

A very good morning to you all.

On behalf of your Board of Directors, I would like to extend a warm **welcome** to all of you to the 33rd Annual General Meeting of Dr. Reddy's Laboratories.

It has been a challenging year for the company, not just the for the company but by and large for most of the pharmaceutical industry itself. Globally and in India, the industry has been going through a difficult phase due to policy uncertainty, pricing pressures in major growth markets, heavy regulatory scrutiny and increasing competition. All of which have constrained growth for the industry in India, and for your company as well.

I would now like to elaborate on some of these challenges, and, more importantly, outline the strategies and steps that your company is taking to counter them and accelerate growth.

The USFDA inspections at 3 of our units, the warning letters issued to us and the consequent impact on our performance are all issues that you are well aware of. Therefore, let me not take up your time by going over the details again. Rather, I would like apprise you of the progress that has been made in resolving this matter.

Over the last year there have been a series of audits conducted at our facilities by the USFDA. Barring a couple of plants, all the others elicited either nil or minor observations. We have conveyed our detailed responses to the USFDA for the plants with observations and now wait to hear from them.

Your company has undertaken a number of pre-emptive and remedial measures across the organisation, sparing no effort or expense – we engaged experts, invested in relevant resources, and took steps to tighten and enhance our Quality Management Systems. Prasad will elaborate upon these in his address.

We also instituted several de-risking measures, including moving manufacturing of some key products to alternate sites to mitigate the impact on business. I must place on record my appreciation to the team for the effort they have put in, to accelerate the implementation of these moves.

But these were not the only reasons for our relatively subdued performance.

Our largest market, **North America**, is currently seeing consolidation at the buying end on an unprecedented scale. At the end of Financial Year 2017, close to 85% of generic-drugs sourcing was controlled by 4 large consortia buyers. However, as of May this year, this has come down to 3, with Express Scripts announcing its intention to participate in the Walgreens Boots Alliance Development GPO (group purchasing organization).

With this level of negotiating leverage for the buyer, your company had to absorb significant price erosion in order to stay competitive and the impact is visible in our reported numbers. (Q1 numbers are also reflective of this) Additionally, the slow timelines for new product approval—especially for complex generics—continues to impact our performance, with the business witnessing delay in the key launches.

Moving on to **India**.

On the domestic front one of the major challenges that we are faced with is price control. I have spoken about it on previous occasions but the issue is still alive and so is the uncertainty over the implications of the implementation of the pricing policy.

When the National List of Essential Medicines and Pricing Policy was announced in the year 2013, the entire pharma industry welcomed it for the purpose it was intended to fulfill – *affordable medicines for the economically weaker sections of our society*. Our continued disappointment has more to do with the implementation of the policy, which we feel has not been in keeping with its spirit.

Our point is that any pricing control mandate has to take into account the overall healthcare eco-system, and that is a complex one with multiple players, service providers and interdependencies. Solely placing it at the pharma industry's door for a solution, assuming that lowering prices of medicines is the panacea to all problems in my opinion is an extremely myopic view that is being taken by the government.

So what exactly is the concern of the industry?

The imposition of price controls have already shaved off a few thousand crores of profits from the industry that was clipping a growth rate of almost

14% at one point of time, a recent trend shows growth slowing down to as low as 9% now. And that's something to worry about!

As you all know, value in this industry has been created largely based on our R&D strengths and over the years, industry has stepped up investments significantly to stay ahead of the curve.....to bring in new & innovative products into the Indian market and build strong capabilities, capabilities that ultimately enabled several companies to also capture significant value in Developed markets in the generics space.

Therefore, if the uncertainty over this kind of a price control regime persists, it will inevitably affect the industry's capability to compete aggressively and create value for the long term.

Indian Pharma Industry has and will always be willing to work closely with the government in finding solutions, because we need more of this if we have to reach out to the underserved sections of the society.

In our view, a true win-win situation arises for both patients and pharma companies if there is more of self-regulation and corporate citizenship rather than enforced controls. And for this, there can be no better example than your company.

Dr. Reddy's, from its inception, has always been committed to making high quality, affordable medicines accessible to all. This is a value that has been deeply instilled in us by our founder Dr. Anji Reddy and one that we continue to live by.

And you would recollect several examples that illustrate this. Right from the mid-eighties, when we introduced Norfloxacin to the market at 40% of the then prevailing market price, our priority has been to make medicines affordable and accessible to needy patients. Enalapril 1\$ 1 rupee.

And we continue to do so today through a range of patient focussed programs such as SPARSH for e.g, which ensures that no patient is denied access to drugs for reasons of affordability, and this is benefitting thousands of patients across India.

Now, turning towards the **Emerging Markets**. A few unforeseen economic and political issues have taken a toll on your company's performance - our Venezuela business, being the biggest one. Until 2 years ago it was a profitable market for your company. However, due to a serious economic crisis in that country, the government had imposed severe restrictions on foreign exchange outflows. You may recollect that we took a major write-down of the net monetary assets of our Venezuelan business in FY2016.

As always, your company has demonstrated the resolve to stay the course even in the most challenging environments, because *patients count on our medicines to stay in good health*. Therefore, to protect the interests of both the patients in Venezuela as well as our shareholders, we have made a decision to supply essential drugs directly to the government there, as in the case of Rituximab, our anti cancer biosimilar.

