

DR REDDYS LABORATORIES LTD

Form 6-K

February 12, 2014

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16**

**of the Securities Exchange Act of 1934**

**February 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)

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 Q3 & 9 Months FY14 Financial Results**

**Q3 FY14 Revenues at Rs.35.3 billion**

*(YoY growth of 23%)*

**9M FY14 Revenues at Rs.97.4 billion**

*(YoY growth of 17.5%)*

**Q3 FY14 EBITDA at Rs.10.0 billion**

*(YoY growth of 67%)*

**9M FY14 EBITDA at Rs.25.2 billion**

*(YoY growth of 36%)*

**Hyderabad, India, February 11, 2014:** Dr. Reddy s Laboratories Ltd. (NYSE: RDY) today announced its unaudited consolidated financial results for the quarter and nine months ended December 31, 2013 under International Financial Reporting Standards (IFRS).

**Key Highlights (Q3 FY14)**

**Consolidated revenues at Rs.35.3 billion, YoY growth of 23%.**

Revenues from the Global Generics (GG) segment at Rs.29.4 billion, YoY growth of 41%. Growth is driven by North America and other Emerging Markets.

Revenues from the Pharmaceutical Services and Active Ingredients (PSAI) segment at Rs.5.1 billion, YoY decline of 29%.

**Research & Development (R&D) expenses at Rs.3.0 billion, 8.4% to revenues versus 7.1% to revenues as in Q3 FY13.**

**Selling, general & administrative (SG&A) expenses at Rs.10.4 billion, 29.6% to revenues versus 29.9% to revenues as in Q3 FY13.**

**EBITDA at Rs.10.0 billion, 28.4% to revenues versus 21.1% to revenues as in Q3 FY13.**

**PBT at Rs.8.7 billion, 24.6% to revenues versus 16.3% to revenues as in Q3 FY13.**

**PAT at Rs.6.2 billion, 17.5% to revenues versus 13.2% to revenues as in Q3 FY13.**

**During the quarter, the company launched 7 new generic products, filed 4 new product registrations and filed 19 DMFs globally.**

*Note: Q3 FY 13 Income Statement considered is as submitted to the US SEC in the form 6K.*

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All amounts in millions, except EPS

All US dollar amounts based on convenience translation rate of 1USD =  
Rs.61.92**Dr. Reddy s Laboratories Limited and Subsidiaries****Unaudited Consolidated Income Statement**

| Particulars  | Q3 FY14     |               |              | Q3 FY13     |               |              | Growth    |
|--|-------------|---------------|--------------|-------------|---------------|--------------|-----------|
|  | (\$)        | (Rs.)         | %            | (\$)        | (Rs.)         | %            | %         |
| <b>Revenues</b>  | <b>571</b>  | <b>35,338</b> | <b>100.0</b> | <b>463</b>  | <b>28,651</b> | <b>100.0</b> | <b>23</b> |
| Cost of revenues   | 225         | 13,947        | 39.5         | 219         | 13,560        | 47.3         | 3         |
| <b>Gross profit</b>  | <b>345</b>  | <b>21,391</b> | <b>60.5</b>  | <b>244</b>  | <b>15,091</b> | <b>52.7</b>  | <b>42</b> |
| <b>Operating Expenses</b>  |             |               |              |             |               |              |           |
| Selling, general & administrative expenses                         | 169         | 10,443        | 29.6         | 138         | 8,571         | 29.9         | 22        |
| Research and development expenses                                  | 48          | 2,979         | 8.4          | 33          | 2,025         | 7.1          | 47        |
| Impairment loss/(reversal of impairment loss) on intangible assets | (8)         | (497)         | (1.4)        |             |               |              |           |
| Other operating income   | (3)         | (177)         | (0.5)        | (4)         | (233)         | (0.8)        | (24)      |
| <b>Results from operating activities</b>                           | <b>140</b>  | <b>8,644</b>  | <b>24.5</b>  | <b>76</b>   | <b>4,728</b>  | <b>16.5</b>  | <b>83</b> |
| Net finance income / (expense)                                     | 0           | 15            | 0.0          | (2)         | (96)          | (0.3)        | 115       |
| Share of profit of equity accounted investees                      | 1           | 46            | 0.1          | 1           | 32            | 0.1          | 45        |
| <b>Profit before income tax</b>                                    | <b>141</b>  | <b>8,705</b>  | <b>24.6</b>  | <b>75</b>   | <b>4,664</b>  | <b>16.3</b>  | <b>87</b> |
| Income tax expense   | (41)        | (2,521)       | (7.1)        | (14)        | (882)         | (3.1)        | 186       |
| <b>Profit for the period</b>                                       | <b>100</b>  | <b>6,184</b>  | <b>17.5</b>  | <b>61</b>   | <b>3,782</b>  | <b>13.2</b>  | <b>64</b> |
| <b>Diluted Earnings per share</b>                                  | <b>0.59</b> | <b>36.2</b>   |              | <b>0.36</b> | <b>22.2</b>   |              | <b>63</b> |

