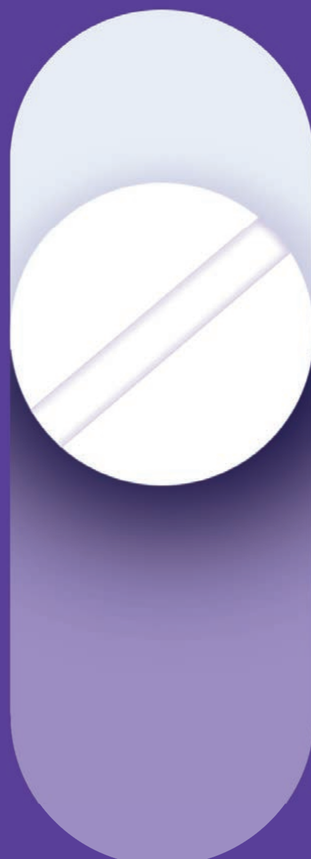
Good Health Can’t Wait.

Dr.Reddy’s



Accelerating the Transformation

ANNUAL REPORT 2019-20

CONTENTS

Accelerating the Transformation

OUR PROMISES

Our five promises clarify what we do, what we offer and the commitments we make to our stakeholders. Our patients trust our medicines. We focus our energies on renewing this trust every day. As we keep the interests of our patients at the center of all that we do, our promises drive us to reach higher levels of excellence.

- Bringing expensive medicines within reach
- Addressing unmet patient needs
- Helping patients manage disease better
- Working with partners to help them succeed
- Enabling and helping our partners ensure that our medicines are available where needed

LETTER FROM THE CHAIRMAN AND CO-CHAIRMAN

K Satish Reddy
Chairman

G V Prasad
Co-Chairman and Managing Director

Dear Member,

Some of you may recall that in our letter to you two years earlier, we had written, "From the beginning of FY2018 there has been a totally focused drive on eliminating needless layers and unnecessary costs." Last year, too, we reiterated this theme when we wrote, "With changing dynamics of the generics markets, we believe that cost competitiveness will continue to be a key driver. Hence, we aim to continue creating a leaner and more efficient organization."

Cost competitiveness, de-layering, improving efficiencies and increasing speed-to-market are continuous processes. These can never stop for any company that seeks to remain on the path of profitable growth. Dr. Reddy's is no exception to this rule.

Your company's strategy is based on three inter-locking and interacting themes. These are:

- Leadership in chosen spaces
- Operational excellence and continuous improvement
- Patient-centric product innovation

How is the strategy bearing out? Last year, we had said that this strategy is getting organization-wide traction and believed that we could be "reasonably optimistic of the prospects for FY2020". We are pleased to inform you that it has, indeed, been the case.

To appreciate this, consider the key financial results for FY2020:

- Consolidated revenues for FY2020 were ₹ 174.6 billion, or a 13% growth over the previous year. This was on top of an 8% growth in FY2019.
- Consolidated gross profit was ₹ 94 billion, which was 13% greater than the previous year. This, too, came over and above a 9% growth in FY2019.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to ₹ 46.4 billion, or an increase of 36% compared to the previous year - on top of a 42% growth in FY2019.
- Profit before taxes (PBT) was ₹ 18 billion, which was 20% lower than ₹ 22.4 billion earned in the previous year. This was largely on account of impairment charges taken on a set of product intangibles.
- Profit after taxes (PAT) was ₹ 19.5 billion, versus ₹ 18.8 billion in FY2019 - representing a growth of 4%.
- Diluted earnings per share (EPS) was ₹ 117.40 in FY2020, versus ₹ 113.09 in FY2019.

Let us now touch upon some of your company's businesses.

Revenue from Global Generics in FY2020 was ₹ 138.1 billion, or an increase of 12% compared to FY2019. The growth was driven by impressive performances in Europe, Emerging Markets and India.

Revenue from North America Generics was ₹ 64.7 billion, representing a growth of 8% over FY2019. Pricing pressures continued in this geography. However, we mitigated these by launching 27 new products.

Revenue from Europe increased by 49% to ₹ 11.7 billion - thanks to expansion of the base business, new product launches and scaling up in new geographies such as Italy, Spain and France.

Revenue from Emerging Markets grew by 14% to ₹ 32.8 billion. Each of our key markets - Russia, the CIS countries, Romania and the Rest of the World territories - witnessed significant revenue growth.

Revenue from India was ₹ 28.9 billion, or a growth of 11% compared to FY2019. This was due to an increase in both sales volume and price of our existing products, plus additional revenues from the launch of 21 new brands. We also entered the nutrition segment by launching our diabetes nutrition drink 'Celevida'.

Revenue from Pharmaceutical Services and Active Ingredients increased by 7% to ₹ 25.7 billion.

Revenue from Proprietary Products was ₹ 7.9 billion. In FY2020, we sold our US and select territory rights for some products belonging to our neurology franchise.

