

January 25, 2018

The Secretary / Executive Director
BSE Limited
National Stock Exchange of India Ltd.
New York Stock Exchange Inc.

Dear Sir/Madam,

Sub: Outcome of Board Meeting – Unaudited Financial Results for the quarter and nine-months ended December 31, 2017.

Further to our letter dated January 2, 2018, we would like to inform you that the Board of Directors of the Company at their meeting held on January 25, 2018 have *inter alia* approved the Unaudited Financial Results of the Company for the quarter and nine-months ended December 31, 2017.

In terms of the above, we are enclosing herewith the following:

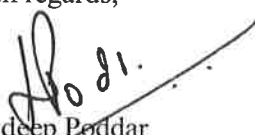
1. Unaudited Standalone Financial Statements of the Company for the quarter and nine-months ended December 31, 2017 as per Indian Accounting Standards.
2. Unaudited Consolidated Financial Statements of the Company and its subsidiaries for the quarter and nine-months ended December 31, 2017 as per Indian Accounting Standards.
3. Unaudited Consolidated Financial Statements of the Company for the quarter and nine-months ended December 31, 2017 prepared in compliance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).
4. Press Release on Financial Results of the Company for the above period.

Pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing the above along with Limited Review Reports of the Statutory Auditors on the Unaudited Standalone and Consolidated Financial Statements of the Company for the quarter and nine-months ended December 31, 2017.

The Board Meeting commenced at 9.00 AM and concluded at 11.30 AM.

This is for your information and records.

With regards,


Sandeep Poddar
Company Secretary

Encl : as above

Limited Review Report – Standalone Financial Results

**Review Report to
The Board of Directors
Dr. Reddy's Laboratories Limited**

We have reviewed the accompanying statement of unaudited standalone financial results of Dr. Reddy's Laboratories Limited (the 'Company') for the quarter ended December 31, 2017 and year to date from April 01, 2017 to December 31, 2017 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

The preparation of the Statement in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting (Ind AS 34) prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of Companies (Indian Accounting Standards) Rules, 2015 read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016 is the responsibility of the Company's management and has been approved by the Board of Directors of the Company. Our responsibility is to express a conclusion on the Statement based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the applicable Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

Kaustav Ghose
per Kaustav Ghose
Partner
Membership No.: 57828



Place: Hyderabad

Date: January 25, 2018

DR. REDDY'S LABORATORIES LIMITED
STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2017

Sl. No.	Particulars	Quarter ended			Nine months ended		Year ended
		31.12.2017	30.09.2017	31.12.2016	31.12.2017	31.12.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenue from operations						
	a) Net sales / income from operations	24,873	22,380	25,442	67,974	73,008	95,868
	b) License fees and service income	140	82	149	286	239	413
	c) Other operating income	217	81	94	410	350	917
	Total revenue from operations	25,230	22,543	25,685	68,670	73,597	97,198
2	Other income	477	404	890	1,309	5,332	5,912
	Total income (1 + 2)	25,707	22,947	26,575	69,979	78,929	103,110
3	Expenses						
	a) Cost of materials consumed	4,968	4,471	4,506	14,370	14,346	18,176
	b) Purchase of traded goods	1,686	1,696	1,619	4,570	5,029	6,715
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(185)	450	(338)	(127)	(1,672)	19
	d) Employee benefits expense	4,767	4,525	4,824	13,797	14,310	18,033
	e) Selling expenses	2,749	2,475	2,440	8,007	7,597	9,985
	f) Depreciation and amortisation expense	1,983	1,948	1,837	5,841	5,455	7,351
	g) Finance costs	133	190	165	487	414	572
	h) Other expenditure	5,890	5,790	6,228	18,018	19,639	26,814
	Total expenses	21,991	21,545	21,281	64,963	65,118	87,665
4	Profit / (loss) before tax (1 + 2 - 3)	3,716	1,402	5,294	5,016	13,811	15,445
5	Tax expense						
	a) Current tax	598	326	1,033	924	2,600	1,826
	b) Deferred tax	149	69	(127)	189	(400)	(222)
6	Net profit / (loss) for the period / year (4 - 5)	2,969	1,007	4,388	3,903	11,611	13,841
7	Other comprehensive income						
	a) (i) Items that will not be reclassified to profit or loss	7	(3)	-	2	7	(31)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	-	-	-	-	-	15
	b) (i) Items that will be reclassified to profit or loss	108	(142)	(104)	76	(242)	475
	(ii) Income tax relating to items that will be reclassified to profit or loss	(37)	49	13	(26)	(4)	(51)
	Total other comprehensive income	78	(96)	(91)	52	(239)	408
8	Total comprehensive income (6 + 7)	3,047	911	4,297	3,955	11,372	14,249
9	Paid-up equity share capital (face value Rs. 5/- each)	829	829	829	829	829	829
10	Other equity						115,177
11	Earnings per equity share (face value Rs. 5/- each)						
	Basic	17.90	6.07	26.49	23.54	69.55	83.05
	Diluted	17.87	6.06	26.44	23.49	69.38	82.88
		(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	

See accompanying notes to the financial results.

