

Dr. Reddy's Laboratories Limited

Regd. Office : 7-1-27, Ameerpet, Hyderabad - 500 016.

POSTAL BALLOT NOTICE (Pursuant to Section 192A of the Companies Act, 1956)

Sub: Passing of resolution by Postal Ballot.

Dear Member(s),

The increasing business operations and future growth plans of the Company necessitate restructuring of the borrowing and investment limits by authorizing the Board of Directors to borrow monies and invest the funds for acquisition of company(ies)/ products either in India or overseas and for global business expansion and other growth initiatives, to maximize the shareholders returns.

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the permission of the Shareholders, borrow monies in excess of the limits set out therein.

As per the provisions of Section 372A of the Companies Act, 1956, a company cannot, except with the permission of the Shareholders, make investment, give loan or guarantee or provide any security in excess of the limits set out therein.

The Company proposes to enhance the powers of the Board to borrow the funds and invest in different business ventures. It is also proposed to give powers to the Board for creating charges on the properties of the Company and issuing further securities for the purpose of raising funds.

We are sending the proposed resolutions and the explanatory statements thereto along with a Postal Ballot form for your consideration. The Company has appointed Mr. B Satya Reddy, a Practicing Company Secretary, as Scrutinizer for conducting the postal ballot process in a fair and transparent manner.

You are requested to read the instructions printed on the Postal Ballot form and return the same duly completed, in the enclosed postage pre-paid self addressed envelope so as to reach the Scrutinizer **on or before Saturday, March 4, 2006**.

The Scrutinizer shall submit his report to the Chairman of the Company after completion of the scrutiny and the results of the postal ballot will be announced through a press release.

By order of the Board
For Dr. Reddy's Laboratories Ltd.

V Viswanath
Company Secretary

Date: January 24, 2006

Place: Hyderabad

Enclosures:

1. Resolution alongwith Explanatory Statement
2. Postal Ballot Form and self-addressed postage pre-paid envelope.

POSTAL BALLOT NOTICE

(Pursuant to Section 192A of the Companies Act, 1956)

ORDINARY RESOLUTIONS**1. Borrowing Powers**

"RESOLVED THAT the consent of the Company be and is hereby granted, in accordance with Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, to the Board of Directors of the Company, to borrow any sum or sums of money from time to time at their discretion, for the purpose of the business of the Company, which together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed at any time, the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves, not set apart for any specific purpose) by a sum not exceeding Rs.50,000 million, and that the Board of Directors be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as it may think fit."

2. Creation of Charges

"RESOLVED THAT the consent of the Company be and is hereby granted, in accordance with Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors to mortgage and/or charge, in addition to the mortgages and/or charges created/to be created by the Company, in such form and manner and with such ranking as to priority and for such time and on such terms as the Board may determine, all or any of the movable and /or immovable, tangible and/or intangible properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the lender(s), agent(s), trustee(s) for securing the borrowings of the Company availed/to be availed by way of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible debentures and/or non-convertible debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments), issued /to be issued by the Company, from time to time, subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on pre-payment, remuneration of agent(s)/ trustee(s), premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation/revaluation /fluctuation in the rates of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreement(s), debenture trust deed or any other document entered into/to be entered into between the Company and the lender(s)/agent(s)/trustees, in respect of the said loans/borrowings/debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the lender(s)/ agent(s)/trustee(s)."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board or Committee thereof be and is hereby authorized to finalize, settle and execute such documents/deeds/writings/papers/agreements as may be required and to do all acts, deeds, matters and things, as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgage/charge as aforesaid and also to delegate all or any of the above powers to the Committee of Directors or the Managing Director or the Principal Officer of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

SPECIAL RESOLUTION**3. Loans/ Investments/ Corporate Guarantees**

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company to make loan(s) and/or give any guarantee(s)/provide any security(ies) in connection with loan(s) made to and/or acquire by way of subscription, purchase or otherwise the securities of any body corporate up to a limit not exceeding Rs.50,000 million notwithstanding that the aggregate of the loans, guarantees or securities so far given or to be given to and/or securities so far acquired or to be acquired in all bodies corporate may exceed the limits prescribed under the said section."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to the Committee of Directors or the Managing Director or the Principal Officer of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

4. Issue of Securities

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any guidelines, regulations, approval, consent, permission or sanction of the

Central Government, Reserve Bank of India and any other appropriate authorities, institutions or Bodies (hereinafter collectively referred to as "the appropriate authorities"), and subject to such conditions as may be prescribed by any one of them while granting any such approval, consent, permission, and / or sanction (hereinafter referred to as "the requisite approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter called "the Board" which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is hereby authorised to issue, offer and allot, preference shares whether Cumulative or Non-Cumulative / Redeemable / Convertible at the option of the Company and / or at the option of the holders of the security and / or securities linked to equity shares / preference shares and / or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants convertible into equity shares / preference shares (hereinafter referred to as "Securities") to be subscribed by foreign investors / institutions and / or corporate bodies, mutual funds, banks, insurance companies, trusts and / or individuals or otherwise, whether or not such persons / entities / investors are Members of the Company, whether in Indian currency or foreign currency. Such issue and allotment shall be made at such time or times in one or more tranche or tranches, at par or at such price or prices, and on such terms and conditions including with the differential rights as to dividend, voting or otherwise and in such manner as the Board may, in its absolute discretion think fit or in consultation with the Lead Managers, Underwriters, Advisors or other intermediaries; provided however that the issue of Securities as above shall not result in increase of the issued and subscribed equity share capital of the Company by more than 7.65 million equity shares of the face value of Rs.5 each."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or combination of terms including as to conditions in relation to payment of interest, additional interest, premia on redemption, prepayment and any other debt service payments whatsoever, and all such matters as are provided in Securities offerings of this nature including terms for issue of such Securities or variation of the conversion price of the Security during the tenure of the Securities and the Company is also entitled to enter into and execute all such arrangements as the case may be with any lead managers, managers, underwriters, bankers, financial institutions, solicitors, advisors, guarantors, depositories, custodians and other intermediaries in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or payment of their remuneration for their services or the like, and also to seek the listing of such Securities on one or more Stock Exchanges."

"RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorised to issue and allot such number of shares as may be required to be issued and allotted upon conversion of any Securities referred to above or as may be necessary in accordance with the terms of the offering, all such shares being pari passu with the then existing shares of the Company in all respects."

"RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, as described above, the Board or any Committee thereof be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and depository arrangement and institution / trustees / agents and similar agreements and to remunerate the Managers, underwriters and all other agencies / intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or the Chairman and Managing Director or any Whole-time Director or any other Officer or Officers of the Company to give effect to the aforesaid resolution."

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Resolution No. 1 and 2

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the permission of the Shareholders in General Meeting, borrow monies in excess of the aggregate of the paid-up capital of the Company and its free reserves.

The increasing business operations and future growth plans of the Company would necessitate restructuring of the borrowing limits by authorizing the Board of Directors to borrow monies which may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves but not exceeding Rs.50,000 million.

The borrowings of the Company are, in general, required to be secured by suitable mortgage or charge on all or any of the movable and/or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of the Company, from time to time, in consultation with the lender(s).

The mortgage and/or charge by the Company of its movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company in favour of the lenders/agent(s)/trustees, with a power to take over the management of the business and concern of the Company in certain events of default by the Company, may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956. Hence it is necessary to obtain approval for the same from the Shareholders voting by postal ballot.

Your approval is sought by voting by postal ballot in terms of the provisions of Section 192A of the Companies Act, 1956 read with the provisions of the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001.

Your Directors commend the resolution for your approval. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Resolution No. 3

The Company is proposing to make substantial investments in the areas of business of the Company. As a measure of achieving greater financial flexibility and to enable optimal financial structuring to facilitate speedy implementation of various projects, it is proposed that the Board of Directors be authorized to invest upto Rs.50,000 million in any body corporate by way of subscription and /or purchase of equity/equity related securities and/or debentures, grant of loan, guarantee and/or providing of security from time to time.

As per Section 372A of the Companies Act, 1956, a Company cannot make investment, give loan or guarantee or provide any security in excess of the limits set out therein unless it is previously authorized by a special resolution. Hence, it is necessary to obtain approval for the same from the Members by passing a resolution. The funds required for the investment will be sourced through internal accruals, equity proceeds and/or borrowings.

Your approval is sought by voting by postal ballot in terms of the provisions of Section 192A of the Companies Act, 1956 read with the provisions of the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001.

Your Directors commend the resolution for your approval. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Resolution No. 4

The Company needs to augment long-term resources to strengthen its financial position, to meet its growth objectives, to invest in the areas of drugs and pharmaceuticals.

It is accordingly proposed to issue securities in Indian or international markets as contemplated in the resolution set out above, as may be decided by the Board and found to be expedient and in the interests of the Company.

The detailed terms and conditions of the Issue as and when made will be determined by the Board of Directors in consultation with the Merchant Bankers, Lead Managers, Advisors, Underwriters and other experts in accordance with the terms of approval of the Government of India, Reserve Bank of India and such other authorities as may be required.

The proposed issue of Securities as above may be made in one or more tranches, which may result in an increase of the issued and subscribed equity of the Company by not more than 7.65 million equity shares of the face value of Rs.5 each of the Company or create preference shares. The issue price of the securities to be issued in the proposed offerings will be determined by the Board of Directors at the time of the offer depending on the then prevailing market conditions. The Securities will be listed on such Stock Exchanges as the Board may be advised.

Section 81 of the Companies Act, 1956, provides, inter alia, that where it is proposed to increase the Subscribed Share Capital of the Company by allotment of further shares, such further shares shall be offered to the persons who at the date of the offer are holders of the Equity Shares of the Company, in proportion to the capital paid up on those shares as of that date unless the Shareholders decide otherwise. The Listing Agreements executed by the Company with the various Stock Exchanges also provide that the Company shall issue or offer in the first instance all Securities to the existing Equity Shareholders of the Company unless the Shareholders decide otherwise. The Special Resolution seeks the consent of the Shareholders authorizing the Board of Directors to make the proposed issue of Securities and in the event it is decided to issue Securities convertible into Equity and/or Preference Shares, to issue to the holders of such Convertible Securities in such manner and such number of Equity and / or Preference Shares on conversion as may be required to be issued in accordance with the terms of the issue.

This Special Resolution gives (a) adequate flexibility and discretion to the Board to finalise the terms of the issue, in consultation with the Lead Managers, Underwriters, Legal Advisors and experts or such other authority or authorities as need to be consulted including in relation to the pricing of the Issue which will be a free market pricing and may be at premium or discount to the market price in accordance with the normal practice and (b) powers to issue and market any securities issued including the power to issue such Securities in such tranche or tranches with / without voting rights or with differential voting rights.

Your Directors commend the resolution for your approval. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

By order of the Board
For Dr. Reddy's Laboratories Ltd.

V Viswanath
Company Secretary

Date: January 24, 2006
Place: Hyderabad