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FOURTH QUARTER

Dr. Reddy's profit falls 15.6% to ₹481.6 cr

Sharp increase in research costs, other expenses hurt earnings, which came in short of analysts' expectations

By VISWANATH PILLAI & C.H. UNNIKRISHNAN
 HYDERABAD/MUMBAI

Dr. Reddy's Laboratories Ltd., India's second largest drug maker by sales, posted a 15.6% drop in group net profit for the fiscal fourth quarter on Tuesday because of a sharp increase in research and development (R&D) costs and other expenses, and announced a rejig of top management roles.

Net profit dropped to ₹481.6 crore in the three months ended 31 March from ₹570.89 crore in the year-ago period, said the company. Sales rose 4.2% to ₹3,480.9 crore from ₹3,339.9 crore.

The company's board also announced a key change in management roles. Managing director and chief operating officer Satish Reddy will be taking over as chairman. Chief executive officer G.V. Prasad, his brother-in-law, will be the new co-chairman and managing director in addition to his current responsibility as chief executive officer.

"Satish is actively involved



Management revamp: (From left to right) Managing director and chief operating officer Satish Reddy will be taking over as chairman, chief executive officer G.V. Prasad will be the new co-chairman and managing director in addition to his current responsibility as chief executive officer, and the firm's president (global generics) Abhijit Mukherjee will take over as chief operating officer.

In various industry associations and leads the corporate social responsibility efforts at the company," said Prasad. "In his new role, he can contribute significantly to shaping the direction and course of action on these fronts, in addition to being a custodian of the corporate brand and driving governance processes and agenda of the Board."

"By reorganizing our roles, we should be able to give further focus to distinct activities while simultaneously providing space for internal growth

to our talented senior management team," Reddy said.

As part of the senior management rejig, Dr. Reddy's also said on Tuesday that its president (global generics) Abhijit Mukherjee will take over as chief operating officer. In this position, Mukherjee will be responsible for both the global generics and pharmaceutical services and active ingredients businesses.

The quarterly profit fell short of analysts' expectations. A Bloomberg estimate predicted net sales of ₹3,692 crore

on-year. Mahida wrote in a report on Tuesday.

R&D expenses grew 71% to ₹398.5 crore while selling, general and administrative expenses increased 18% to ₹1,030.7 crore in 2013-14.

For full year ended March, the firm reported a net profit of ₹2,151.2 crore, an increase of 28% from the previous year's ₹1,677.6 crore. Sales rose 13.7% to ₹13,217 crore.

On Tuesday, shares of Dr. Reddy's Laboratories fell 3.99% to ₹2,610.70 at the close of trading on a day the BSE's benchmark Sensex rose 1.3% to a record closing high of 23,871.23 points.

Generic, or off-patent, drug sales in North America, Dr. Reddy's key market, rose 46% to ₹553 crore in the March quarter, while sales in Russia increased 17% to ₹198.2 crore.

"The growth was largely driven by key launches in limited competition space," Dr. Reddy's said in a statement. It said it has filed 62 abbreviated new drug applications in the US, out of which nine are so-called first-to-file for which the company expects 180-day exclusive selling rights.

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