Your company's path to excelling in the manufacture of complex generics and biosimilars depends on its successful filing for new drugs - be these formulations or active pharmaceutical ingredients (APIs).

In FY2020, your company filed eight new Abbreviated New Drug Applications (ANDAs) with the US Food and Drug Administration (USFDA). As on 31 March 2020, your company had 99 generic filings pending approval from the USFDA, consisting of 97 ANDAs and two New Drug Applications (NDAs). We believe that 30 of these 97 ANDAs have 'First to File' status. In APIs, we filed 98 Drug Master Files worldwide during FY2020, including 10 filings in the US.

Regarding the USFDA observations and warning letters issued relating to our API manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as our oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh, we are happy to inform you that these have been successfully resolved with satisfactory USFDA audit closures across all the three facilities.

That brings us to the greatest humanitarian and economic threat facing the globe today - that of the COVID-19 pandemic, which came out of Wuhan in China and spread rapidly across the world.

At the time of writing this letter*, some 6.2 million people have been infected by the virus, and over 370,000 have lost their lives across the world. The US is reeling with over 1.8 million cases; the number of cases has shot up exponentially in Brazil and Russia; and with over 180,000 cases, India now features among the ten worst affected nations.

Over and above the sheer humanitarian and health costs that the pandemic has imposed on countries, rich and poor alike, the economic costs are estimated to be phenomenal.

According to the International Monetary Fund's latest World Economic Outlook (April, 2020), global GDP growth is expected to crash by 5.9 percentage points - from 2.9% in CY2019 to -3% in CY2020. It could be worse. For India, growth is estimated to reduce by 5.5 percentage points: from 5% GDP growth in FY2019 to -0.5% in FY2020.

IN SUCH A TERRIBLE GLOBAL MILIEU, HOW DO WE EXPECT YOUR COMPANY TO PERFORM?

The national lockdown that was imposed in India from 25 March 2020, coupled with similar lockdowns in other countries, led to major disruptions in the supply chain and in logistics. These, plus restrictions on people movement, adversely impacted plant operations. Added to such constraints were restraints on face-to-face meetings with doctors, which is critical for domestic marketing. All these factors challenged the usual manner of doing business.

In large part, we rose to the occasion with timely and proactive initiatives supported by our strong digital infrastructure. Well before COVID-19, we had been working at rapidly building various digital platforms not only across our businesses but also with our suppliers, buyers and doctors. Thanks to this digital backbone, we managed to continue most of our business operations despite the initial challenges. Going forward, we will be using our digital channels even more actively to enable working from home and to reach out to doctors, customers and vendors.

Various measures have been undertaken to ensure that our manufacturing operations continue unhampered. Moreover, across all our manufacturing and R&D facilities, offices and canteens, we have rigorously imposed social distancing, masks at work and frequent hand sanitizing.

In the initial period, we witnessed two opposite developments. On the one hand, there were incremental sales in certain markets, such as the US, Europe and Russia, thanks to panic buying of medicines. On the other, some of our sales were impacted and deferred in APIs, in the India business and in a few Emerging Markets.

Overall, however, there was no major impact of the pandemic on either in Q4 FY2020 or the full year FY2020.

Equally, there is no denying that we may face many COVID-19 related uncertainties in FY2021. Let us touch upon a few.

First, pharmaceutical players worldwide have been hugely dependent on China for their supply of intermediates and APIs. We believe this will change. Global pharmaceutical majors will want to reduce their dependence on China; and there ought to be more backward integration as companies attempt to establish themselves as end-to-end manufacturers. Here, your company has an advantage, thanks to its significant in-house API facilities.

Second, we expect to see greater outlays in preventive healthcare and for public health emergencies. While that is good for all nations, and especially India where such spends are woefully inadequate, it is not certain how it will directly benefit pharmaceutical companies, other than hospital equipment suppliers.

Third, if the pandemic continues for another six to eight months as it is expected to, we should be prepared to see increasing delays in the treatment of other diseases. Hospitals and nursing homes all over the world have already begun to push back admission of non COVID-19 patients. Delays in treating these patients could lead to worsening health conditions, as well as reduced demand for many pharmaceutical products.

Fourth, on the flip side, there can be an increased demand for over-the-counter (OTC) medicines. The COVID-19 outbreak has seen a significant upsurge in buying of OTC medicines, especially relating to immunity enhancement, vitamins, analgesics, and flu and anti-infective medication. This stockpiling is expected to continue in the short-term, and result in demand surges for OTC drugs.

Fifth, in the short-term we will see less face-to-face interaction between medical representatives and doctors. Given its importance, one might witness some negative impact on pharmaceutical sales. Here, we are at an advantage given our strong digital platforms.

Sixth, other than the race for COVID-19 vaccines, one might see some de-prioritization on R&D.

Finally, the pandemic will seriously affect medical tourism via travel restrictions. This, in turn, will reduce the consumption of pharmaceutical products across hospitals and selected pharma outlets.

