

DR REDDYS LABORATORIES LTD

Form 6-K

September 19, 2007

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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
UNDER THE SECURITIES EXCHANGE ACT OF 1934
For the Three Months Ended December 31, 2006
Commission File Number 1-15182
DR. REDDY S LABORATORIES LIMITED
(Translation of registrant's name into English)
7-1-27, Ameerpet
Hyderabad, Andhra Pradesh 500 016, India
+91-40-23731946

(Address of principal executive office)

Indicate by check mark whether the 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):
82-_____.

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**QUARTERLY REPORT
Three Months Ended December 31, 2006**

Currency of Presentation and Certain Defined Terms

In this Quarterly Report, references to \$ or dollars or U.S.\$ or U.S. dollars are to the legal currency of the United States and references to Rs. or rupees or Indian rupees are to the legal currency of India. Our financial statements are presented in Indian rupees and are prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). Convenience translation into U.S. dollars with respect to the unaudited interim consolidated financial statements is also presented. References to a particular fiscal year are to our fiscal year ended March 31 of such year. References to ADS are to our American Depositary Shares, to the FASB are to the Financial Accounting Standards Board, to SFAS are to the Statements of Financial Accounting Standards, to SAB are to Staff Accounting Bulletin and to the EITF are to the Emerging Issues Task Force.

References to U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. All references to we, us, our, DRL, Dr. Reddy s or the Co mean Dr. Reddy s Laboratories Limited and its subsidiaries. Dr. Reddy s is a registered trademark of Dr. Reddy s Laboratories Limited in India. Other trademarks or trade names used in this Quarterly Report are trademarks registered in the name of Dr. Reddy s Laboratories Limited or are pending before the respective trademark registries.

Except as otherwise stated in this report, all translations from Indian rupees to U.S. dollars are based on the noon buying rate in the City of New York on December 31, 2006 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York, which was Rs.44.11 per U.S.\$1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Information contained in our website, www.drreddys.com, is not part of this quarterly report and no portion of such information is incorporated herein.

Forward-Looking and Cautionary Statement

IN ADDITION TO HISTORICAL INFORMATION, THIS QUARTERLY REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTION ENTITLED OPERATING AND FINANCIAL REVIEW AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT OUR ANALYSIS ONLY AS OF THE DATE HEREOF. IN ADDITION, READERS SHOULD CAREFULLY REVIEW THE INFORMATION IN OUR PERIODIC REPORTS AND OTHER DOCUMENTS FILED AND/OR FURNISHED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC) FROM TIME TO TIME.

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DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	As of March 31, 2006		As of December 31, 2006		
			Convenience translation into U.S.\$		
ASSETS					
Current assets:					
Cash and cash equivalents	Rs.	3,712,637	Rs. 16,598,897	U.S.\$	376,307
Investment securities		14,703			343
Restricted cash		1,606,245			13,766
Accounts receivable, net of allowances		4,801,794			136,659
Inventories		6,894,712			193,725
Deferred income taxes and deferred charges		173,750			29,637
Due from related parties		246,360			14,282
Other current assets		2,639,818			73,131
Total current assets		20,090,019			837,850
Property, plant and equipment, net		9,086,331			257,231
Due from related parties		6,182			113
Investment securities		1,090,202			25,556
Goodwill		16,634,509			353,429
Intangibles assets, net		17,034,555			481,407
Restricted cash		4,468,840			
Other assets		357,431			13,695
Total assets	Rs.	68,768,069	Rs. 86,864,973	U.S.\$	1,969,281
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Borrowings from banks	Rs.	9,132,462	Rs. 7,854,065	U.S.\$	178,056
Current portion of long-term debt		925,761			105,986
Trade accounts payable		3,639,217			128,063
Due to related parties		151,678			1,310
Accrued expenses		3,083,120			76,906
Other current liabilities		1,812,623			53,263
Total current liabilities		18,744,861			543,584
Long-term debt, excluding current portion		20,937,132			347,520
Deferred income taxes		6,346,174			196,572
Other liabilities		468,169			9,868

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Total liabilities	Rs. 46,496,336	Rs. 48,412,676	U.S.\$ 1,097,544
Stockholders equity:			
Equity shares at Rs.5 par value: 200,000,000 shares authorized; Issued and outstanding: 153,389,140 shares and 167,829,562 shares as of March 31, 2006 and December 31, 2006 respectively			
	Rs. 383,473	Rs. 839,148	U.S.\$ 19,024
Additional paid-in capital	10,261,783	19,879,382	450,677
Equity options outstanding	463,128	540,611	12,256
Retained earnings	11,201,794	16,838,999	381,750
Equity shares held by a controlled trust: 82,800 shares	(4,882)	(4,882)	(111)
Accumulated other comprehensive income	(33,563)	359,039	8,140
Total stockholders equity	22,271,733	38,452,297	871,736
Total liabilities and stockholders equity	Rs. 68,768,069	Rs. 86,864,973	U.S.\$ 1,969,281

See accompanying notes to the unaudited condensed consolidated financial statements.

