

DR REDDYS LABORATORIES LTD

Form 6-K

May 13, 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**

**May 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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| (1) <u>Press Release, Dr. Reddy s Q4 &amp; FY14 Financial Results , May 13, 2014.</u> | 3 |
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**Press Release**

Dr. Reddy s Laboratories Ltd.  
8-2-337, Road No. 3  
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Andhra Pradesh, India

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**Dr. Reddy s Q4 & FY14 Financial Results**

**Q4 FY14 Revenues at Rs.34.8 billion**

**FY14 Revenues at Rs.132.2 billion**

**Q4 FY14 EBITDA at Rs.7.9 billion**

**FY14 EBITDA at Rs.33.2 billion**

**Q4 FY14 PAT at Rs.4.8 billion**

**FY14 PAT at Rs.21.5 billion**

**Hyderabad, India, May 13, 2014:** Dr. Reddy s Laboratories Ltd. (NYSE: RDY) today announced its consolidated financial results for the fourth quarter and full year ended March 31, 2014 under International Financial Reporting Standards (IFRS).

**Key Highlights**

**Consolidated revenues for FY 14 at Rs.132.2 billion, year-on-year growth of 14%.**

*Consolidated revenues for Q4 FY14 at Rs.34.8 billion, year-on-year growth of 4%.*

**Gross Profit Margin for FY 14 at 57.4% versus 52.1% as in FY 13.**

*Gross Profit Margins for Q4 FY14 at 57.2% versus 50.4% as in Q4 FY 13.*

**Research & Development (R&D) expenses for FY 14 at Rs.12.4 billion, year-on-year increase of 62%. Expenses at 9.4% to revenues versus 6.6% to revenues as in FY13.**

*Research & Development (R&D) expenses for Q4 FY14 of Rs.4.0 billion.*

**Selling, general & administrative (SG&A) expenses for FY 14 at Rs.38.8 billion, year-on-year increase of 13%. Expenses at 29.3% to revenues versus 29.5% to revenues as in FY13.**

*Selling, general & administrative (SG&A) expenses for Q4 FY14 at Rs.10.3 billion.*

**EBITDA for FY 14 of Rs.33.2 billion, 25% of revenues; year-on-year growth of 19%.**

*EBITDA for Q4 FY14 of Rs.7.9 billion, 23% of revenues. Q4 FY 13 included one time settlement income of Rs.1.2 billion received from Nordian Inc (formerly MDS Inc).*

**Profit after tax for FY14 at Rs.21.5 billion, 16% of revenues; year-on-year growth of 28%**

*Profit after tax for Q4 FY14 at Rs.4.8 billion, 14% of revenues.*

**The company launched 54 new generic products, filed 51 new product registrations and 61 DMFs globally in FY 14.**

*The company launched 13 new generic products, filed 22 new product registrations and 29 DMFs globally in Q4 FY14.*

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All amounts in millions, except  
EPS

All US dollar amounts based on convenience translation rate of 1 USD =  
Rs.60.00

**Dr. Reddy s Laboratories Limited and Subsidiaries****Consolidated Income Statement**

| Particulars  | FY14         |                |             | FY13         |                |             | Growth    |
|--|--------------|----------------|-------------|--------------|----------------|-------------|-----------|
|  | (\$)         | (Rs.)          | %           | (\$)         | (Rs.)          | %           | %         |
| <b>Revenues</b>  | <b>2,203</b> | <b>132,170</b> | <b>100</b>  | <b>1,938</b> | <b>116,266</b> | <b>100</b>  | <b>14</b> |
| Cost of revenues   | 939          | 56,369         | 42.6        | 928          | 55,687         | 47.9        | 1         |
| <b>Gross profit</b>  | <b>1,263</b> | <b>75,802</b>  | <b>57.4</b> | <b>1,010</b> | <b>60,579</b>  | <b>52.1</b> | <b>25</b> |
| <b>Operating Expenses</b>  |              |                |             |              |                |             |           |
| Selling, general & administrative expenses                       | 646          | 38,783         | 29.3        | 571          | 34,271         | 29.5        | 13        |
| Research and development expenses                                | 207          | 12,402         | 9.4         | 128          | 7,673          | 6.6         | 62        |
| Other operating expense / (income)                               | (24)         | (1,416)        | (1)         | (41)         | (2,479)        | (2)         | (43)      |
| <b>Results from operating activities</b>                         | <b>434</b>   | <b>26,032</b>  | <b>19.7</b> | <b>352</b>   | <b>21,112</b>  | <b>18.2</b> | <b>23</b> |
| Net finance income   | 7            | 400            | 0           | 8            | 460            | 0           | (13)      |
| Share of profit of equity accounted investees, net of income tax | 3            | 174            | 0           | 2            | 104            | 0           | 67        |
| <b>Profit before income tax</b>                                  | <b>443</b>   | <b>26,606</b>  | <b>20.1</b> | <b>361</b>   | <b>21,676</b>  | <b>18.6</b> | <b>23</b> |
| Income tax expense   | 85           | 5,094          | 3.9         | 82           | 4,900          | 4.2         | 4         |
| <b>Profit for the year</b>                                       | <b>359</b>   | <b>21,512</b>  | <b>16.3</b> | <b>280</b>   | <b>16,776</b>  | <b>14.4</b> | <b>28</b> |
| <b>Diluted EPS</b>   | <b>2.10</b>  | <b>126.04</b>  |             | <b>1.64</b>  | <b>98.4</b>    |             | <b>28</b> |