Despite these significant uncertainties, we believe that successful execution of our strategy mentioned earlier - involving leadership in chosen spaces, operational excellence and continuous improvement, and patient-centric product innovation - will create the necessary levers to deal with this uncertain business environment.

Stay safe. Stay healthy.

With our best regards,

K Satish Reddy
Chairman

G V Prasad
Co-Chairman and Managing Director

*As on 31 May 2020

OUR BUSINESSES

Global Generics (GG)

₹ 138.1 billion

▲ 12%

79.1% of net revenues

Revenue by geography

North America	India
₹ 64.7 billion ▲ 8%	₹ 28.9 billion ▲ 11%
Emerging Markets	**Europe**
₹ 32.8 billion ▲ 14%	₹ 11.7 billion ▲ 49%

GLOBAL GENERICS

Global generics is our biggest business driver. We offer more than 400 high-quality generic drugs, keeping costs reasonable by leveraging our integrated operations.

Our expertise in active ingredients, product development skills, a keen understanding of regulations and intellectual property rights, as well as our streamlined supply chain, makes us leaders in this segment.

BIOLOGICS

Our biosimilars, generic equivalents of the innovator's biologics, offer affordable yet equally effective alternatives. Our product development capabilities and commercial reach have made us global leaders in this therapeutic area. We have six products in the market and an industry leading pipeline spanning oncology and autoimmune diseases.

Pharmaceutical Services and Active Ingredients (PSAI)

₹ 25.7 billion

▲ 7%

14.8% of net revenues

ACTIVE PHARMACEUTICALS INGREDIENTS

We are one of the world's largest manufacturers of Active Pharmaceuticals Ingredients (APIs) and partner with several leading generic formulator companies in bringing their molecules first to the market. Our focus on innovation-led affordability gives our customers access to the most complex active ingredients, while maintaining a consistent global quality standard. Besides, our API development efforts enable our own generics business to be cost competitive and get to market faster.

CUSTOM PHARMACEUTICAL SERVICES

We have one of the largest custom pharmaceutical services businesses in India. We offer end-to-end product development and manufacturing services and solutions to innovator companies.

Further, our rich and extensive knowledge repository of various types of formulations helps shorten time to market and support lifecycle management.

Proprietary Products & Others

₹ 10.7 billion

▲ 58%

6.1% of net revenues

PROPRIETARY PRODUCTS

Our Proprietary Products business focuses on developing differentiated formulations that present significantly enhanced benefits in terms of efficacy, ease of use, and the resolution of unmet patient needs. The aim is to improve the patient's holistic experience with our medicines, so as to strengthen compliance with the therapeutic regimen and ensure positive outcomes.

AURIGENE DISCOVERY

Aurigene Discovery, a wholly-owned subsidiary, is a clinical stage biotech company committed to bringing novel therapeutics for the treatment of cancer and inflammation. We have fully integrated drug discovery and development infrastructure from hit generation to clinical development. We have pioneered customized models of drug discovery and development collaborations with large-pharmaceutical, mid-pharmaceutical companies and Biotechs.

More than 400 high-quality generic drugs

Differentiated formulations that present enhanced benefits

One of the world's largest manufacturers of APIs

Global Presence

Nationalities

48

Countries

42

FY2020

Highlights

Revenues

₹ 174.6 billion

EBITDA

₹ 46.4 billion

Profit after tax

₹ 19.5 billion

Diluted EPS

₹ 117.4

Filings

Generic filings

8 ANDA filings

As on 31 March 2020, 99 generic filings are pending for approval (97 ANDAs and 2 NDAs). Of these, 97 ANDAs, 54 are Para IV filings and we believe 30 of these have 'First-to-File' status.

DMF filings

10 DMFs filed in the US.

Launches

New products

168

NAG

27

Europe

40

Emerging Markets

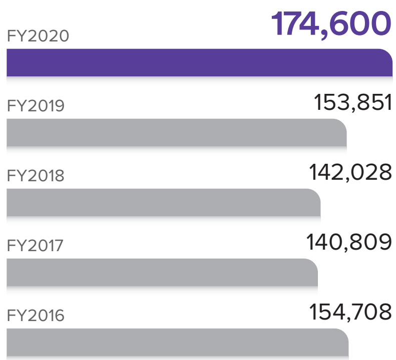
80

India

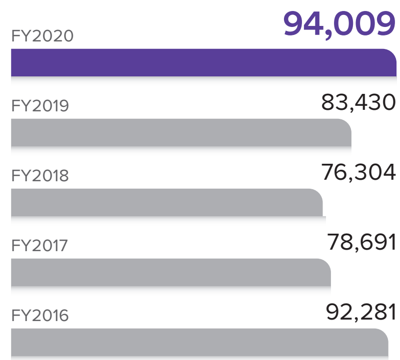
21

KEY PERFORMANCE INDICATORS

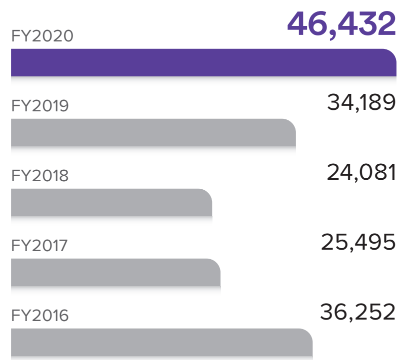
Revenues (₹ Million)