(msk)

Segment information

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Nine months ended		Year ended
		31.12.2017	30.09.2017	31.12.2016	31.12.2017	31.12.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Segment wise revenue and results						
1	Segment revenue						
	a) Pharmaceutical Services and Active Ingredients	5,605	6,189	5,551	16,473	16,778	22,564
	b) Global Generics	20,929	17,774	21,615	56,082	61,463	80,277
	c) Proprietary Products	26	29	-	82	-	417
	Total	26,560	23,992	27,166	72,637	78,241	103,258
	Less: Inter-segment revenue	1,330	1,449	1,481	3,967	4,644	6,066
	Add: Other un-allocable income	-	-	-	-	-	6
	Total revenue from operations	25,230	22,543	25,685	68,670	73,597	97,198
2	Segment results						
	Profit / (loss) before tax and interest from each segment						
	a) Pharmaceutical Services and Active Ingredients	56	209	145	(386)	(848)	(1,446)
	b) Global Generics	3,828	3,046	6,979	8,474	16,022	17,817
	c) Proprietary Products	(701)	(876)	(824)	(2,623)	(2,445)	(3,124)
	Total	3,183	2,379	6,300	5,465	12,729	13,247
	Less: (i) Finance costs	133	190	165	487	414	572
	(ii) Other un-allocable expenditure / (income), net	(666)	787	841	(38)	(1,496)	(2,770)
	Total profit before tax	3,716	1,402	5,294	5,016	13,811	15,445

Global Generics includes operations of Biologics business. Inter-segment revenue represents sale from Pharmaceutical Services and Active Ingredients to Global Generics at cost.

Segmental capital employed

As certain assets of the Company including manufacturing facilities, development facilities and treasury assets and liabilities are often deployed interchangeably across segments, it is impractical to allocate these assets and liabilities to each segment. Hence, the details for capital employed have not been disclosed in the above table.

Notes:

- The Company adopted Indian Accounting Standards ("Ind AS") from 1 April 2016 and accordingly these results have been prepared in accordance with the recognition and measurement principles laid down in the Ind AS 34, Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting pronouncements generally accepted in India. Financial results for all the periods presented have been prepared in accordance with the recognition and measurement principles of Ind AS 34.
- Post implementation of Goods and Services Tax ("GST") with effect from 1 July 2017, revenue from operations is disclosed net of GST. Revenue from operations for the earlier periods included excise duty which is now subsumed in the GST. Revenue from operations for the nine months ended 31 December 2017 includes excise duty upto 30 June 2017. Accordingly, revenue from operations for the quarter and nine months ended 31 December 2017 are not comparable with those of the previous periods presented.
- The Company received a warning letter, dated 5 November 2015 from the U.S. FDA, regarding deviations with current Good Manufacturing Practices at its API manufacturing facilities in Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as regarding violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The Company submitted its response to the warning letter on 7 December 2015. The Company has provided an update to the U.S. FDA on the progress of remediation in January 2016, March 2016, May 2016 and August 2016. The U.S. FDA completed the reinspection of the aforementioned facilities in March and April 2017. The Company has responded to the observations identified by the U.S. FDA. We have received Establishment Inspection report from the U.S. FDA for API manufacturing facility at Miryalaguda in June 2017 which indicates that the audit is closed.
- The unaudited results have been reviewed by the Audit Committee of the Board on 24 January 2018 and approved by the Board of Directors of the Company at their meeting held on 25 January 2018.
- The results for the quarter and nine months ended 31 December 2017 presented were subjected to a "Limited review" by the Statutory Auditors of the Company. An unqualified report was issued by them thereon.

