DR REDDYS LABORATORIES LTD
Form 6-K
October 26, 2011

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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
Month of October 2011
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 **þ** Form 40-F **o**

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): o

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): o

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 **o** No **þ**

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 Q2 FY12 Financial Results
Q2 FY12 Revenues at 22.7 billion ($462 million), *YoY growth of 21%*
Q2 FY12 Adjusted* EBITDA at 5.1 billion ($104 million), *YoY growth of 20%*
Q2 FY12 Adjusted PAT at 3.1 billion ($63 million), *YoY growth of 8%***

Hyderabad, India, October 25, 2011: Dr. Reddy s Laboratories Ltd. (NYSE: RDY) today announced its unaudited consolidated financial results for the quarter ended September 30, 2011 under International Financial Reporting Standards (IFRS).

Key Highlights

Consolidated revenues are at 22.7 billion ($462 million) in Q2 FY12 versus 18.7 billion ($381 million) in Q2 FY11, year-on-year growth of 21%. Consolidated revenues for H1 FY12 is at 42.5 billion ($866 million).

Revenues from Global Generics for Q2 FY12 are at 16.1 billion ($329 million). Year-on-year growth of 18% mainly driven by North America and Russia.

Revenues from PSAI are at 5.9 billion ($121 million) in Q2 FY12, growth of 28% over previous year.

Adjusted* EBITDA of 5.1 billion ($104 million) in Q2 FY12, is at 23% of revenues recording year-on-year growth of 20%. Consolidated adjusted EBITDA for H1 FY12 is at 9.4 billion ($193 million).

Adjusted**Profit after Tax for Q2 FY12 is at 3.1 billion ($63 million), is at 14% of revenues with year-on-year growth of 8%. Consolidated adjusted PAT for H1 FY12 is at 5.6 billion ($115 million).

During the quarter, the company launched 28 new generic products, filed 17 new product registrations and filed 11 DMFs globally.

Dr. Reddy s today announced the final approval of its olanzapine 20 mg tablets, the generic version of Eli Lilly s Zyprexa® from the USFDA.

* ***Note: Adjustments include: benefit from a part reversal of provision booked in Q1 for Voluntary Retirement Scheme (VRS) floated by the company.***

** ***Note: Adjustments include: a) interest on bonus debentures and b) benefit from a part reversal of provision booked in Q1 on account of Voluntary Retirement Scheme (VRS) floated by the company.***

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All figures in millions, except EPS *All US dollar figures based on convenience translation rate of 1USD = 49.05*

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

	Q2 FY12			Q2 FY11			Growth
Particulars	**($)**	**()**	**%**	**($)**	**()**	**%**	**%**
Revenue	**462**	**22,679**	**100**	**381**	**18,704**	**100**	**21**
Cost of revenues	214	10,473	46	178	8,718	47	20
Gross profit	**249**	**12,206**	**54**	**204**	**9,986**	**53**	**22**
Operating Expenses							
Selling, general & administrative expenses	147	7,216	32	116	5,709	31	26
Research and development expenses	30	1,459	6	26	1,270	7	15
Other operating (income) / expense	(4)	(215)	(1)	(4)	(218)	(1)	(2)
Results from operating activities	**76**	**3,745**	**17**	**66**	**3,225**	**17**	**16**
Net finance (income) / expense	1	50	0	1	35	0	42
Share of (profit) / loss of equity accounted investees	(0)	(13)	(0)	(0)	(3)	(0)	
Profit / (loss) before income tax	**76**	**3,709**	**16**	**65**	**3,194**	**17**	**16**
Income tax (benefit) / expense	13	631	3	7	327	2	93
Profit / (loss) for the period	**63**	**3,078**	**14**	**58**	**2,867**	**15**	**7**
Diluted EPS	**0.4**	**18.1**		**0.3**	**16.9**		

Profit Reconciliation:

	Q2 FY12		Q2 FY11	
Adjusted EBITDA Reconciliation	**($)**	**()**	**($)**	**()**
PBT	76	3,709	65	3,194
Interest	5	225	0	6
Depreciation	18	879	15	731
Amortization	8	389	6	317
Reported EBITDA	**106**	**5,203**	**87**	**4,248**
Adjustments:				
Part reversal of provision booked in Q1 for Voluntary Retirement Scheme	(2)	(94)		
Adjusted EBITDA	**104**	**5,109**	**87**	**4,248**

	Q2 FY12		Q2 FY11	
Adjusted PAT Reconciliation	**($)**	**()**	**($)**	**()**
Reported PAT	63	3,078	58	2,867
Adjustments:				

Interest on Bonus Debentures	2	118		
Part reversal of provision booked in Q1 for Voluntary Retirement Scheme	(2)	(94)		
Tax normalizing adjustment	(0)	(4)		
Adjusted PAT	**63**	**3,099**	**58**	**2,867**

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Segmental Analysis

Global Generics

Revenues from Global Generics segment are at 16.1 billion ($329 million) in Q2 FY12 registering growth of 18% over previous year.

- Revenues from North America at 6.3 billion in Q2 FY12 versus 4.4 billion in Q2 FY11. Growth in USD terms of 45% was led by new product launches in the last twelve months and market share improvement in key products.
  - 5 new products launched during the quarter, including limited competition products such as fondaparinux and fexofenadine pseudoephedrine D24 OTC.
  - 24 products of our prescription portfolio feature among the Top 3 rank in market share *(Source: IMS Sales Volumes July 2011).*
  - During the quarter, 4 ANDAs were filed. The cumulative ANDA filings as of 30th September, 2011 are 177. A total of 76 ANDAs are pending for approval with the USFDA of which 40 are Para IVs and 11 are FTFs.
- Revenues in Russia & Other CIS markets at 3.4 billion in Q2 FY12 versus 2.8 billion in Q2 FY11, year-on-year growth of 23%.
  - Revenues in Russia at 2.9 billion in Q2 FY12 versus 2.3 billion in Q2 FY11, year-on-year growth in USD terms of 30%, largely driven by volume growth in key brands.
    - OTC portfolio growth of 33% over previous year; OTC sales at 25% of overall Russia sales.
    - Dr. Reddy s year-on-year secondary prescription sales growth at 20% versus industry s growth of 10%. *(Source: Pharmexpert August 2011*). Dr. Reddy s is ranked 12th in market share.
  - Revenues in Other CIS markets remained flat at 477 million in Q2 FY12.
- Revenues in India increased by 9% to 3.5 billion in Q2 FY12 versus 3.2 billion in Q2 FY11.
  - 3 new products launched during the quarter.
  - Biosimilar portfolio growth of 22% over previous year ; represents 6% to sales.
- Revenues from Europe at 2.1 billion in Q2 FY12, declined by 10% over previous year.
  - Revenues from Germany declined by 27% to 1.2 billion in Q2 FY12 due to continuing impact of tenders.
  - Revenues from Rest of Europe grew by 26% to 933 million in Q2 FY12 driven by new launches in UK and growth in out-licensing business.

Pharmaceutical Services and Active Ingredients (PSAI)

Revenues from PSAI are at 5.9 billion in Q2 FY 12 versus 4.6 billion in Q2 FY11, year-on-year increase of 28%.

- Growth in Active Ingredients business led by new product launches in Europe.
- Pharmaceutical Services business grew on account of improved customer order book status.
- During the quarter, 11 DMFs were filed globally, with 2 in US, 2 in Europe, 1 in Canada and 6 in rest of the markets. The cumulative DMF filings as of 30th September 2011 are 506.

Income Statement Highlights:

- Gross profit at 12.2 billion ($249 million) in Q2 FY12, margin of 54% to revenues, marginal increase over previous year.
- Selling, General & Administration (SG&A) expenses including amortization at 7.2 billion ($147 million) increased by 26% over Q2 FY11. This increase is on account of a) higher freight costs both on account of increase in sales volumes as well as rate increases, b) inflation and year-on-year increments linked increase in manpower costs across businesses, c) incremental costs at Bristol and Shreveport manufacturing facilities in the US and d) the increase in the OTC-related selling and marketing costs in Russia and other CIS markets as compared to previous year.