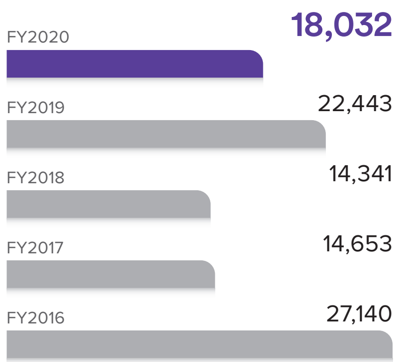
Gross Profit (₹ Million)



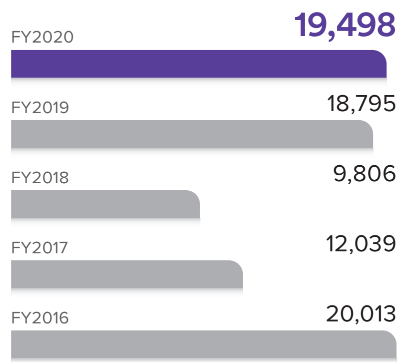
EBITDA (₹ Million)



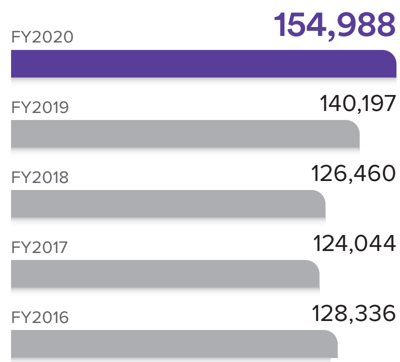
PBT (₹ Million)



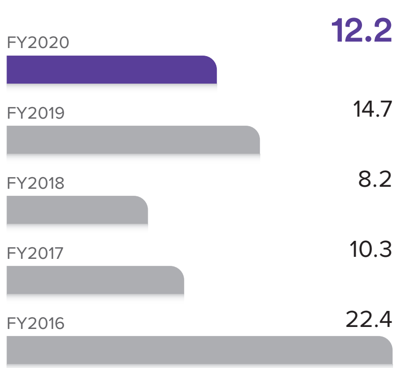
PAT (₹ Million)



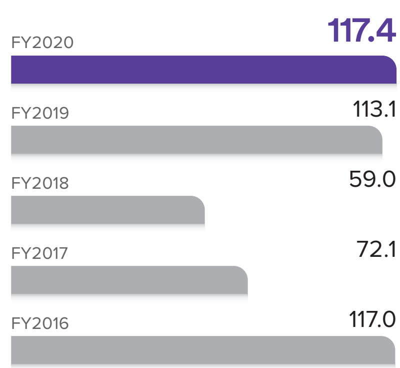
Net worth (₹ Million)



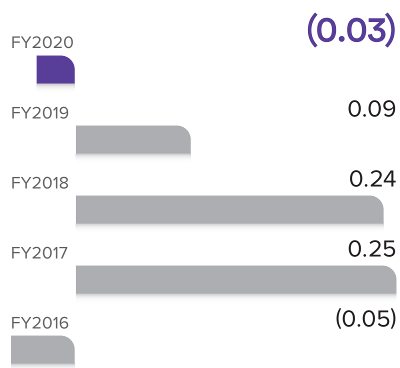
RoCE (%)



EPS (₹)



Net Debt to Equity Ratio



ACCELERATING THE TRANSFORMATION

We remain committed to our purpose, promise, people and the right way of doing business. Aligned with our belief, 'Good Health Can't Wait', we are focusing on three strategic themes to accelerate our transformation journey – leadership in chosen spaces, operational excellence and continuous improvement, and patient-centric product innovation.

Leadership in chosen spaces

We continue to strengthen our market presence and build leadership positions in each of the segments we operate in, with a well-crafted strategy. We are also exploring inorganic growth opportunities to accelerate access to high-quality and affordable medicines to patients globally, and, in the process, create value for all our stakeholders.

