

DR REDDYS LABORATORIES LTD

Form 6-K

July 31, 2013

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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**

**July 2013**

**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**

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(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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(1) Press Release, Dr. Reddy's Q1 FY14 Financial Results , July 30, 2013.

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**Press Release**

Dr. Reddy s Laboratories Ltd.  
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**Dr. Reddy s Q1 FY14 Financial Results**

**Q1 FY14 Revenues at 28.4 billion** *(YoY growth of 12%)*

**Q1 FY14 EBITDA at 5.7 billion** *(20% of the revenues, with YoY growth of 13%)*

**Q1 FY14 Adjusted PAT\* at 3.2 billion** *(11% of the revenues, with YoY growth of 12%)*

**Hyderabad, India, July 30, 2013:** Dr. Reddy s Laboratories Ltd. (NYSE: RDY) today announced its unaudited consolidated financial results for the quarter ended June 30, 2013 under International Financial Reporting Standards (IFRS).

**KEY HIGHLIGHTS (Q1 FY14)**

**Consolidated revenues for Q1 FY14 at 28.4 billion, recorded YoY growth of 12%.**

Revenues from the Global Generics segment for Q1 FY14 at 21.9 billion, YoY growth of 15%.

Revenues from the PSAI segment for Q1 FY14 at 5.9 billion, YoY growth of 6%.

**R&D expenses for Q1 FY14 increased by 55% to reach 2.4 billion, 8.5% of revenues as compared to 6.2% of revenues in Q1 FY13.**

**Selling, general & administrative (SG&A) expenses for Q1 FY14 increased by only 6% and stood at 8.8 billion, 30.9% to revenues as compared to 32.6% to revenues in Q1 FY13.**

**EBITDA for Q1 FY14 at 5.7 billion, 20% of revenues and has recorded a YoY growth of 13%.**

**PAT for Q1 FY14 at 3.6 billion, 13% of revenues and has recorded a YoY growth of 7%.**

**Adjusted PAT\* for Q1 FY14 at 3.2 billion, 11% of revenues with a YoY growth of 12%**

**During the quarter, the company launched 18 new generic products, filed 12 new product registrations and filed 5 DMFs globally.**

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\* *Q1 FY14 normalized to the FY14 annual effective tax rate and Q1 FY13 normalized to the FY13 annual effective tax rate*

**Table of Contents***All figures in millions, except EPS**All US dollar figures based on convenience translation rate of 1USD = 59.52***Dr. Reddy s Laboratories Limited and Subsidiaries****Unaudited Consolidated Income Statement**

| Particulars                                   | (\$)       | Q1 FY14<br>(Rs.) | %            | (\$)       | Q1 FY13<br>(Rs.) | %            | Growth<br>% |
|---|------------|------------------|--------------|------------|------------------|--------------|-------------|
| <b>Revenues</b>                               | <b>478</b> | <b>28,449</b>    | <b>100.0</b> | <b>427</b> | <b>25,406</b>    | <b>100.0</b> | <b>12</b>   |
| Cost of revenues                              | 226        | 13,430           | 47.2         | 199        | 11,865           | 46.7         | 13          |
| <b>Gross profit</b>                           | <b>252</b> | <b>15,019</b>    | <b>52.8</b>  | <b>228</b> | <b>13,541</b>    | <b>53.3</b>  | <b>11</b>   |
| <b>Operating Expenses</b>                     |            |                  |              |            |                  |              |             |
| Selling, general & administrative expenses    | 148        | 8,794            | 30.9         | 139        | 8,278            | 32.6         | 6           |
| Research and development expenses             | 41         | 2,430            | 8.5          | 26         | 1,564            | 6.2          | 55          |
| Other operating income                        | (6)        | (376)            | (1.3)        | (4)        | (218)            | (0.9)        | 73          |
| <b>Results from operating activities</b>      | <b>70</b>  | <b>4,171</b>     | <b>14.7</b>  | <b>66</b>  | <b>3,917</b>     | <b>15.4</b>  | <b>6</b>    |
| Net finance expense                           | 1          | 70               | 0.2          | 4          | 212              | 0.8          | (67)        |
| Share of profit of equity accounted investees | (1)        | (36)             | (0.1)        | (0)        | (19)             | (0.1)        | 87          |
| <b>Profit before income tax (PBT)</b>         | <b>70</b>  | <b>4,137</b>     | <b>14.5</b>  | <b>63</b>  | <b>3,725</b>     | <b>14.7</b>  | <b>11</b>   |
| Income tax expense                            | 9          | 528              | 1.9          | 6          | 365              | 1.4          | 45          |
| <b>Profit for the period (PAT)</b>            | <b>61</b>  | <b>3,609</b>     | <b>12.7</b>  | <b>56</b>  | <b>3,360</b>     | <b>13.2</b>  | <b>7</b>    |
| <b>Diluted EPS</b>                            | <b>0.4</b> | <b>21.17</b>     |              | <b>0.3</b> | <b>19.74</b>     |              | <b>7</b>    |