By order of the Board
For Dr. Reddy's Laboratories Limited



G V Prasad
Managing Director & Chief Executive Officer

Place: Hyderabad
Date: 25 January 2018



Limited Review Report – Consolidated Financial Results

**Review Report to
The Board of Directors
Dr. Reddy's Laboratories Limited**

We have reviewed the accompanying statement of unaudited consolidated financial results of Dr. Reddy's Laboratories Limited Group comprising Dr. Reddy's Laboratories Limited (the 'Company') comprising its subsidiaries (together referred to as 'the Group'), and its joint ventures, for the quarter ended December 31, 2017 and year to date from April 01, 2017 to December 31, 2017 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

The preparation of the Statement in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting (Ind AS 34) prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of Companies (Indian Accounting Standards) Rules, 2015 read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016 is the responsibility of the Company's management and has been approved by the Board of Directors of the Company. Our responsibility is to express a conclusion on the Statement based on our review.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited consolidated financial results prepared in accordance with recognition and measurement principles laid down in the applicable Indian Accounting Standards specified under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

Kaustav Ghose

per Kaustav Ghose

Partner

Membership No.: 57828



Place: Hyderabad

Date: January 25, 2018

DR. REDDY'S LABORATORIES LIMITED
STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2017

Sl. No.	Particulars	All amounts in Indian Rupees millions					
		Quarter ended			Nine months ended		Year ended
		31.12.2017	30.09.2017	31.12.2016	31.12.2017	31.12.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenue from operations						
	a) Net sales / income from operations	36,164	34,905	36,534	103,558	103,678	138,663
	b) License fees and service income	1,896	555	531	3,121	1,589	2,146
	c) Other operating income	281	138	167	592	575	1,152
	Total revenue from operations	38,341	35,598	37,232	107,271	105,842	141,961
2	Other income	430	316	403	1,103	1,510	1,715
3	Total income (1 + 2)	38,771	35,914	37,635	108,374	107,352	143,676
4	Expenses						
	a) Cost of materials consumed	6,378	6,078	5,369	19,004	17,281	21,930
	b) Purchase of traded goods	3,906	3,308	3,496	10,013	10,001	13,752
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	83	983	(706)	1,311	(2,885)	(1,233)
	d) Employee benefits expense	8,181	7,890	8,146	24,144	24,357	31,068
	e) Selling expenses	3,357	3,028	3,145	9,649	9,962	12,934
	f) Depreciation and amortisation expense	2,715	2,702	2,665	8,009	7,723	10,266
	g) Finance costs	172	223	164	610	438	634
	h) Other expenditure	8,509	7,617	9,137	25,274	28,309	38,788
	Total expenses	33,301	31,829	31,416	98,014	95,186	128,139
5	Profit before tax (3 - 4)	5,470	4,085	6,219	10,360	12,166	15,537
6	Tax expense:						
	a) Current tax	653	615	1,368	1,569	3,663	3,096
	b) Deferred tax	1,875	508	17	2,319	(796)	(131)
7	Net profit for the period / year (5 - 6)	2,942	2,962	4,834	6,472	9,299	12,572
8	Share of profit of equity accounted investees, net of tax	85	92	89	275	247	349
9	Net profit after taxes and share of profit of associates (7 + 8)	3,027	3,054	4,923	6,747	9,546	12,921
10	Other comprehensive income						
	a) (i) Items that will not be reclassified subsequently to profit or loss	(1,430)	(680)	864	(3,704)	2,583	1,930
	(ii) Income tax relating to items that will not be reclassified subsequently to profit or loss	331	165	(261)	875	(594)	(404)
	b) (i) Items that will be reclassified subsequently to profit or loss	(103)	(126)	544	(209)	991	1,279
	(ii) Income tax relating to items that will be reclassified subsequently to profit or loss	16	46	47	4	7	136
	Total other comprehensive income	(1,186)	(595)	1,194	(3,034)	2,987	2,941
11	Total comprehensive income (9 + 10)	1,841	2,459	6,117	3,713	12,533	15,862
12	Paid-up equity share capital (face value Rs. 5/- each)	829	829	829	829	829	829
13	Reserves						121,792
14	Earnings per equity share (face value Rs.5/- each)						
	Basic	18.25	18.42	29.72	40.69	57.18	77.53
	Diluted	18.22	18.39	29.65	40.61	57.04	77.37
		(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	

See accompanying notes to the financial results

(MSK)

DR. REDDY'S LABORATORIES LIMITED

Segment Information

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Nine months ended		Year ended
		31.12.2017	30.09.2017	31.12.2016	31.12.2017	31.12.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Segment wise revenue and results:						
1	Segment revenue :						
	a) Pharmaceutical Services and Active Ingredients	6,895	7,210	6,997	20,077	20,863	27,832
	b) Global Generics	30,270	28,672	30,714	86,424	86,567	115,736
	c) Proprietary Products	2,136	728	603	3,403	1,814	2,783
	d) Others	389	444	435	1,411	1,331	1,791
	Total	39,690	37,054	38,749	111,315	110,575	148,142
	Less: Inter-segment revenue	1,349	1,456	1,517	4,044	4,733	6,181
	Add: Other un-allocable income	-	-	-	-	-	-
	Total revenue from operations	38,341	35,598	37,232	107,271	105,842	141,961
2	Segment results:						
	Gross profit from each segment						
	a) Pharmaceutical Services and Active Ingredients	1,302	1,125	1,537	2,960	3,954	4,497
	b) Global Generics	17,912	16,936	19,649	50,684	54,055	71,079
	c) Proprietary Products	2,022	633	509	3,073	1,541	1,951
	d) Others	181	225	210	716	645	853
	Total	21,417	18,919	21,905	57,433	60,195	78,380
	Less: Other un-allocable expenditure / (income), net	15,947	14,834	15,686	47,073	48,029	62,843
	Total profit before tax	5,470	4,085	6,219	10,360	12,166	15,537