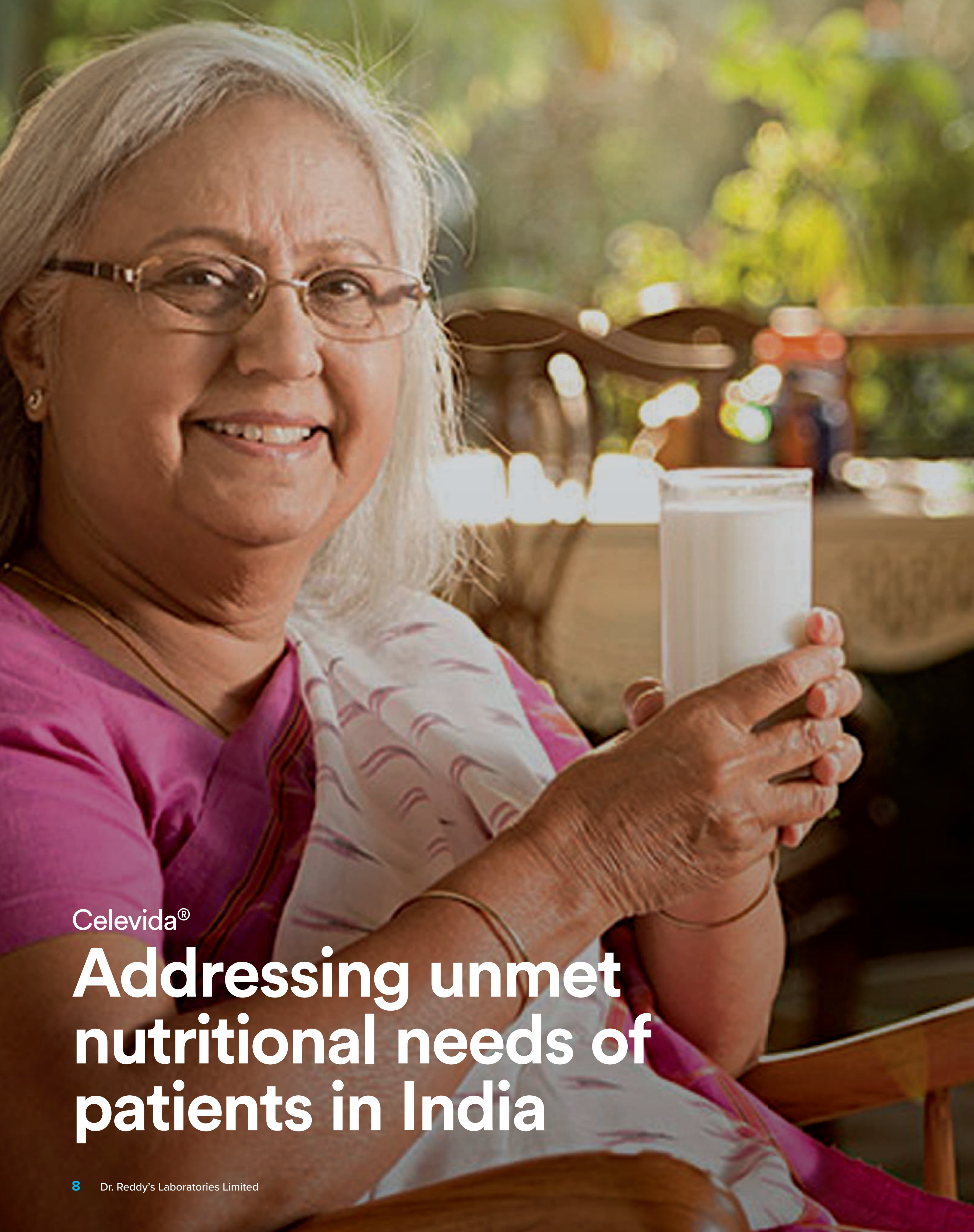
Operational excellence and continuous improvement

To achieve industry-leading growth in our chosen spaces, we are augmenting our capabilities in manufacturing, supply chain and quality by deploying tools and systems, digital technologies and data analytics. These initiatives are improving productivity and building better customer connect, while permeating our culture of quality, compliance, safety, and execution excellence in every function, unit and location of the company.

Even during COVID-19 times, our robust, efficient and seamless operations enabled us to support our partners and patients uninterruptedly across the world.

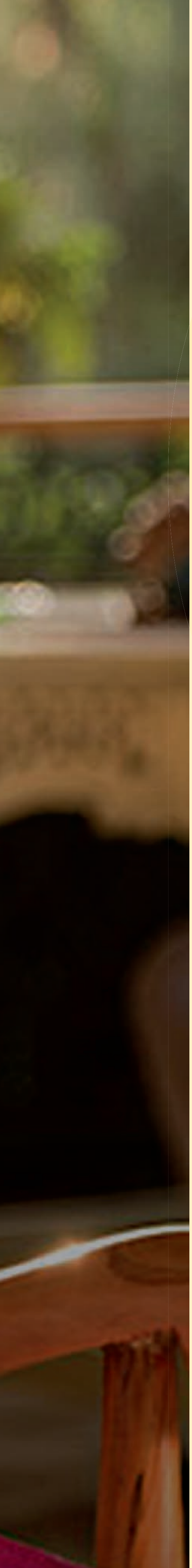
Patient-centric product innovation

We have put in place an enhanced R&D and technology-driven platform to address the evolving needs of patients, physicians and caregivers, through the development of innovative products, services and digital business models.