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R&D expenses at 1.5 billion ($30 million) in Q2 FY12, increase of 15% over Q2 FY11.

Net Finance costs are at 50 million ($1 million) in Q2 FY 12 versus 35 million ($0.7 million) in Q2 FY11

The change is on account of :

Net forex gain of 151 million ($3 million) versus net forex loss of 49 million ($1 million) in Q2 FY11.

Net interest expense of 225 million ($5 million) in Q2 FY12 versus 5 million ($0.1 million) in Q2 FY11.

Profit on sale of investments of 25 million ($0.5 million) in Q2 FY12 versus 19 million ($0.4 million) in Q2 FY11.

Adjusted EBITDA of 5.1 billion ($104 million) in Q2 FY12, is at 23% of revenues with year-on-year growth of 20%.

Adjusted Profit after Tax for Q2 FY12 is at 3.1 billion ($63 million), is at 14% of revenues with year-on-year growth of 8%.

Adjusted EPS for Q2 FY 12 is at 18.2 ($0.4) versus 16.9 ($0.3) in Q2 FY11.

Capital expenditure for H1 FY12 is at 3.6 billion ($73 million).

Appendix 1: Key Balance Sheet Items *(in millions)*

	As on 30th Sep 11		**As on 30th Jun 11**	
Particulars	**($)**	**()**	**($)**	**()**
Cash and cash equivalents	155	7,596	111	5,468
Trade receivables	419	20,568	349	17,136
Inventories	379	18,592	355	17,401
Property, plant and equipment	641	31,450	622	30,524
Goodwill and Other Intangible assets	308	15,115	304	14,921
Loans and borrowings (current & non-current)	638	31,303	488	23,940
Trade payables	182	8,940	172	8,433
Equity	980	48,081	997	48,902

Appendix 2: Q2 FY12 Revenue Mix by Segment *(in millions)*

	Q2 FY12			**Q2 FY11**			
	($)	**()**	**%**	**($)**	**()**	**%**	**Growth %**
Global Generics	**329**	**16,136**	**71**	**279**	**13,667**	**73**	**18**
North America		6,287	39		4,416	32	42
Europe		2,117	13		2,366	17	(10)
India		3,459	21		3,160	23	9
Russia & Other CIS		3,380	21		2,751	20	23
RoW		893	6		974	7	(8)
PSAI	**121**	**5,933**	**26**	**94**	**4,617**	**25**	**28**
North America		1,068	18		814	18	31
Europe		2,303	39		1,551	34	48
India		752	13		653	14	15
RoW		1,810	31		1,599	35	13
Others	**12**	**610**	**3**	**9**	**420**	**2**	**45**
Total	**462**	**22,678**	**100**	**381**	**18,704**	**100**	**21**

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Appendix 3: Q2 FY12 Revenue Mix by Geography *(in millions)*

	Q2 FY12			Q2 FY11			Growth
	($)	()	%	($)	()	%	%
North America	159	7,777	34	111	5,464	29	42
Europe	92	4,536	20	84	4,102	22	11
India	86	4,210	19	78	3,813	20	10
Russia & Other CIS	69	3,380	15	56	2,751	15	23
Others	57	2,775	12	52	2,573	14	8
Total	**462**	**22,678**	**100**	**381**	**18,704**	**100**	**21**

Appendix 4: H1 FY12 Consolidated Income Statement

All figures in millions, except EPS *All US dollar figures based on convenience translation rate of 1USD = 49.05*