Global Generics includes operations of Biologics business. Inter-segment revenue represents sale from Pharmaceutical Services and Active Ingredients to Global Generics at cost.

Segmental Capital employed

As certain assets of the Company including manufacturing facilities, development facilities and treasury assets and liabilities are often deployed interchangeably across segments, it is impractical to allocate these assets and liabilities to each segment. Hence, the details for capital employed have not been disclosed in the above table.

Notes:

- The Company adopted Indian Accounting Standards ("Ind AS") from 1 April 2016 and accordingly these results have been prepared in accordance with the recognition and measurement principles laid down in the Ind AS 34, Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting pronouncements generally accepted in India. Financial results for all the periods presented have been prepared in accordance with the recognition and measurement principles of Ind AS 34.
- Post implementation of Goods and Services Tax ("GST") with effect from 1 July 2017, revenue from operations is disclosed net of GST. Revenue from operations for the earlier periods included excise duty which is now subsumed in the GST. Revenue from operations for the nine months ended 31 December 2017 includes excise duty upto 30 June 2017. Accordingly, revenue from operations for the quarter and nine months ended 31 December 2017 are not comparable with those of the previous periods presented.
- The Company received a warning letter, dated 5 November 2015 from the U.S. FDA, regarding deviations with current Good Manufacturing Practices at its API manufacturing facilities in Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as regarding violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The Company submitted its response to the warning letter on 7 December 2015. The Company has provided an update to the U.S. FDA on the progress of remediation in January 2016, March 2016, May 2016 and August 2016. The U.S. FDA completed the reinspection of the aforementioned facilities in March and April 2017. The Company has responded to the observations identified by the U.S. FDA. We have received Establishment Inspection report from the U.S. FDA for API manufacturing facility at Miryalaguda in June 2017 which indicates that the audit is closed.
- In the United States of America, The Tax Cuts and Jobs Act of 2017 was approved and enacted in to law on 22 December 2017. The law includes significant changes to the U.S. corporate income tax system, including a reduction in Federal corporate tax rate from 35% to 21%. Consequent to this enactment, the Company has re-measured its U.S. deferred tax assets and liabilities based on the new tax law and this resulted in a one-off charge of Rs. 873 million for the quarter ended 31 December 2017.
- During the quarter ended 31 December 2017, the Company entered into a settlement agreement with the U.S. Department of Justice with respect to a litigation involving packaging for five blister packed prescription products. Consequent to the settlement, the Company has agreed to pay Rs. 319 million (U.S.\$ 5 million) to the Department of Justice. The same has been provided in the books of account under the head "other expenditure".
- The unaudited results were reviewed by the Audit Committee of the Board on 24 January 2018 and approved by the Board of Directors of the Company at their meeting held on 25 January 2018.
- The results for the quarter and nine months ended 31 December 2017 were subjected to a "Limited review" by the Statutory Auditors of the Company. An unqualified report was issued by them thereon.

By order of the Board
For Dr. Reddy's Laboratories Limited



G V Prasad
Managing Director & Chief Executive Officer

Place: Hyderabad
Date: 25 January 2018





KPMG (Registered)
Salarpuria Knowledge City,
Orwell, 6th Floor, Unit-3,
Sy No. 83/1, Plot No. 2, Raidurg,
Hyderabad - 500081, India.

Telephone : +91 40 6111 6000
Fax : +91 40 6111 6799
Internet : www.kpmg.com/in

Independent Auditors' Report on Review of Interim Financial Information

The Board of Directors
Dr. Reddy's Laboratories Limited

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Dr. Reddy's Laboratories Limited and its subsidiaries ('the company') as at December 31, 2017 and the related condensed consolidated interim income statement, the statements of comprehensive income for the three and nine months period then ended, statement of changes in equity and cash flows for nine-months period ended December 31, 2017 and the summary of significant accounting policies and notes to the interim financial statements ('the condensed consolidated interim financial statements'). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Hyderabad, India
January 25, 2018