**EBITDA Computation**

| Particulars                     | FY14       |               | FY13       |               |
|---------------------------------|------------|---------------|------------|---------------|
|                                 | (\$)       | (Rs.)         | (\$)       | (Rs.)         |
| <b>Profit before income tax</b> | <b>443</b> | <b>26,606</b> | <b>361</b> | <b>21,676</b> |
| Interest income                 | (0)        | (24)          | (2)        | (94)          |
| Depreciation                    | 80         | 4,804         | 64         | 3,859         |
| Amortization & Impairment       | 30         | 1,794         | 40         | 2,378         |
| <b>EBITDA</b>                   | <b>553</b> | <b>33,180</b> | <b>464</b> | <b>27,819</b> |

**Note:**

*Selling, general & administrative expenses, as above, includes an impairment reversal of Rs.497 million [FY 14] and impairment charge of Rs.688 million [FY 13]*

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All amounts in millions, except  
EPS

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**Appendix 1: Key Balance Sheet Items**

| Particulars                                    | As on 31st March 14 |        | As on 31st March 13 |        |
|--|---------------------|--------|---------------------|--------|
|  | (\$)                | (Rs.)  | (\$)                | (Rs.)  |
| Cash and cash equivalents and Other Investment | 559                 | 33,534 | 368                 | 22,099 |
| Trade receivables                              | 551                 | 33,037 | 533                 | 31,972 |
| Inventories                                    | 400                 | 23,992 | 360                 | 21,600 |
| Property, plant and equipment                  | 740                 | 44,424 | 630                 | 37,814 |
| Goodwill and Other Intangible assets           | 245                 | 14,697 | 234                 | 14,021 |
| Loans and borrowings (current & non-current)   | 746                 | 44,742 | 613                 | 36,760 |
| Trade payables                                 | 175                 | 10,503 | 198                 | 11,862 |
| Equity   | 1,513               | 90,801 | 1,213               | 72,785 |

**Appendix 2: Revenue Mix by Segment**

| Particulars                              | FY14         |                |            | FY13         |                |            | Growth<br>% |
|--|--------------|----------------|------------|--------------|----------------|------------|-------------|
|  | (\$)         | (Rs.)          | %          | (\$)         | (Rs.)          | %          |             |
| <b>Global Generics</b>                   | <b>1,753</b> | <b>105,164</b> | <b>80</b>  | <b>1,376</b> | <b>82,563</b>  | <b>71</b>  | <b>27</b>   |
| North America                            |              | 55,303         | 53         |              | 37,846         | 46         | 46          |
| Europe                                   |              | 6,970          | 7          |              | 7,716          | 9          | (10)        |
| India                                    |              | 15,713         | 15         |              | 14,560         | 18         | 8           |
| Russia & Other CIS                       |              | 19,819         | 19         |              | 16,908         | 20         | 17          |
| Rest of World                            |              | 7,359          | 7          |              | 5,533          | 7          | 33          |
| <b>PSAI</b>                              | <b>400</b>   | <b>23,974</b>  | <b>18</b>  | <b>512</b>   | <b>30,702</b>  | <b>26</b>  | <b>(22)</b> |
| North America                            |              | 4,354          | 18         |              | 5,744          | 19         | (24)        |
| Europe                                   |              | 8,770          | 37         |              | 12,007         | 39         | (27)        |
| India                                    |              | 3,787          | 16         |              | 4,638          | 15         | (18)        |
| Rest of World                            |              | 7,063          | 29         |              | 8,313          | 27         | (15)        |
| <b>Proprietary Products &amp; Others</b> | <b>51</b>    | <b>3,032</b>   | <b>2</b>   | <b>50</b>    | <b>3,001</b>   | <b>3</b>   | <b>1</b>    |
| <b>Total</b>                             | <b>2,203</b> | <b>132,170</b> | <b>100</b> | <b>1,938</b> | <b>116,266</b> | <b>100</b> | <b>14</b>   |



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**SEGMENTAL ANALYSIS**

**Global Generics**

Revenues from Global Generics segment for FY14 are at Rs.105.2 billion, year-on-year growth of 27%, primarily driven by North America and Emerging Markets.

