,534         | 28         |            | 1,891         | 32         | (19)       |
| <b>Proprietary Products &amp; Others</b> | <b>11</b>  | <b>634</b>    | <b>2</b>   | <b>11</b>  | <b>679</b>    | <b>2</b>   | <b>(6)</b> |
| <b>Total</b>                             | <b>586</b> | <b>35,175</b> | <b>100</b> | <b>474</b> | <b>28,449</b> | <b>100</b> | <b>24</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.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DR. REDDY S LABORATORIES LIMITED  
(Registrant)

Date: July 31, 2014

By: /s/ Sandeep Poddar  
Name: Sandeep Poddar  
Title: Company Secretary