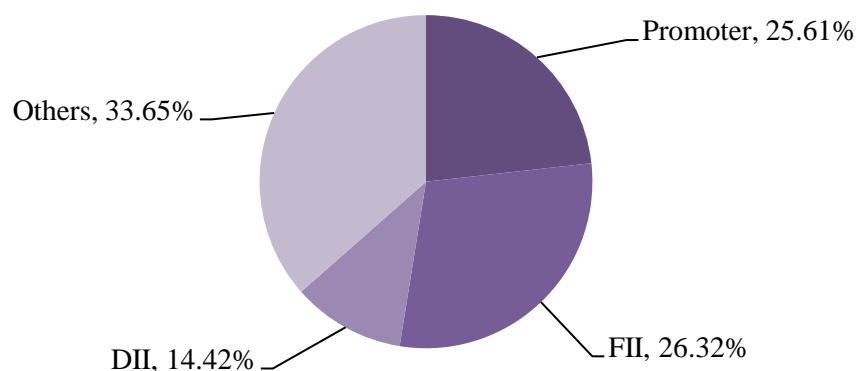




BSE Code	500124
BSE Group / Index	A / BSE100
CMP	Rs. 1609.90
Market Capitalization	Rs. 27270Cr
Face Value	Rs.5
EPS (TTM)	Rs.69.32
52 Wk High (BSE)	Rs.1,855.00 (09 Dec,2010)
52 Wk Low (BSE)	Rs.1,387.00 (22 Aug,2011)

Shareholding Pattern % as of Sep,2011



Public holding more than 1% of the Total No. of Shares (as of Sep, 2011)

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1	Life Insurance Corporation of India & Associates	12,949,414	7.64
2	ABU Dhabi Investment Authority	2,917,085	1.72
3	FID Funds (Mauritius) Ltd	2,200,175	1.30
4	PCA India Equity Open Ltd	1,794,336	1.06
	Total	19,861,010	11.72



Q2 FY12 – Result Highlights

Particulars (Rs. Cr)	Q2 FY12	Q2 FY11	YoY (%)	Q1 FY12	QoQ (%)	H1 FY12	H1 FY11	YoY (%)
Net Sales	2267.79	1870.37	21.25%	1978.32	14.63%	4246.11	3553.50	19.49%
Expenditure								
a) (Inc)/dec in stock-in-trade	-65.75	-20.70	217.63%	-52.03	26.37%	-117.78	-72.90	61.56%
b) Consumption of raw materials	766.60	591.37	29.63%	634.99	20.73%	1401.59	1147.09	22.19%
c) Other expenditure	346.49	301.09	15.08%	339.79	1.97%	686.28	589.32	16.45%
d) Selling, General & Admin expenses	721.58	570.87	26.40%	675.66	6.80%	1397.24	1119.05	24.86%
e) Research & Development expenses	145.94	126.98	14.93%	119.68	21.94%	265.62	226.27	17.39%
Total	1914.86	1569.61	22.00%	1718.09	11.45%	3632.95	3008.83	20.74%
EBIDTA	352.93	300.76	17.35%	260.23	35.62%	613.16	544.67	12.57%
Interest	4.95	3.49	41.83%	4.65	6.45%	9.60	21.23	-54.78%
Other Income	21.52	21.90	-1.74%	18.70	15.08%	40.22	40.54	-0.79%
Minority interest	1.33	0.30	343.33%	0.40	232.50%	1.73	0.77	124.68%
PBT	370.83	319.47	16.08%	274.68	35.00%	645.51	564.75	14.30%
Tax	63.03	32.65	93.05%	11.94	427.89%	74.97	68.38	9.64%
PAT	307.80	286.82	7.31%	262.74	17.15%	570.54	496.37	14.94%
Equity share capital (FV-Rs.5)	84.76	84.60		84.74		84.76	84.60	
EPS (Rs.)	18.16	16.95		15.50		33.66	29.34	
EBIDTA Margins (%)	15.56%	16.08%	-3.22%	13.15%	18.31%	14.44%	15.33%	-5.79%