Unaudited consolidated financial results of Dr. Reddy's Laboratories Limited and its subsidiaries for the quarter and nine months ended 31 December 2017 prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Nine months ended		Year ended
		31.12.2017	30.09.2017	31.12.2016	31.12.2017	31.12.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenues	38,060	35,460	37,065	106,679	105,267	140,809
2	Cost of revenues	16,649	16,559	15,166	49,270	45,093	62,453
3	Gross profit (1 - 2)	21,411	18,901	21,899	57,409	60,174	78,356
4	Selling, general and administrative expenses	12,048	11,032	11,341	34,843	35,399	46,372
5	Research and development expenses	4,667	4,175	4,956	13,917	14,972	19,551
6	Other (income)/expense, net	(313)	(114)	(187)	(621)	(560)	(1,065)
	Total operating expenses	16,402	15,093	16,110	48,139	49,811	64,858
7	Operating profit [(3) - (4 + 5 + 6)]	5,009	3,808	5,789	9,270	10,363	13,498
	Finance income	1,053	199	218	1,688	1,302	1,587
	Finance expense	(202)	(223)	(174)	(640)	(448)	(781)
8	Finance (expense)/income, net	851	(24)	44	1,048	854	806
9	Share of profit of equity accounted investees, net of tax	85	92	89	275	247	349
10	Profit before tax (7 + 8 + 9)	5,945	3,876	5,922	10,593	11,464	14,653
11	Tax expense	2,601	1,027	1,221	3,809	2,550	2,614
12	Profit for the period / year	3,344	2,849	4,701	6,784	8,914	12,039
	Attributable to :						
	- Equity holders of the Company	3,344	2,849	4,701	6,784	8,914	12,039
	- Non-controlling interest	-	-	-	-	-	-
13	Earnings per share:						
	Basic earnings per share of Rs.5/- each	20.16	17.18	28.38	40.91	53.39	72.24
	Diluted earnings per share of Rs.5/- each	20.13	17.15	28.32	40.83	53.26	72.09
		(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	(Not annualised)	

(msk)

Segment reporting (consolidated)

All amounts in Indian Rupees millions

Sl. No.	Particulars	Quarter ended			Nine months ended		Year ended
		31.12.2017	30.09.2017	31.12.2016	31.12.2017	31.12.2016	31.03.2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Segment wise revenue and results:						
	Segment revenue:						
	a) Pharmaceutical Services and Active Ingredients	6,785	7,110	6,917	19,785	20,609	27,458
	b) Global Generics	30,105	28,618	30,638	86,178	86,271	115,409
	c) Proprietary Products	2,137	748	603	3,397	1,811	2,363
	d) Others	382	440	424	1,363	1,309	1,760
	Total	39,409	36,916	38,582	110,723	110,000	146,990
	Less: Inter-segment revenues	1,349	1,456	1,517	4,044	4,733	6,181
	Net revenue from operations	38,060	35,460	37,065	106,679	105,267	140,809
2	Segment results:						
	Gross profit from each segment						
	a) Pharmaceutical Services and Active Ingredients	1,296	1,107	1,530	2,936	3,932	4,473
	b) Global Generics	17,912	16,936	19,649	50,684	54,055	71,079
	c) Proprietary Products	2,022	633	509	3,073	1,541	1,951
	d) Others	181	225	211	716	646	853
	Total	21,411	18,901	21,899	57,409	60,174	78,356
	Less: Other un-allocable expenditure, net of other income	15,466	15,025	15,977	46,816	48,710	63,703
	Total profit before tax	5,945	3,876	5,922	10,593	11,464	14,653

Global Generics segment includes operations of Biologics business. Inter-segment revenues represent sale from Pharmaceutical Services and Active Ingredients to Global Generics at cost.

Notes:

- The unaudited results have been reviewed by the Audit Committee of the Board on 24 January 2018 and approved by the Board of Directors of the Company at their meeting held on 25 January 2018. The above financial results have been prepared from the consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards and its interpretations (IFRS), as issued by the International Accounting Standards Board (IASB).
- Post implementation of Goods and Services Tax ("GST") in India with effect from 1 July 2017, revenues are disclosed net of GST. Revenues for the earlier periods included excise duty which is now subsumed in the GST. Revenues for the nine months ended 31 December 2017 include excise duty upto 30 June 2017. Accordingly, revenues for the quarter and nine months ended 31 December 2017 are not comparable with those of the previous periods presented.
- The Company received a warning letter, dated 5 November 2015 from the U.S. FDA, regarding deviations with current Good Manufacturing Practices at its API manufacturing facilities in Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as regarding violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The Company submitted its response to the warning letter on 7 December 2015. The Company has provided an update to the U.S. FDA on the progress of remediation in January 2016, March 2016, May 2016 and August 2016. The U.S. FDA completed the reinspection of the aforementioned facilities in March and April 2017. The Company has responded to the observations identified by the U.S. FDA. We have received Establishment Inspection report from the U.S. FDA for API manufacturing facility at Miryalaguda in June 2017 which indicates that the audit is closed.
- In the United States of America, The Tax Cuts and Jobs Act of 2017 was approved and enacted in to law on 22 December 2017. The law includes significant changes to the U.S. corporate income tax system, including a reduction in Federal corporate tax rate from 35% to 21%. Consequent to this enactment, the Company has re-measured its U.S. deferred tax assets and liabilities based on the new tax law and this resulted in a one-off charge of Rs. 930 million for the quarter ended 31 December 2017.
- During the quarter ended 31 December 2017, the Company entered into a settlement agreement with the U.S. Department of Justice with respect to a litigation involving packaging for five blister packed prescription products. Consequent to the settlement, the Company has agreed to pay Rs.319 million (U.S.\$5 million) to the Department of Justice. The same has been provided in the books of account under the head "selling, general and administrative expenses".
- The results for the quarter and nine months ended 31 Decerser 2017 were subjected to a "Limited review" by the Independent Auditors of the Company. An unqualified report was issued by them thereon.

By order of the Board
For Dr. Reddy's Laboratories Limited


G V Prasad
Managing Director & Chief Executive Officer

Place: Hyderabad
Date: 25 January 2018


(MSK)

DR. REDDY'S LABORATORIES LTD.

8-2-337, Road No. 3, Banjara Hills,
Hyderabad - 500034. Telangana, India.
CIN: L85195TG1984PLC004507

CONTACT

INVESTOR RELATIONS

SAUNAK SAVLA
saunaks@drreddys.com
(Ph: +91-40-4900 2135)

MEDIA RELATIONS

CALVIN PRINTER
calvinprinter@drreddys.com
(Ph: +91-40-4900 2121)

Dr. Reddy's Q3 and 9M FY18 Financial Results

Hyderabad, India, January 25, 2018: Dr. Reddy's Laboratories Ltd. (BSE: 500124 | NSE: DRREDDY | NYSE: RDY) today announced its consolidated financial results for the third quarter and nine months ended December 31, 2017 under International Financial Reporting Standards (IFRS).

Q3 Performance Summary

₹3,806 Cr

Revenue

[Up: 7% QoQ, Up: 3% YoY]

56.3%

Gross Margin

[Q2 FY18: 53.3%; Q3 FY17: 59.1%]

₹1,205 Cr

SGNA expenses

[Up: 6% YoY]

₹467 Cr

R&D expenses

[12.3% of Revenues]

₹806 Cr

EBITDA

[21.2% of Revenues]

₹334 Cr*

Profit after Tax

[8.8% of Revenues]

9M Performance Summary

₹10,668 Cr

Revenue

[Up: 1% YoY]

53.8%

Gross Margin

[9M FY17: 57.2%]

₹3,484 Cr

SGNA expenses

[Down: 2% YoY]

₹1,392 Cr

R&D expenses

[13.0% of Revenues]

₹1,830 Cr

EBITDA

[17.2% of Revenues]

₹678 Cr*

Profit after Tax

[6.4% of Revenues]

* During Q3 FY18, the 'Tax Cuts and Jobs Act of 2017' was approved and enacted in the United States. Consequent to this enactment the deferred tax assets and liabilities of the US entity have been re-measured resulting in a one-time charge of ₹93 Crores. [Adjusted PAT for Q3 FY 18: ₹427 Crores and 9M FY 18: ₹771 Crores]

Commenting on the results, CEO and Co-chairman, G.V. Prasad said "We had a satisfactory third quarter performance, with all our key markets performing well. We recorded sequential revenue growth of 7%, despite continuing challenges such as price erosion in the U.S. Our first-cycle NDA approval of Impoyz™ is a significant milestone in the commercialization of our proprietary products pipeline. We will continue our focus on operational excellence and controlling of SG&A costs across the organisation".




Dr. Reddy's Laboratories Limited and Subsidiaries

Consolidated Income Statement

Particulars	Q3 FY 18			Q3 FY 17			Growth %
	(\$)	(Rs.)	%	(\$)	(Rs.)	%	
Revenues	596	38,060	100.0	581	37,065	100.0	3
Cost of revenues	261	16,649	43.7	238	15,166	40.9	10
Gross profit	335	21,411	56.3	343	21,899	59.1	(2)
Operating Expenses							
Selling, general & administrative expenses	189	12,048	31.7	178	11,341	30.6	6
Research and development expenses	73	4,667	12.3	78	4,956	13.4	(6)
Other operating expense / (income)	(5)	(313)	(0.8)	(3)	(187)	(0.5)	67
Results from operating activities	78	5,009	13.2	91	5,789	15.6	(13)
Finance expense / (income), net	(13)	(851)	(2.2)	(1)	(44)	(0.1)	1850
Share of (profit) of equity accounted investees, net of income tax	(1)	(85)	(0.2)	(1)	(89)	(0.2)	(5)
Profit before income tax	93	5,945	15.6	93	5,922	16.0	0
Income tax expense	41	2,601*	6.8	19	1,221	3.3	113
Profit for the period	52	3,344	8.8	74	4,701	12.7	(29)
Diluted EPS	0.32	20.13		0.44	28.32		(29)