Celevida®

Addressing unmet nutritional needs of patients in India



With more than 73 million diabetes patients and another 80 million patients with prediabetes, India likely will become home to the world's largest diabetic population by 2035. More important, 69% of India's diabetes patients have uncontrolled blood sugar levels, despite being on medication. Proper nutrition is essential to helping these patients manage this debilitating disease, protect them from developing diabetes-related problems, and improving their quality of life.

Nutrition transition over the past three decades has resulted in changing eating habits of people, both qualitatively and quantitatively resulting in increased intake of refined carbohydrates and decreased intake of protein and fibre along with the decreased physical activity. This has led to clear nutrition gap in the daily diets. Hence, our India team decided to make a positive impact on the health and quality of life of prediabetes and diabetes patients, in keeping with our belief of 'Good Health Can't Wait.' Last year, we entered the nutrition market with Celevida®, a clinically proven nutrition drink designed for diabetes patients.

Celevida® offers a unique triple benefit: it manages Postprandial glucose (PPG) or blood-glucose spikes, reduces HbA1C, and supports weight management. It is high in fibre and protein, with 12 key nutrients to boost immunity and helps protect against infections. It contains high-quality slowly digestible carbohydrates, along with essential vitamins and minerals.

To accelerate access to Celevida®, we launched the nutritional drink by sharing it with more than 3,000 healthcare practitioners across India, accompanied by a strong presence in digital and social media channels. A nutritionist outreach program was also developed by engaging 24 nutritionists in key cities throughout the country to increase awareness among diabetes patients regarding the importance of making informed food choices and improve physical-activity habits. The initial response from both doctors and patients has been positive, backed by a strong clinical study program and an attractive nutrition profile with no added sugar and culturally accepted flavours like Kesar Elaichi and Green Mango.

To accelerate access to Celevida®, we launched the nutritional drink by sharing it with more than 3,000 healthcare practitioners across India

North America Generics –

Accelerating access to important drugs

When the US Congress passed the FDA Reauthorization Act of 2017, it created a new pathway for the US Food and Drug Administration (USFDA) to accelerate access to lower-cost generic drugs to doctors and their patients. The pathway, known as a competitive generic therapy (CGT), was designed to expedite the development and review of certain abbreviated new drug applications (ANDA) with inadequate generic competition. The CGT designation is awarded to the first generic launch of an off-patent product in the US, and gives 180 days of exclusivity.

Our North America Generics (NAG) group aggressively pursued—and won—the CGT status for two key products – Carboprost Tromethamine Injection USP, and Naloxone Hydrochloride Injection USP. Both the drugs had limited generic competition as defined by the USFDA.

In spring 2019, the NAG team spearheaded the launch of Carboprost Tromethamine Injection, a therapeutic equivalent generic version of Hemabate® injection. The team's work cut across the gamut of activities—from on-time product filing with a clear filing strategy to assurance of product shelf life, prompt and on-time execution of the launch, effective request for Pre-Launch Activities Importation Requests (PLAIR) and effective management of securing customer orders. The team worked relentlessly to ensure prompt shipping of the first product, keeping the USFDA informed at every step and ensuring that the CGT status was received prior to launch.

In March 2020, the NAG team received the CGT status again – this time for Naloxone Hydrochloride Injection USP, a therapeutic equivalent generic version of Narcan® which is used to treat opioid addiction. We were the second generic to launch a 2mg/2ml pre-filled syringe version of the drug. The NAG team leveraged its relationships with wholesalers and distributors, shipping the product as quickly as possible to areas throughout the country hardest hit by the opioid epidemic.

We believe that accelerating access to good health requires - developing medicines where affordable alternatives don't exist, working with all stakeholders in the healthcare systems and ensuring adequate availability of medicines.

The NAG team leveraged its relationships with wholesalers and distributors, shipping the product as quickly as possible to areas throughout the country hardest hit by the opioid epidemic.

Europe –

Ensuring availability of critical medicines whenever needed

We have established a trusted partnership with hospitals and their buying groups in our five European locations of France, Germany, Italy, Spain and the UK through a strong service culture. We go above and beyond to ensure supply security of critical medicines.

On a Christmas Day, we received a call from a pharmacist of a large hospital in the south of France. The hospital had ordered a critical medicine for a patient in critical need from a warehouse partner, but it did not get delivered. The pharmacist had tried to source the drug from a nearby hospital, but was not successful. Being a drug used to treat a rare disease, no other hospitals had it in stock.

The Christmas holidays are the only time during the year when warehouses take a break and delivery channels get constrained. Our team managed to get another package from the main warehouse and convinced a taxi driver to travel 900 kilometers to deliver the medicine in France.

When the hospital called to confirm the receipt of the package, our team heaved a sigh of relief. The story also re-emphasizes the impact our medicines have on patients' lives and the responsibility we have to deliver them on time, every time.