Sales Composition

Particulars (Rs. Cr)	Q2 FY12	Q2 FY11	YoY (%)	Q1 FY12	QoQ (%)
Segmentwise Revenues (by Geography)					
North America	796.45	546.42	45.76%	699.10	13.93%
Europe	442.00	410.22	7.75%	374.40	18.06%
India	421.09	381.33	10.43%	359.71	17.06%
Russia & Other CIS Countries	338.00	275.10	22.86%	301.80	11.99%
Others	270.25	257.30	5.03%	243.31	11.07%
Total	2267.79	1870.37	21.25%	1978.32	14.63%
Segmentwise Revenues (by Business Segments)					
Global Generics	1613.57	1366.70	18.06%	1442.40	11.87%
North America	628.69	441.60	42.37%	575.55	9.23%
Europe	211.70	236.60	-10.52%	191.72	10.42%
India	345.90	316.00	9.46%	293.63	17.80%
Russia & Other CIS Countries	337.98	275.10	22.86%	301.80	11.99%
Others	89.30	97.40	-8.32%	79.70	12.05%
Pharmaceutical Services and Active Ingredients (PSAI)	593.30	461.70	28.50%	483.20	22.79%
North America	106.80	81.40	31.20%	84.20	26.84%
Europe	230.30	155.10	48.48%	169.30	36.03%
India	75.20	65.30	15.16%	66.20	13.60%
Others	181.00	159.90	13.20%	163.50	10.70%
Proprietary Products & Others	60.92	41.97	45.15%	52.72	15.55%
Total	2267.79	1870.37	21.25%	1978.32	14.63%



Strong Sales Growth fuelled by PSAI & North America business

DRL reported 21%YoY growth in net sales from Rs1870.37Cr to Rs2267.79Cr on account of strong growth in its PSAI business. DRL's global generic business (71% of revenues) grew by 18%YoY from Rs.1366.70Cr to Rs.1613.57Cr. Its North America business reported 45% YoY growth from Rs.796.45Cr to Rs.546.42Cr due to new product launches and market share improvement in key products. Its Russia & CIS business grew by 23% YoY from Rs.275.10Cr to Rs.338.00Cr largely driven by volume growth in key brands.

EBIDTA Margins under pressure

DRL's EBITA margins declined by 52bps from 16.08% to 15.56% YoY in Q2 FY12 due to higher selling, general & admin costs. The company's selling, general & admin costs increased by 26.40% in Q2 FY12 on account of higher freight cost, increase in manpower cost due to annual increments and increase in OTC related selling and marketing costs in Russia and CIS markets. Manpower costs account for around 50% selling, general & admin of the expenses. R & D expenses were up by 14.93% YoY from Rs.126.98Cr to Rs.145.94Cr.

Lower net profit growth

Despite a strong top line growth of 21.25%YoY, DRL's net profit grew by 7.31%YoY in Q2FY12 from Rs.286.82Cr to Rs.307.80Cr due to lower EBITA margin, higher finance cost and higher tax provision. DRL's finance cost expenses grew by 41.83% YoY from Rs.3.49Cr to Rs.4.95Cr. The company had forex gain of Rs.15.10Cr against forex loss of Rs.4.90Cr. Excluding forex gains; the net profit growth was flat at Rs.292Cr.

Lower growth in domestic market

DRL reported 10.43%YoY growth in the domestic market against the market growth of around 14% during the quarter. The domestic market accounts for 18% of its revenues. The company launched three new products during the quarter.



US market – strong product pipeline

DRL is likely to benefit from its strong product pipeline for the US market. The company reported 35% of total revenues and 45.76% YoY growth from North America during Q2 FY12. DRL launched five new products during the quarter. The company's 24 products ranked among top 3 in the US market. DRL has filed 177 ANDAs (Abbreviated new drug application) with US FDA of which 101 are approved. Out of 76 pending approvals, 40 are Para IV and 11 are FTFs (first to file). The company filed 4 ANDAs during the quarter. DRL has cumulative DMF (drug master file) filing of 506 as on 30th September, 2011. It filed 11 DMFs globally during the quarter.

Olanzapine launch offers good upside

DRL launched Olanzapine 20mg tablets in the US market. Teva Pharma launched five other strengths namely 2.5, 5, 7.5, 10 and 15mg in the US market. Both DRL and Teva have 180-days marketing exclusivity in the US market. The market size for 20mg version for which DRL has 180-days exclusivity was ~Rs.4400Cr. DRL will be supplying the 20mg version following April 2011 commercialization, manufacture and supply agreement with Teva.

Future Triggers

The management expects improved performance in H2 FY12 due to the launch of Olanzapine generics with 180-days exclusivity and improved order book in PSAI business. The US generic business is also likely to report good growth from generic launches of Lansoprazole and Fondaparinux and Pseudoephedrine and Fexofenadine OTC version. The management has maintained the sales guidance of Rs.13,200Cr for FY13.

**Disclaimer:**

Analyst Holding: Yes
Recommended to Clients: Yes
Relationship with Management: No

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