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DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Three months ended December 31,		Nine months ended December 31,		
	2005	2006	2005	2006	2006 Convenience translation into U.S.\$
Revenues:					
Product sales, net of allowances for sales returns (includes excise duties of Rs.285,632, Rs.613,711, Rs.876,265 and Rs.1,907,633 for the three months ended December 31, 2005 and 2006 and nine months ended December 31, 2005 and 2006 respectively)	Rs. 5,898,101	Rs. 15,272,262	Rs. 17,245,738	Rs. 49,040,235	U.S.\$ 1,111,771
License fees	4,050	205	47,339	23,425	531
Service income	24,199	161,798	42,308	458,556	10,396
	5,926,350	15,434,265	17,335,385	49,522,216	1,122,698
Cost of revenues	2,910,472	8,690,472	8,380,783	28,401,201	643,872
Gross profit	3,015,878	6,743,793	8,954,602	21,121,015	478,826
Operating expenses, net:					
Selling, general and administrative expenses	2,022,668	3,604,109	5,736,769	10,617,714	240,710
Research and development expenses, net	516,482	676,207	1,474,682	1,610,629	36,514
Amortization expenses	85,944	330,085	257,966	1,120,280	25,397
Foreign exchange loss	29,008	48,995	107,728	68,718	1,558
Other operating (income)/expenses, net	(385,687)	(20,547)	(324,827)	(91,857)	(2,082)
Total operating expenses, net	2,268,415	4,638,849	7,252,318	13,325,484	302,097
Operating income	747,463	2,104,944	1,702,284	7,795,531	176,729

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Equity in loss of affiliates	(9,192)	(11,993)	(39,539)	(48,723)	(1,105)
Other (expense)/income, net	177,393	(241,293)	521,527	(759,178)	(17,211)
Income before income taxes and minority interest	915,664	1,851,658	2,184,272	6,987,630	158,414
Income taxes (expense)/benefit	(286,777)	27,314	(319,756)	(917,317)	(20,796)
Minority interest	(519)	435	756	4,389	100
Net income	Rs. 628,368	Rs. 1,879,407	Rs. 1,865,272	Rs. 6,074,702	U.S.\$ 137,717
Earnings per equity share					
Basic	4.10	11.79	12.19	39.06	0.89
Diluted	4.09	11.73	12.17	38.89	0.88
Weighted average number of equity shares used in computing earnings per equity share					
Basic	153,077,898	159,471,547	153,073,826	155,504,468	155,504,468
Diluted	153,433,626	160,267,534	153,326,634	156,188,520	156,188,520

See accompanying notes to the unaudited condensed consolidated financial statements.

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DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND
COMPREHENSIVE INCOME

(in thousands, except share data)

Equity Shares					Equity Shares held by a Controlled Trust					
No. of Shares	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income	Comprehensive Income	No. of Shares	Amount	Equity Options Outstanding	Retained Earnings		
3,037,898	Rs. 382,595	Rs. 10,089,152	Rs. 76,240		82,800	Rs. (4,882)	Rs. 400,749	Rs. 10,009,305		(436,368)
40,000	100	14,471					(14,471)			
							123,191			
										Rs. 1,865,272
			(21,805)	(21,805)						
			13	13						
										Rs. 1,843,480
3,077,898	Rs. 382,695	Rs. 10,103,623	Rs. 54,448		82,800	Rs. (4,882)	Rs. 509,469	Rs. 11,438,209		
	U.S.\$ 8,514	U.S.\$ 224,775	U.S.\$ 1,211			U.S.\$ (109)	U.S.\$ 11,334	U.S.\$ 254,465		
3,389,140	Rs. 383,473	Rs. 10,261,783	Rs. (33,563)		82,800	Rs. (4,882)	Rs. 463,128	Rs. 11,201,794		
	383,789	(383,789)								(437,497)
4,300,000	71,500	9,942,086								

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DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine months ended December 31,		
	2005	2006	2006 Convenience translation into U.S.\$
Cash flows from operating activities:			
Net income	Rs. 1,865,272	Rs. 6,074,702	U.S.\$ 137,717
Adjustments to reconcile net income to net cash from operating activities:			
Deferred tax expense/(benefit)	319,756	(803,598)	(18,218)
Gain on sale of available for sale securities, net	(14,510)	(869)	(20)
Depreciation and amortization	1,097,448	2,180,591	49,435
Profit on sale of property, plant and equipment, net	(324,831)	(65,831)	(1,492)
Equity in loss of affiliates	39,539	48,723	1,105
Unrealized exchange loss	234,282	470,686	10,671
Stock based compensation	123,191	121,923	2,764
Minority interest	(756)	(4,389)	(100)
Changes in operating assets and liabilities:			
Accounts receivable	(883,096)	(1,302,079)	(29,519)
Inventories	(887,411)	(1,650,386)	(37,415)
Other assets	(774,700)	(1,373,881)	(31,147)
Due to/from related parties, net	(120,418)	(476,337)	(10,799)
Trade accounts payable	738,705	1,929,883	43,752
Accrued expenses	149,347	265,569	6,021
Other liabilities	(27,218)	1,053,339	23,880
Net cash provided by operating activities	1,534,600	6,468,046	146,634
Cash flows from investing activities:			
Restricted cash	27,684	5,467,871	123,960
Expenditure on property, plant and equipment	(1,219,660)	(3,129,147)	(70,940)
Proceeds from sale of property, plant and equipment	700,094	83,404	1,891
Purchase of investment securities, net of proceeds from sale	51,715	(114,370)	(2,593)
Expenditure on intangible assets	(120,482)	(257,815)	(5,845)
Cash paid for acquisition , net of cash acquired	(2,564,043)		
Net cash provided by/ (used in) investing activities	(3,124,692)	2,049,943	46,473
Cash flows from financing activities:			