In another instance, when Italy became the epicenter of the coronavirus outbreak in Europe, the country's healthcare system got stretched beyond its limits. The lockdown imposed to contain the spread also impacted the supply of critical medicines. Our team in Italy, working from their homes, partnered with several logistics companies specializing in drug deliveries to ensure that products are picked up from our warehouses and delivered to hospitals across the country within 24 hours at no extra cost.

By providing a comprehensive service, as well as a quality product, we are able to ensure vital medicines are available at all times.

Our team in Italy, working from their homes, partnered with several logistics companies specializing in drug deliveries to ensure that products are picked up from our warehouses and delivered to hospitals across the country within 24 hours at no extra cost.

Valsartan –

Enabling access to safe sartan APIs to customers worldwide

Sartans, or Angiotensin II Receptor Blockers (ARBs), are primarily used to treat hypertension (high blood pressure), diabetic nephropathy (kidney damage due to diabetes) and congestive heart failure. At the end of 2018, several ARBs from manufacturers across the globe were found to be contaminated with carcinogenic nitrosamine impurities.

Nitrosamine impurities were formed during the production of sartans and were not detected in routine testing. This led to numerous recalls and consequently a shortage of these medicines for patients worldwide. Many patients are on long-term treatment. A switch to an alternative is not only inconvenient, but also might result in more doctor visits and increased healthcare costs.

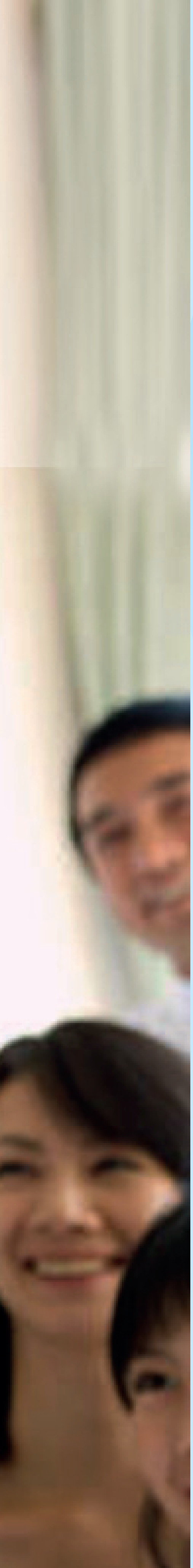
Our regulatory and R&D teams proactively assessed the manufacturing processes of our sartan APIs and proved that the formation of nitrosamine impurities can be avoided by design through our best manufacturing practices. In addition, the team developed and validated highly sensitive analytical methods with a very low limit of detection and quantification to meet the future requirements of regulatory agencies.

To further avoid any potential formation of impurities through raw materials and key starting materials, the assessment also included the control of these sources by backward integration and strategic sourcing partnerships. We have significantly increased our manufacturing capacities for key sartan APIs such as Valsartan, Losartan K and are on track to further enhance these capacities by the end of FY2021. As a result, we were not only able to continuously provide our existing customers with high-quality and safe APIs, but also address the demand of those looking for a trusted source of supply.

We have significantly increased our manufacturing capacities for key sartan APIs such as Valsartan, Losartan K and are on track to further enhance these capacities by the end of FY2021.

Olanzapine –

Addressing demand for high-quality, affordable generics in China



China has implemented a series of reforms in the pharmaceutical sector over the years to bring down costs, improve access to new drugs and foster generic competition. In 2017, the country introduced the Quality Consistency Evaluation (QCE) system to ensure that all existing and new generics marketed or manufactured in China meet higher quality standards. Under the new policy, generics companies needed to successfully re-conduct bioequivalent studies to qualify for QCE.

Our team responded with agility and worked relentlessly to meet the new criteria, in line with our commitment to manufacture and market high-quality and affordable medicines. We became the first foreign generics company to receive approval for an existing product, Olanzapine, under the QCE system. Olanzapine is indicated for the treatment schizophrenia and bipolar disorder.

In 2019, China implemented a nationwide generic drug procurement process. Generics companies were asked to submit bids for QCE-qualified drugs to supply to public hospitals across 25 provinces in the country. Driven by our concerted efforts to reach more patients and leveraging our organisational capabilities, we became the first Indian pharma company to win a tender in China under this nationwide drug procurement process. We were granted the rights to supply Olanzapine to public hospitals in eight provinces, which helped us become a partner of choice for medical professionals in China.

We became the first foreign generics company to receive approval for an existing product, Olanzapine, under the QCE system.