	H1 FY12			H1 FY11			Growth
Particulars	**($)**	**()**	**%**	**($)**	**()**	**%**	**%**
Revenue	**866**	**42,462**	**100**	**724**	**35,535**	**100**	**19**
Cost of revenues	402	19,701	46	339	16,635	47	18
Gross profit	**464**	**22,761**	**54**	**385**	**18,900**	**53**	**20**
Operating Expenses							
Selling, general & administrative expenses	285	13,972	33	228	11,191	31	25
Research and development expenses	54	2,656	6	46	2,263	6	17
Other operating (income) / expense	(8)	(401)	(1)	(8)	(404)	(1)	(1)
Results from operating activities	**133**	**6,533**	**15**	**119**	**5,850**	**16**	**12**
Net finance (income) / expense	2	96	0	4	212	1	(55)
Share of (profit) / loss of equity accounted investees	(0)	(17)	(0)	(0)	(8)	(0)	113
Profit / (loss) before income tax	**132**	**6,455**	**15**	**115**	**5,647**	**16**	**14**
Income tax (benefit) / expense	15	751	2	14	684	2	10
Profit / (loss) for the period	**116**	**5,704**	**13**	**101**	**4,963**	**14**	**15**
Diluted EPS	**0.7**	**33.6**		**0.6**	**29.2**		

Appendix 5: H1 FY12 Profit Reconciliation *(in millions)*

	H1 FY12		H1 FY11	
Adjusted EBITDA Reconciliation	**($)**	**()**	**($)**	**()**
PBT	132	6,455	115	5,647
Interest	9	446	(0)	(3)
Depreciation	35	1,708	29	1,416

Amortization	16	794	12	605
Reported EBITDA	**192**	**9,404**	**156**	**7,665**
Adjustments:				
One-time charge of Voluntary Retirement Scheme	1	42		
Adjusted EBITDA	**193**	**9,445**	**156**	**7,665**

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	H1 FY12		H1 FY11	
Adjusted PAT Reconciliation	**($)**	**()**	**($)**	**()**
Reported PAT	116	5,704	101	4,963
Adjustments:				
Interest on Bonus Debentures	5	236		
One-time charge of Voluntary Retirement Scheme	1	42		
Tax normalizing adjustment	(7)	(364)		
Adjusted PAT	**115**	**5,618**	**101**	**4,963**

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 business segments 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, differentiated formulations and NCEs. Therapeutic focus is on gastro-intestinal, cardiovascular, diabetology, oncology, pain management, anti-infective and pediatrics. Focus markets include India, USA, Russia and CIS, Germany, UK, Venezuela, S. Africa, Romania, Australia and New Zealand. For more information, log on to: www.drreddys.com

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.

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

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Press Release

Dr. Reddy s Laboratories Ltd.
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www.drreddys.com

Teva and Dr. Reddy s announce launch of generic Zyprexa® in the United States

Hyderabad, India, October 25, 2011:

Teva Pharmaceutical Industries Ltd. (Nasdaq: TEVA) and Dr. Reddy s Laboratories (NYSE: RDY) announced today the commercial launch of Olanzapine Tablets, the generic version of Eli Lilly s Zyprexa®. Annual sales of Zyprexa® were approximately $3.2 billion in the United States as of September 2011, based on IMS sales data.

Teva s Olanzapine Tablets in 2.5 mg, 5 mg, 7.5 mg, 10 mg and 15 mg and Dr. Reddy s Olanzapine Tablets in 20 mg have each been awarded a 180-day period of marketing exclusivity in the U.S. Dr. Reddy s is supplying the 20 mg version of the product following an April 2011 commercialization, manufacture and supply agreement with Teva. In addition, as per the terms of the agreement, Dr. Reddy s will launch their 2.5 mg, 5 mg, 7.5 mg, 10 mg ,15 mg and 20 mg of Olanzapine tablets upon expiration of the 180-day exclusivity period.

ZYPREXA® is a trademark of Eli Lilly and Company

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About TEVA

Teva Pharmaceutical Industries Ltd. (NASDAQ: TEVA) is a leading global pharmaceutical company, committed to increasing access to high-quality healthcare by developing, producing and marketing affordable generic drugs as well as innovative and specialty pharmaceuticals and active pharmaceutical ingredients. Headquartered in Israel, Teva is the world s largest generic drug maker, with a global product portfolio of more than 1,300 molecules and a direct presence in about 60 countries. Teva s branded businesses focus on CNS, oncology, pain, respiratory and women s health therapeutic areas as well as biologics. Teva currently employs approximately 45,000 people around the world and reached $16.1 billion in net sales in 2010.

For more information please contact:

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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: October 26, 2011