**EBITDA Computation:**

| Particulars                           | Q3 FY14    |               | Q3 FY13   |              |
|---------------------------------------|------------|---------------|-----------|--------------|
|                                       | (\$)       | (Rs.)         | (\$)      | (Rs.)        |
| <b>Profit before income tax</b>       | <b>141</b> | <b>8,705</b>  | <b>75</b> | <b>4,664</b> |
| Interest (income)/expense             | 1          | 48            | (0)       | (12)         |
| Depreciation                          | 20         | 1,208         | 16        | 971          |
| Amortization                          | 9          | 585           | 7         | 411          |
| Impairment / (reversal of impairment) | (8)        | (497)         |           |              |
| <b>EBITDA</b>                         | <b>162</b> | <b>10,049</b> | <b>97</b> | <b>6,034</b> |



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**SEGMENTAL ANALYSIS**

**Global Generics**

Revenues from Global Generics segment for Q3 FY14 at Rs.29.4 billion, YoY growth of 41% primarily driven by North America and other Emerging Market territories.

Revenues from **North America** for Q3 FY14 at Rs.16.2 billion, YoY growth of 76%. Growth largely driven by:-

Full quarter realization coupled with market share stabilization for recent key launches in limited competition space namely azacitidine, decitabine, divalproex ER, donepezil 23 mg, zoledronic acid (5mg/100mL), zoledronic acid (4mg/5ml) etc.

Significant traction in market share of key existing products namely metoprolol ER, atorvastatin etc

During the quarter, 2 ANDAs were filed. Cumulatively, 62 ANDAs are pending for approval with the USFDA of which 38 are Para IVs and we believe 8 to have First To File status.

Revenues from **Emerging Markets** (which include Russia, CIS countries and RoW territories) for Q3 FY14 at Rs.7.4 billion, YoY growth of 25%.

Revenues from Russia at Rs.4.3 billion, YoY growth of 17%. Growth was slightly muted on account of delayed onset of winter in the current quarter.

Revenues from CIS markets at Rs.1.0 billion, YoY growth of 45%. Growth was largely driven by volume uptake of existing products and introduction of new products in Ukraine and Belarus.

Revenues from RoW territories stood at Rs.2.1 billion, YoY growth of 35%.

Revenues from **India** for Q3 FY14 at Rs.3.9 billion, YoY growth of 5%.

Growth is muted primarily on account of impact of the revised prices under new pharma pricing policy.

Revenues from **Europe** for Q3 FY14 at Rs.1.9 billion, remained flat YoY.

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



Revenues from PSAI for Q3 FY14 at Rs. 5.1 billion, YoY decline of 29%. De-growth on the back of lower number of launch molecules to our customers during the quarter.

During the quarter, 19 DMFs were filed globally, including 6 filings in Europe. The cumulative number of DMF filings as of December 31, 2013 is 612.

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**INCOME STATEMENT HIGHLIGHTS:**

Gross profit margin at 60.5% in Q3 FY14 registered nearly 800 basis points improvement versus gross profit margin in Q3 FY13. Gross profit margin for Global Generics and PSAI business segments are at 68.3% and 15.7% respectively.