| EBITDA Computation | (\$)      | Q1 FY14<br>(Rs.) | (\$)      | Q1 FY13<br>(Rs.) |
|--------------------|-----------|------------------|-----------|------------------|
| <b>PBT</b>         | <b>70</b> | <b>4,137</b>     | <b>63</b> | <b>3,725</b>     |
| Interest           | (1)       | (61)             | 0         | 3                |
| Depreciation       | 19        | 1,117            | 15        | 896              |
| Amortization       | 8         | 496              | 7         | 400              |
| <b>EBITDA</b>      | <b>96</b> | <b>5,689</b>     | <b>84</b> | <b>5,024</b>     |

| Adjusted PAT Computation | (\$)      | Q1 FY14<br>(Rs.) | (\$)      | Q1 FY13<br>(Rs.) |
|--------------------------|-----------|------------------|-----------|------------------|
| <b>PAT</b>               | <b>61</b> | <b>3,609</b>     | <b>56</b> | <b>3,360</b>     |
| Adjustments:             |           |                  |           |                  |
| Tax adjustment*          | (6)       | (382)            | (8)       | (477)            |
| <b>Adjusted PAT</b>      | <b>54</b> | <b>3,227</b>     | <b>48</b> | <b>2,883</b>     |

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\* *Q1 FY14 normalized to the FY14 annual effective tax rate and Q1 FY13 normalized to the FY13 annual effective tax rate*

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### SEGMENTAL ANALYSIS

#### Global Generics

Revenues from Global Generics segment at 21.9 billion recorded a YoY growth of 15%. Growth was primarily driven by North America and Emerging market territories.

Revenues from **North America** at 10.9 billion, recorded a YoY growth of 37%. Growth was primarily driven by:

Key difficult to synthesize products with limited competition launched during rest of the quarters of the previous year i.e. montelukast granules, finasteride 1mg, isotretinoin, zoledronic acid (4mg/5mL), metoprolol succinate extended release, etc.

Two new products which have been launched during the quarter zoledronic acid (5mg/100mL) injection and lamotrigine XL.

Significant traction in market share of products such as tacrolimus, fondaparinux, etc on a YoY basis. During the quarter, 2 ANDAs were filed. Cumulatively, 64 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 Q1 FY14 at 6.0 billion, YoY growth of 9%.

Revenues from Russia at 3.7 billion, YoY growth of 4%. Growth was muted primarily on account of high base effect of the previous year and changes in the market stocking pattern.

Revenues from CIS markets at 0.8 billion, YoY growth of 28%. Growth was largely driven by volume uptake of existing products and introduction of new products in Ukraine.

Revenues from RoW territories stood at 1.5 billion, YoY growth of 12% despite the devaluation impact in Venezuela.

Revenues from **India** for Q1 FY14 at 3.5 billion remained flat YoY.

Implementation of the new Pricing Policy 2012, which led to destocking in the trade, coupled with the Maharashtra trade strike had an adverse effect on the revenues for the quarter.

Revenues from **Europe** for Q1 FY14 at 1.6 billion declined YoY by 28%.

Revenues from Germany for Q1 FY14 at 1.1 billion declined YoY by 26%.

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



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Revenues from PSAI for Q1 FY14 at 5.9 billion, YoY growth of 6%. Muted growth on the back of lower number of launch molecules to our customers during the quarter.

During the quarter, 5 DMFs were filed globally, including 3 in the US. The cumulative number of DMF filings as of June 30, 2013 is 581.

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**INCOME STATEMENT HIGHLIGHTS:**

Gross profit margin for Q1 FY14 stood at 52.8%, marginal drop of 50 basis points compared to Q1 FY13. Corresponding values for Global Generics and PSAI segments for the quarter are at 61.6% and 19% respectively. GG gross margin improved primarily on account of higher contribution from new product launches in North America Generics, 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.