With that, let me now place before you the broad contours of our strategies and plans, both to overcome the challenges and to put your company back on an accelerated growth track.

During the last financial year, we have taken a number of strategic pre-emptive measures to minimize the impact of market unpredictability and competition, and to drive growth.

Our ANDA and NDA filings have increased significantly during the year and our new product pipeline is looking strong and healthy.

We are continuing to focus on complex generics, biosimilars and propriety products that also offer much higher and more stable margins. There are fewer players in this segment compared to plain vanilla generics which is now become a very crowded segment. We believe that this is the road to future growth for the pharma industry and we are making sure that your company is leading the way.

The cost of providing people with quality healthcare is coming under increasing pressure in many parts of the globe. Your company is cognizant of both its responsibility to accelerate access to medicines in these regions, as well as the opportunity to expand business in a manner that will drive long-term shareholder value.

The Emerging Markets represent a vast untapped potential and we have initiated a strategic gameplan targeted at accelerating growth in this area. Our aim is to enter new markets as well as deepen our presence in markets where we are already marketing our products. For e.g. In October last year, we commenced our operations in Columbia with our oncology portfolio.

By the end of the next fiscal, our Emerging Market footprint would have expanded to 30 countries from the present 15. We believe that the trust that our partners and patients have placed in our products for years together, will work to our advantage as we expand to newer markets, especially in the oncology segment.

Speaking of which, 2017 was a milestone year for Reditux, our first successful biosimilar product, as it completed 10 years of bringing affordable treatment to millions of cancer patients around the world. FY17 also saw your company launch locally manufactured Reditux for the first time in Russia, which exemplifies how well this product has been accepted by the healthcare eco-system there.

All of these measures demonstrate your company's strong intent, resilience and ability to fight off cross-currents and stay the course.

And on this positive note, I would like to recognize and thank everyone for their continuing commitment to our purpose of accelerating access to affordable and innovative medicines.

First, I must acknowledge your Board of directors for their steadfast stewardship and invaluable guidance. To Dr. Ashok Ganguly, who retires from the board this year, I have a special note of gratitude. Dr. Ganguly relinquishes his position with us after a long and impactful innings of eight years, during which he contributed immensely to the company. Dr. Ganguly is unable to be here with us in person today on account of unforeseen circumstances, so on behalf of the management, staff and shareholders of Dr. Reddy's, I place on record my deep appreciation for his invaluable contributions.

I must also acknowledge your Management Council for their commitment to the vision and purpose of Dr. Reddy's, and the exemplary manner in which they pulled together as one to tide us over troubled waters.

I express my appreciation of the efforts of every single associate in Dr. Reddy's for the hard work they put in, day after day, as well as their family members who give them the support they need to stay committed to our purpose.

Finally, I wish to acknowledge and thank you, our shareholders, for continuing to repose trust and confidence in your company and its leadership.

Before I conclude, I would like to talk a little about, what I would term as, the one activity at Dr. Reddy's that provides added meaning to our balance sheet - *The legacy of giving back to the less fortunate*, no matter what, that was left to us by our founder Dr. Anji Reddy .

As you know, we have been commemorating Dr. Anji Reddy's memory every year with the Week of Giving – a company-wide initiative in which employees participate in volunteering programs for one whole week. Starting this year, the program has evolved into the Dr. K Anji Reddy's Spirit of Giving - a nine-month long continuum of activities running from March 15<sup>th</sup> (the day of his passing) till the end of the calendar year.

We did this following the requests we received from thousands of our associates across the world, who want to be engaged in giving back to the community on an on-going basis and not just for one week.

I am proud to inform, you, our shareholders, that the spirit of giving is all pervasive in your company, and has percolated deep and wide across all levels of the organisation. Our employees need no extra urging to participate in these volunteering activities, which range from enhancing science education in government schools...to helping people in remote rural communities access basic healthcare.... to spending time with senior citizens in retirement homes....and a host of other activities. Dr. Reddy himself would have been so proud to see how well his legacy is being carried forward today in the company that he founded.

Let me now leave you with a video that captures how this volunteering spirit is put into action at Dr. Reddy's. I trust you will find it inspiring.

Thank you, once again for your support.

***Statutory section to be read out before the next order of business***

*As required under the Secretarial Standards, please note that as per AGM Notice dated 12 May 2017, the resolution nos. 1 to 4 are mandatorily required to be passed at an AGM under Section 102(2) of the Companies Act, 2013 and resolution nos. 5 to 6 are special business to be passed at the AGM.*

*I am pleased to bring to your notice that as required under Section 108 of the Companies Act of 2013 read with Rule 20 of the Companies (Management and Administration) Rules of 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has provided to all the members, the facility to cast their vote electronically on all resolutions set forth in the notice.*

*Members who have not cast their votes electronically yet and who are present at this meeting have an opportunity to cast their votes, electronically through tablet based e-voting. Members may please note that there will be no voting by show of hands at this AGM.*

*The Company has appointed Mr. G Raghu Babu, Partner, of M/s. R&A Associates, Practicing Company Secretaries (Membership No. F4448 & Certificate of Practice No. 2820) as Scrutinizer for the remote e-voting process and voting at the AGM.*

*On behalf of the Board, Sandeep Poddar, the Company Secretary, is authorized to conduct this voting process and then announce the results.”*