Revenues from **North America** for FY14 at Rs.55.3 billion, year-on-year growth of 46%.

Growth was largely driven by key launches in limited competition space. 9 new products were launched during the year, major being azacitidine, decitabine, zoledronic acid, donepezil 23mg and divalproex ER.

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

13 product filings in the US during the year. Cumulatively, 62 ANDAs are pending for approval with the USFDA of which 39 are Para IVs out of which 9 to have First To File status.

Revenues from **Emerging Markets** for FY14 at Rs.27.2 billion, year-on-year growth of 21%.

Revenues from **Russia** at Rs.16.3 billion, year-on-year growth of 16%, largely driven by higher volumes of the top brands and the OTC portfolio.

Revenues from **CIS** markets at Rs.3.5 billion, year-on-year growth of 22%. Continuing momentum in existing products coupled with select launches from in-licensed portfolio.

Revenues from **Rest of World (RoW)** territories at Rs.7.4 billion recorded year-on-year growth of 33%. Of this Venezuela has shown strong growth despite currency devaluation in FY14.

Revenues from **India** for FY14 at Rs.15.7 billion, year-on-year growth of 8%.

Growth driven by brands in chronic therapy, volume increase across NLEM covered portfolio and new product launches.

IMS Mar 14, Dr Reddy's MAT Gr% 12.27% versus IPM MAT Gr% of 9.9%. (Source: IMS).

Biosimilars portfolio stable at Rs.1.13 billion in FY14

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

Revenues from PSAI for FY14 at Rs.24 billion, year-on-year decline of 22%.

Challenging year on the external market front due to lower demand from key customers coupled with lesser number of launches as compared to the previous year.

During the year, 61 DMFs were filed globally, including 12 in the US and 13 in Europe. The cumulative number of DMF filings as of March 31, 2014 is 631.

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**INCOME STATEMENT HIGHLIGHTS:**

Gross profit margin at 57.4% in FY14 registered strong 530 basis points improvement over the last year. Gross profit margin for Global Generics (GG) and PSAI business segments are at 65.8% and 20.2% respectively for FY14.

GG gross margin improvement primarily on account improved mix of high margin new product launches in North America.

Selling, General and Administration (SG&A) expenses at Rs.38.8 billion, year-on-year increase of 13%. The increase is primarily on account of annual increments, additional manpower deployment in select areas, sales & marketing spend for events specific to the year and the effect of rupee depreciation against multiple currencies.

Research & development expenses at Rs.12.4 billion, year-on-year growth of 62%. 9.4% of revenues in FY14 as compared to 6.6% of revenues in FY13. The increase is in line with our planned scale-up in development activities.

Net Finance income at Rs.400 million compared to Rs.460 million in FY13. The change is on account of :

Net incremental forex benefit of Rs.7 million

Incremental net interest expense of Rs.71 million

EBITDA for FY14 at Rs.33.2 billion, year-on-year growth of 19%; 25% of revenues.

Profit after Tax in FY14 at Rs.21.5 billion, year-on-year growth of 28%; 16% of revenues.

Diluted earnings per share in FY 14 at Rs.126.04

Capital expenditure for FY14 is Rs.10.2 billion.

The Board has recommended payment of a dividend of Rs. 18 per equity share of face value Rs. 5/- each (360% of face value) for the year ended March 31, 2014, subject to approval of members.

**Table of Contents***All amounts in millions, except EPS**All US dollar amounts based on convenience translation rate as on 31<sup>st</sup> March, 2014 USD = Rs.60.00***Appendix 3: Q4 FY4 Consolidated Income Statement**