Selling, general and administration (SG&A) expenses including amortization at 8.8 billion increased YoY by only 6%. SG&A expenses for Q1 FY14 stood at 30.9% to sales as compared to 32.6% to sales in Q1 FY13.

Research & development expenses stood at 2.4 billion, YoY growth of 55%; 8.5% of revenues in Q1 FY14 as compared to 6.2% of revenues in Q1 FY13. The increase is in line with the increased focus on complex formulations, differentiated portfolio and biosimilars.

Net Finance expense is at 70 million in Q1 FY14 compared to 212 million in Q1 FY13. The change is on account of :

Net forex loss of 131 million in Q1 FY14 as compared to 209 million in Q1 FY13.

Net interest income of 61 million in Q1 FY14 compared to net interest expense of 3 million in Q1 FY13.

EBITDA for Q1 FY14 at 5.7 billion, 20% of revenues with a YoY growth of 13%.

Profit after Tax in Q1 FY14 at 3.6 billion, 13% of revenues with a YoY growth of 7%.

\*Adjusted Profit after tax in Q1 FY14 at 3.2 billion, YoY growth of 12%.

Diluted earnings per share in Q1 FY 14 are 21.17

Capital expenditure for Q1 FY14 is 2.0 billion.

\* *Q1 FY14 normalized to the FY14 annual effective tax rate and Q1 FY13 normalized to the FY13 annual effective tax rate*

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All US dollar figures based on convenience translation rate of 1USD = 59.52

### Appendix 1: Key Balance Sheet Items

| Particulars                                       | As on 30th June 2013 |        | As on 31st March 2013 |        |
|---|----------------------|--------|-----------------------|--------|
|   | (\$)                 | (Rs.)  | (\$)                  | (Rs.)  |
| Cash and cash equivalents and current investments | 502                  | 29,907 | 371                   | 22,099 |
| Trade receivables                                 | 490                  | 29,168 | 537                   | 31,972 |
| Inventories                                       | 379                  | 22,536 | 363                   | 21,600 |
| Property, plant and equipment                     | 662                  | 39,393 | 635                   | 37,814 |
| Goodwill and other Intangible assets              | 248                  | 14,787 | 236                   | 14,021 |
| Loans and borrowings (current & non-current)      | 738                  | 43,937 | 616                   | 36,678 |
| Trade payables                                    | 169                  | 10,076 | 199                   | 11,862 |
| Total Equity                                      | 1,261                | 75,051 | 1,223                 | 72,805 |

### Appendix 2: Revenue Mix by Segment

|  | Q1 FY14    |               |            | Q1 FY13    |               |            | (in millions) |
|--|------------|---------------|------------|------------|---------------|------------|---------------|
|  | (\$)       | (Rs.)         | %          | (\$)       | (Rs.)         | %          | Growth %      |
| <b>Global Generics</b>                   | <b>368</b> | <b>21,903</b> | <b>77</b>  | <b>320</b> | <b>19,066</b> | <b>75</b>  | <b>15</b>     |
| North America                            |            | 10,871        | 50         |            | 7,920         | 42         | 37            |
| Europe                                   |            | 1,573         | 7          |            | 2,178         | 11         | (28)          |
| India                                    |            | 3,493         | 16         |            | 3,482         | 18         | 0             |
| Russia & Other CIS                       |            | 4,489         | 20         |            | 4,167         | 22         | 8             |
| RoW                                      |            | 1,477         | 7          |            | 1,319         | 7          | 12            |
| <b>PSAI</b>                              | <b>99</b>  | <b>5,868</b>  | <b>21</b>  | <b>93</b>  | <b>5,527</b>  | <b>22</b>  | <b>6</b>      |
| North America                            |            | 1,093         | 19         |            | 1,064         | 19         | 3             |
| Europe                                   |            | 2,093         | 36         |            | 2,233         | 40         | (6)           |
| India                                    |            | 791           | 13         |            | 611           | 11         | 29            |
| RoW                                      |            | 1,891         | 32         |            | 1,619         | 29         | 17            |
| <b>Proprietary Products &amp; Others</b> | <b>11</b>  | <b>679</b>    | <b>2</b>   | <b>14</b>  | <b>813</b>    | <b>3</b>   | <b>(16)</b>   |
| <b>Total</b>                             | <b>478</b> | <b>28,449</b> | <b>100</b> | <b>427</b> | <b>25,406</b> | <b>100</b> | <b>12</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)

Date: July 31, 2013

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