GG gross margin improved primarily on account of higher contribution coupled with higher realization from new product launches in North America, where as PSAI gross margin declined, primarily on the back of lower number of launch molecules to our customers and relatively higher overheads during the quarter.

SG&A expenses including amortization in Q3 FY14 at Rs.10.4 billion, YoY growth of 22%. The increase is primarily towards select brand building activities in the Emerging Market territories; and increase in manpower cost on account of additions and increments.

R&D expenses stood at Rs.3.0 billion, YoY growth of 47%; 8.4% to revenues in Q3 FY14 as compared to 7.1% to revenues as in Q3 FY13.

An earlier recorded impairment charge relating to product intangibles in the generics portfolio, amounting Rs.497 million, was reversed.

Net Finance income at Rs.15 million in Q3 FY14 compared to the net finance expense of Rs.96 million as in Q3 FY13. The change is primarily on account of :

Net incremental forex impact of Rs.172 million

Incremental net interest expense of Rs.61 million

EBITDA for Q3 FY14 at Rs.10.0 billion, YoY growth of 67%; 28.4% to revenues.

Profit after Tax in Q3 FY14 at Rs.6.2 billion, YoY growth of 64%.

Diluted earnings per share in Q3 FY 14 at Rs.36.2

Capital expenditure for Q3 FY14 is Rs.2.4 billion.



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

**Appendix 1: Key Balance Sheet Items**

| Particulars                                       | As on 31st Dec 2013 |        | As on 30th Sep 2013 |        |
|---|---------------------|--------|---------------------|--------|
|   | (\$)                | (Rs.)  | (\$)                | (Rs.)  |
| Cash and cash equivalents and current investments | 504                 | 31,202 | 439                 | 27,202 |
| Trade receivables                                 | 562                 | 34,812 | 538                 | 33,291 |
| Inventories                                       | 390                 | 24,150 | 386                 | 23,874 |
| Property, plant and equipment                     | 708                 | 43,844 | 686                 | 42,477 |
| Goodwill and Other Intangible assets              | 253                 | 15,685 | 247                 | 15,274 |
| Loans and borrowings (current & non-current)      | 796                 | 49,284 | 795                 | 49,200 |
| Trade payables                                    | 157                 | 9,744  | 175                 | 10,828 |
| Total Equity                                      | 1,375               | 85,168 | 1,261               | 78,086 |

**Appendix 2: Revenue Mix by Segment**

|  | Q3 FY14    |               |            | Q3 FY13    |               |            | (in millions) |
|--|------------|---------------|------------|------------|---------------|------------|---------------|
|  | (\$)       | (Rs.)         | %          | (\$)       | (Rs.)         | %          | Growth %      |
| <b>Global Generics</b>                   | <b>475</b> | <b>29,396</b> | <b>83</b>  | <b>336</b> | <b>20,827</b> | <b>73</b>  | <b>41</b>     |
| North America                            |            | 16,223        | 55         |            | 9,243         | 44         | 76            |
| Europe                                   |            | 1,862         | 6          |            | 1,930         | 9          | (4)           |
| India                                    |            | 3,913         | 13         |            | 3,718         | 18         | 5             |
| Russia & Other CIS                       |            | 5,296         | 18         |            | 4,380         | 21         | 21            |
| RoW                                      |            | 2,102         | 7          |            | 1,556         | 7          | 35            |
| <b>PSAI</b>                              | <b>82</b>  | <b>5,062</b>  | <b>14</b>  | <b>115</b> | <b>7,127</b>  | <b>25</b>  | <b>(29)</b>   |
| North America                            |            | 780           | 15         |            | 1,266         | 18         | (38)          |
| Europe                                   |            | 1,949         | 38         |            | 2,472         | 35         | (21)          |
| India                                    |            | 945           | 19         |            | 1,268         | 18         | (25)          |
| RoW                                      |            | 1,388         | 27         |            | 2,121         | 30         | (35)          |
| <b>Proprietary Products &amp; Others</b> | <b>14</b>  | <b>880</b>    | <b>3</b>   | <b>11</b>  | <b>697</b>    | <b>2</b>   | <b>26</b>     |
| <b>Total</b>                             | <b>571</b> | <b>35,338</b> | <b>100</b> | <b>462</b> | <b>28,651</b> | <b>100</b> | <b>23</b>     |