| Particulars                                   | Q4 FY14     |               |              | Q4 FY13     |               |              | Growth %    |
|---|-------------|---------------|--------------|-------------|---------------|--------------|-------------|
|   | (\$)        | (Rs.)         | %            | (\$)        | (Rs.)         | %            |             |
| <b>Revenues</b>                               | <b>580</b>  | <b>34,809</b> | <b>100.0</b> | <b>557</b>  | <b>33,400</b> | <b>100.0</b> | <b>4</b>    |
| Cost of revenues                              | 248         | 14,887        | 42.8         | 276         | 16,554        | 49.6         | (10)        |
| <b>Gross profit</b>                           | <b>332</b>  | <b>19,922</b> | <b>57.2</b>  | <b>281</b>  | <b>16,846</b> | <b>50.4</b>  | <b>18</b>   |
| <b>Operating Expenses</b>                     |             |               |              |             |               |              |             |
| Selling, general & administrative expenses    | 172         | 10,307        | 29.6         | 145         | 8,722         | 26.1         | 18          |
| Research and development expenses             | 66          | 3,985         | 11.4         | 39          | 2,326         | 7.0          | 71          |
| Other operating expense / (income)            | (4)         | (226)         | (0.7)        | (27)        | (1,631)       | (4.9)        | (86)        |
| <b>Results from operating activities</b>      | <b>98</b>   | <b>5,857</b>  | <b>16.8</b>  | <b>124</b>  | <b>7,427</b>  | <b>22.2</b>  | <b>(21)</b> |
| Net finance income                            | 3           | 163           | 0.5          | 7           | 397           | 1.2          | (59)        |
| Share of profit of equity accounted investees | 1           | 48            | 0.1          | 0           | 26            | 0.1          | 91          |
| <b>Profit before income tax</b>               | <b>101</b>  | <b>6,068</b>  | <b>17.4</b>  | <b>131</b>  | <b>7,850</b>  | <b>23.5</b>  | <b>(23)</b> |
| Income tax expense                            | 21          | 1,252         | 3.6          | 36          | 2,141         | 6.4          | (42)        |
| <b>Profit for the period</b>                  | <b>80</b>   | <b>4,816</b>  | <b>13.8</b>  | <b>95</b>   | <b>5,709</b>  | <b>17.1</b>  | <b>(16)</b> |
| <b>Diluted EPS</b>                            | <b>0.47</b> | <b>28.22</b>  |              | <b>0.56</b> | <b>33.51</b>  |              | <b>(16)</b> |

**Appendix 4: EBITDA Computation**

| Particulars                     | Q4 FY14    |              | Q4 FY13    |              |
|---------------------------------|------------|--------------|------------|--------------|
|                                 | (\$)       | (Rs.)        | (\$)       | (Rs.)        |
| <b>Profit before income tax</b> | <b>101</b> | <b>6,068</b> | <b>131</b> | <b>7,851</b> |
| Interest income                 | (1)        | (82)         | (1)        | (52)         |
| Depreciation                    | 22         | 1,308        | 17         | 1,049        |
| Amortization                    | 11         | 648          | 7          | 446          |
| <b>EBITDA</b>                   | <b>132</b> | <b>7,942</b> | <b>155</b> | <b>9,292</b> |

**Appendix 5: Revenue Mix by Segment**

|  | Q4 FY14    |               |            | Q4 FY13    |               |            | Growth      |
|--|------------|---------------|------------|------------|---------------|------------|-------------|
|  | (\$)       | (Rs.)         | %          | (\$)       | (Rs.)         | %          | %           |
| <b>Global Generics</b>                   | <b>455</b> | <b>27,318</b> | <b>78</b>  | <b>376</b> | <b>22,566</b> | <b>68</b>  | <b>21</b>   |
| North America                            |            | 14,964        | 55         |            | 11,413        | 51         | 31          |
| Europe                                   |            | 1,774         | 6          |            | 1,831         | 8          | (3)         |
| India                                    |            | 4,101         | 15         |            | 3,481         | 15         | 18          |
| Russia & Other CIS                       |            | 4,519         | 17         |            | 4,519         | 20         | (0)         |
| Rest of World                            |            | 1,960         | 7          |            | 1,322         | 6          | 48          |
| <b>PSAI</b>                              | <b>111</b> | <b>6,641</b>  | <b>19</b>  | <b>170</b> | <b>10,173</b> | <b>30</b>  | <b>(35)</b> |
| North America                            |            | 1,538         | 23         |            | 2,061         | 20         | (25)        |
| Europe                                   |            | 2,370         | 36         |            | 4,396         | 43         | (46)        |
| India                                    |            | 979           | 15         |            | 1,612         | 16         | (39)        |
| Rest of World                            |            | 1,754         | 26         |            | 2,105         | 21         | (17)        |
| <b>Proprietary Products &amp; Others</b> | <b>14</b>  | <b>851</b>    | <b>2</b>   | <b>11</b>  | <b>661</b>    | <b>2</b>   | <b>29</b>   |
| <b>Total</b>                             | <b>580</b> | <b>34,809</b> | <b>100</b> | <b>557</b> | <b>33,400</b> | <b>100</b> | <b>4</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 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: May 13, 2014