* ~Rs. 930 million impact on account of reforms in US tax laws

EBITDA Computation

Particulars	Q3 FY 18		Q3 FY 17	
	(\$)	(Rs.)	(\$)	(Rs.)
Profit before income tax	93	5,945	93	5,922
Interest (income) / expense net*	(14)	(881)	(1)	(53)
Depreciation	33	2,089	30	1,936
Amortization	14	882	15	956
Impairment	0.3	20	0.5	32
EBITDA	126	8,055	138	8,793
EBITDA (% to revenues)		21.2		23.7

* - Includes income from Investments

Key Balance Sheet Items

Particulars	As on 31 st Dec 17		As on 30 th Sep 17	
	(\$)	(Rs.)	(\$)	(Rs.)
Cash and cash equivalents and Other current Investments	344	21,958	263	16,793
Trade receivables (current)	665	42,432	661	42,203
Inventories	420	26,825	423	26,998
Property, plant and equipment	912	58,189	907	57,905
Goodwill and Other Intangible assets	755	48,182	778	49,634
Loans and borrowings (current & non-current)	860	54,911	841	53,668
Trade payables	228	14,575	222	14,193
Equity	1,938	1,23,685	1,909	1,21,840

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Revenue Mix by Segment [Year on year]

Particulars	Q3 FY 18			Q3 FY 17			Growth %
	(\$)	(Rs.)	%	(\$)	(Rs.)	%	
Global Generics	472	30,105	79	480	30,638	83	-2
North America		16,073			16,595		-3
Europe*		2,006			2,148		-7
India		6,126			5,947		3
Emerging Markets [#]		5,900			5,948		-1
PSAI	85	5,436	14	85	5,400	14	1
North America		863			1,259		-31
Europe		1,572			1,828		-14
India		627			409		53
Rest of World		2,374			1,904		25
Proprietary Products & Others	39	2,519	7	16	1,027	3	145
Total	596	38,060	100	581	37,065	100	3

Revenue Mix by Segment [Sequential]

Particulars	Q3 FY 18			Q2 FY 18			Growth %
	(\$)	(Rs.)	%	(\$)	(Rs.)	%	
Global Generics	472	30,105	79	448	28,618	81	5
North America		16,073			14,318		12
Europe*		2,006			2,424		-17
India		6,126			6,370		-4
Emerging Markets [#]		5,900			5,506		7
PSAI	85	5,436	14	89	5,654	16	-4
North America		863			962		-10
Europe		1,572			1,938		-19
India		627			436		44
Rest of World		2,374			2,318		2
Proprietary Products & Others	39	2,519	7	19	1,188	3	112
Total	596	38,060	100	556	35,460	100	7

* Europe primarily includes Germany, UK and out licensing sales business

Emerging Markets refers to Russia, other CIS countries, Romania and Rest of the World markets including Venezuela




Segmental Analysis

Global Generics (GG)

Revenues from **GG** segment at ₹30.1 billion.

Sequential growth of 5%, primarily driven by the US and Emerging Markets

Year-on-year decline of 2%, primarily on account of adverse foreign exchange as the US dollar depreciated by ~4% and lower contribution from Europe generics market.

- Revenues from **North America** at ₹16.1 billion.
 - Sequential growth of 12%, primarily on account of contribution from new products major being sevelamer carbonate
 - Year-on-year decline of 3%, primarily on account of higher price erosions due to channel consolidation and increased competition in some of our key molecules, and impact of adverse foreign exchange. The above is partly offset by new products contribution.

As of 31st December 2017, cumulatively 102 generic filings are pending for approval with the USFDA (99 ANDAs and 3 NDAs under 505(b)(2) route). Of these 99 ANDAs, 59 are Para IVs out of which we believe 29 have 'First to File' status.