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All figures in millions, except EPS

All US dollar amounts based on convenience translation rate of 1USD =  
Rs.61.92**Appendix 3: Consolidated Income Statement**

| Particulars  | 9M FY14      |               |            | 9M FY13      |               |            | Growth      |
|--|--------------|---------------|------------|--------------|---------------|------------|-------------|
|  | (\$)         | (Rs.)         | %          | (\$)         | (Rs.)         | %          | %           |
| <b>Revenues</b>  | <b>1,572</b> | <b>97,361</b> | <b>100</b> | <b>1,338</b> | <b>82,866</b> | <b>100</b> | <b>17.5</b> |
| Cost of revenues   | 670          | 41,482        | 43         | 632          | 39,133        | 47         | 6           |
| <b>Gross profit</b>  | <b>902</b>   | <b>55,879</b> | <b>57</b>  | <b>706</b>   | <b>43,733</b> | <b>53</b>  | <b>28</b>   |
| <b>Operating Expenses</b>  |              |               |            |              |               |            |             |
| Selling, general & administrative expenses                         | 468          | 28,973        | 30         | 402          | 24,862        | 30.0       | 17          |
| Research and development expenses                                  | 136          | 8,417         | 8.6        | 86           | 5,347         | 6.5        | 57          |
| Impairment loss/(reversal of impairment loss) on intangible assets | (8)          | (497)         | (1)        | 8            | 507           | 1          |             |
| Impairment loss on goodwill  |              |               |            | 3            | 181           | 0          |             |
| Other operating income   | (19)         | (1,189)       | (1)        | (14)         | (848)         | (1)        | 40          |
| <b>Results from operating activities</b>                           | <b>326</b>   | <b>20,175</b> | <b>21</b>  | <b>221</b>   | <b>13,684</b> | <b>17</b>  | <b>47</b>   |
| Net finance income   | 4            | 236           | 0          | 1            | 63            | 0          | 278         |
| Share of profit of equity accounted investees                      | 2            | 126           | 0          | 1            | 79            | 0          | 59          |
| <b>Profit before income tax</b>                                    | <b>332</b>   | <b>20,537</b> | <b>21</b>  | <b>223</b>   | <b>13,826</b> | <b>17</b>  | <b>49</b>   |
| Income tax expense   | (62)         | (3,841)       | (4)        | (45)         | (2,759)       | (3)        | 39          |
| <b>Profit for the period</b>                                       | <b>270</b>   | <b>16,696</b> | <b>17</b>  | <b>179</b>   | <b>11,067</b> | <b>13</b>  | <b>51</b>   |
| <b>Diluted EPS</b>   | <b>1.58</b>  | <b>97.9</b>   |            | <b>1.05</b>  | <b>65.0</b>   |            | <b>51</b>   |

**Appendix 4: EBITDA Computation:**

| Particulars                           | 9M FY14    |               | 9M FY13    |               |
|---------------------------------------|------------|---------------|------------|---------------|
|                                       | (\$)       | (Rs.)         | (\$)       | (Rs.)         |
| <b>Profit before income tax</b>       | <b>332</b> | <b>20,537</b> | <b>223</b> | <b>13,826</b> |
| Interest (income) / expense           | 1          | 58            | (1)        | (42)          |
| Depreciation                          | 56         | 3,496         | 45         | 2,810         |
| Amortization                          | 27         | 1,644         | 20         | 1,245         |
| Impairment / (reversal of impairment) | (8)        | (497)         | 11         | 688           |
| <b>EBITDA</b>                         | <b>408</b> | <b>25,238</b> | <b>299</b> | <b>18,527</b> |



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**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)

**CONTACT INFORMATION**

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

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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)

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

Date: February 12, 2014