

Dr Reddy's global generics revenue touch Rs 28.9 bn

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Key Highlights (Q2 FY15)

- o Consolidated revenues at ₹135.9 billion, year-on-year growth of 7 percent.
 - o Revenues from the Global Generics (GG) segment at ₹128.9 billion, YoY growth of 9 percent
 - o Revenues from the Pharmaceutical Services and Active Ingredients (PSAI) segment at ₹16.4 billion.
- o Gross Profit Margin at 58.5 percent versus 58.0 percent as in Q2 FY 14.
- o Research and Development (R&D) expenses at ₹14.1 billion, 11.5 percent to revenues versus 9.0% to revenues as in Q2 FY14.
- o Selling, general and administrative (SG&A) expenses at ₹10.7 billion, 29.7 percent to revenues.
- o EBITDA of ₹18.7 billion, 24 percent of revenues.

- o Profit after tax at \$15.7 billion, 16 percent of revenues.

- o During the quarter the company launched 9 new generic products, filed 10 new product registrations and 28 DMFs globally.

On 18 October 2014, the company entered into an asset purchase agreement with Novartis Consumer Health Inc. to acquire the title and rights to Habitrol franchise (an over-the-counter nicotine replacement therapy transdermal patch) and to market the product in the US territory. The agreement is subject to FTC review and the transfer of asset will happen post FTC clearance.

Segmental Analysis

Global Generics

Revenues are at \$128.9 billion, year-on-year growth of 9 percent, primarily driven by India, Rest of the World market territories (primarily Venezuela) and North America.

- o Revenues from North America at \$114.3 billion, year-on-year growth of 8 percent.

- Sustained performance of FY14 'limited competition' launches namely decitabine, azacitidine, and divalproex sodium ER.
- Progress on market share expansion of key molecules namely divalproex sodium ER, metoprolol succinate and ziprasidone.

- 1 new product launched during the quarter.

- 2 ANDA filings during the quarter. Cumulatively, 72 ANDAs are pending for approval with the USFDA of which 45 are Para IVs, and we believe 11 to have 'First To File' status.

- o Revenues from Emerging Markets at \$18.3 billion, year-on-year growth of 14 percent.

- Revenues from Russia at \$14.1 billion, year-on-year decline of 11 percent primarily on account of the Rouble devaluation. In constant currency the growth is flat.

- Emerging Markets Ex-Russia at \$14.2 billion recorded year-on-year growth of 57 percent primarily driven by strong performance in Venezuela Market.

- o Revenues from India for at \$14.8 billion, year-on-year growth of 14 percent.

- Growth is driven by healthy volume expansion in our focus brands, some of which are also listed under the NLEM portfolio.

Pharmaceutical Services and Active Ingredients (PSAI)

- Revenues from PSAI at \$16.4 billion.

- During the quarter 28 DMFs were filed globally, filed 3 in the US, 19 in the ROW and 6 in Europe. The cumulative number of DMF filings as of September 30, 2014 is 703.

Income Statement Highlights:

- o Gross profit margin at 58.5 percent registered a 50 basis points improvement over Q2 FY14. Gross profit margin for GG and PSAI business segments are at 65.6 percent and 26.8 percent respectively.

- o SG&A expenses at \$110.7 billion, year-on-year increase of 10 percent. The increase is largely due to annual increments, additional manpower deployment in the past 12 months and other sales and marketing spend for events specific to this quarter.

- o R&D expenses at \$14.1 billion, year-on-year growth of 37 percent. 11.5 percent of revenues in Q2 FY15 as compared to 9.0 percent of revenues in Q2 FY14. The increase is in line with our planned scale-up in development activities.

- o Net Finance income at \$1421 million compared to \$1291 million in Q2 FY14. The increase is on account of:

- Net reduction in forex benefit of \$1118 million

- Net Incremental interest benefit of \$1247 million

- o EBITDA at \$18.7 billion, year-on-year decline of 8 percent; 24 percent of revenues.

o Profit after Tax at ₹15.7 billion, year-on-year decline of 17 percent; 16 percent of revenues.

o Diluted earnings per share in Q2 FY 15 at ₹33.60

o Capital expenditure for Q2 FY15 is ₹12.3 billion.