- Revenues from **Emerging Markets** at ₹5.9 billion
 - Revenues from **Russia** at ₹3.4 billion. Year-on-year growth of 9%. In constant currency i.e. in Rouble terms year-on-year growth is 5%.
 - Revenues from **other CIS countries and Romania** market at ₹1.0 billion. Year-on-year decline of 2%.
 - Revenues from **Rest of World (RoW)** territories at ₹1.5 billion. Year-on-year decline of 17%.
- Revenues from **India** at ₹6.1 billion. Year-on-year growth of 3%. Normalizing for the GST transition related adjustments, the comparable growth is ~11%.
- Revenues from **Europe** at ₹2.0 billion. Year-on-year decline of 7%, primarily on account of higher price erosion in some of the key molecules coupled with temporary supply disruptions.

Pharmaceutical Services and Active Ingredients (PSAI)

- Revenues from **PSAI** at ₹5.4 billion. Year-on-year growth of 1%.
- During the quarter, 13 DMFs were filed globally of which 1 was in the US. The cumulative number of DMF filings as of 31st December, 2017 was 791.

Proprietary Products (PP)

- Revenues from **PP** at ₹2.1 billion

During Q3 FY18 USFDA approved IMPOYZ™ (clobetasol propionate) Cream 0.025%. In line with the existing outlicensing agreement with Encore Dermatology Inc. this approval triggered milestone recognition of ₹1.3 billion during Q3 FY18.



Income Statement Highlights:

- Gross profit margin at 56.3%.
 - Improved by ~300 bps sequentially, aided by better product mix and milestone receipt of ₹1.3 billion in Proprietary Products
 - Declined by ~280 bps over that of previous year primarily on account of higher price erosions, increased competitive intensity in some of our key molecules in the US and adverse foreign exchange impact.
 - Gross profit margin for GG and PSAI business segments are at 59.5% and 23.8% respectively.
- SG&A expenses at ₹12.0 billion, an increase of 6%. During the quarter, a settlement agreement was entered into with the US Department of Justice on the litigation involving packaging against a payout of ₹319 million. The balance increase is on account of sales & marketing and other spends towards events specific to the quarter.
- Research & development expenses at ₹4.7 billion, a decrease of 6%. As % to Revenues- Q3 FY18: 12.3% | Q2 FY 18: 11.8% | Q3 FY17: 13.4%. Focus continues on building complex generics, biosimilars and differentiated products pipeline.
- Net Finance income at ₹851 million compared to ₹44 million in Q3FY17. The incremental income of ₹807 million is on account of:
 - Increase in profit on sales of investments by ₹698 million.
 - Increase in net interest income by ₹129 million.
 - Net foreign exchange loss of ₹30 million in the current quarter vs net foreign exchange loss of ₹10 million in the previous year.
- Profit after Tax at ₹3.3 billion. During the quarter, the 'Tax Cuts and Jobs Act of 2017' was approved and enacted in the United States. Consequent to this enactment the deferred tax assets and liabilities in the US entity have been re-measured resulting in a one-time charge of ₹930 million being recorded under tax expense.
- Diluted earnings per share is at ₹20.13
- Capital expenditure is at ₹2.2 billion.



Earnings Call Details (06:30 pm IST, 08:00 am EST, January 25, 2018)

The Company will host an earnings call to discuss the performance and answer any questions from participants. This call will be accessible through an audio dial-in and a web-cast.

Audio conference Participants can dial-in on the numbers below

Primary number: **91 22 3960 0616**

Secondary number: **91 22 6746 5826**

International Toll Free Number **USA** **18667462133**

UK **08081011573**

Singapore **8001012045**

Hong Kong **800964448**

Playback of call: **91 22 3065 2322, 91 22 6181 3322**

Conference ID: **375#**

Web-cast More details will be provided through our website, www.drreddys.com

Transcript of the event will be available at www.drreddys.com. Playback will be available for a few days.

About Dr. Reddy's: Dr. Reddy's Laboratories Ltd. (BSE: 500124, NSE: DRREDDY, NYSE: RDY) is an integrated pharmaceutical company, committed to providing affordable and innovative medicines for healthier lives. Through its three businesses - Pharmaceutical Services & 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. Our major therapeutic areas of focus are gastro-intestinal, cardiovascular, diabetology, oncology, pain management and dermatology. Dr. Reddy's operates in markets across the globe. Our major markets include - USA, India, Russia and other CIS countries. For more information, log on to: www.drreddys.com

Disclaimer: This press release may include statements of future expectations and other forward-looking statements that are based on the management's current views and assumptions and involve known or unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to without limitation, (i) general economic conditions such as performance of financial markets, credit defaults, currency exchange rates, interest rates, persistency levels and frequency / severity of insured loss events (ii) mortality and morbidity levels and trends, (iii) changing levels of competition and general competitive factors, (iv) changes in laws and regulations and in the policies of central banks and/or governments, (v) the impact of acquisitions or reorganisation, including related integration issues.

The company assumes no obligation to update any information contained herein.