BOARD OF DIRECTORS

K SATISH REDDY
Chairman

C M M

G V PRASAD
Co-Chairman and Managing Director

M M M

ALLAN OBERMAN
Independent Director

M M

BHARAT N DOSHI
Independent Director

C M M M

DR. BRUCE L A CARTER
Independent Director

C M

OUR BOARD LEVEL COMMITTEES

- Audit committee
- Nomination, governance and compensation committee
- Risk management committee
- Science, technology and operations committee
- Banking and authorisations committee
- Stakeholders' relationship committee
- Corporate social responsibility committee

M Committee membership

C Committee chairpersonship

KALPANA MORPARIA
Independent Director

C M

LEO PURI
Independent Director

M M

PRASAD R MENON
Independent Director

C M

SRIDAR IYENGAR
Independent Director

C M

SHIKHA SHARMA
Independent Director

C M

K SATISH REDDY
Chairman

Mr. K Satish Reddy joined the company in 1993 as Executive Director and since then has held positions of increasing responsibility as Managing Director in 1997 and Vice-Chairman & Managing Director in 2013. Mr. Reddy led the company's transition from a uni-focused manufacturer of Active Pharmaceutical Ingredients (APIs) to a company that moved up the value chain with a diverse product portfolio of finished dosage formulations. He oversaw the expansion and the establishment of a strong footprint for Dr. Reddy's finished dosage products in Russia, CIS countries and other emerging markets. Keeping true to the legacy of the founder of the company, Dr. K Anji Reddy, Mr. K Satish Reddy drives the company's Corporate Social Responsibility initiatives. Mr. Reddy holds a degree in Chemical Engineering from Osmania University, Hyderabad and a Masters in Medicinal Chemistry from Purdue University, USA.

G V PRASAD
Co-Chairman and Managing Director

Mr. G V Prasad leads the core team at Dr. Reddy's that has contributed significantly to its transformation from a mid-sized domestic operation into a global pharmaceutical major. He is the architect of Dr. Reddy's successful Global Generics and Active Pharmaceutical Ingredient (API) strategies, as well as the company's foray into biosimilars and differentiated formulations. Mr. Prasad is engaged with strengthening the company's research and development capabilities, supporting progressive people practices and building a holistic culture of operational excellence. He was listed in the prestigious 'Medicine Maker 2018 Power List' of most inspirational professionals shaping the future of drug development, and one of 'India's Greatest 50 CEOs Ever' by Outlook magazine in 2017. Mr. Prasad holds a degree in Chemical Engineering from the Illinois Institute of Technology, Chicago, USA and a Masters in Industrial Administration from Purdue University, USA.

ALLAN OBERMAN
Independent Director

Mr. Allan Oberman served as the Chief Executive Officer of Concordia International Corp. from November 2016 until May 2018. In his career of more than 36 years he also served as CEO of Sagent Pharmaceuticals Inc., and President and CEO of Teva Americas Generics, a subsidiary of Teva Pharmaceutical Industries Limited. Prior to that, Mr. Oberman served as President of Teva EMIA, where from 2010 to 2012 he was responsible for Eastern Europe, Middle East, Israel and Africa. From 2008 to 2010, he served as the Chief Operating Officer of the Teva International Group, and from 2000 to 2008, he served as the President and CEO of Teva Canada (formerly Novopharm Limited). From 1996 to 2000, Mr. Oberman was the President of Best Foods Canada Inc. He has an MBA from the Schulich School of Business, York University, Toronto and a BA from Western University, London.

BHARAT N DOSHI
Independent Director

Mr. Bharat N Doshi is a former Executive Director and Group CFO of Mahindra & Mahindra Limited. He was also the Chairman of Mahindra & Mahindra Financial Services Limited since April 2008, and he stepped down from this position on his nomination as Director, for a period of 4 years, on the Central Board of Directors of the Reserve Bank of India in March 2016. He is the Chairman of the Board of Mahindra Intertrade Limited, Director on the Boards of Mahindra Holdings Limited, member of board of governors of the Mahindra United World College of India, Mahindra Foundation (USA), Mahindra Foundation (UK). He is also one of the trustees of Mahindra Foundation, K. C. Mahindra Education Trust and Lalit Doshi Memorial Foundation. He also serves on the Advisory Board of Excellence Enablers, an organization committed to promoting corporate governance in India. Mr. Doshi is a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and holds a Master's degree in Law from Mumbai University, India. He is an alumnus of Harvard Business School (PMD) and Fellow of the Salzburg Seminar on 'Asian Economies: Regional and Global Relationships'.

DR. BRUCE L A CARTER
Independent Director

Dr. Bruce L A Carter was the Chairman of the Board and former Chief Executive Officer of ZymoGenetics Inc., USA. He has also served as the Corporate Executive Vice President and Chief Scientific Officer for Novo Nordisk A/S, the former parent company of ZymoGenetics. From 1982 to 1986 Dr. Carter held various positions of increasing responsibility at G.D. Searle & Co., Limited, including Head of Molecular Genetics. He was a lecturer at Trinity College, University of Dublin, from 1975 to 1982. Dr. Carter holds directorship in Enanta Pharmaceutical Inc., Mirati Therapeutics Inc., Accelerator Life Service Partners and TB Alliance, all in the US and our wholly-owned subsidiary, Aurigene Discovery Technologies Limited, in India and our wholly-owned subsidiary, Dr. Reddy's Laboratories Inc., in US. Dr. Carter received a B.Sc. with Honors in Botany from the University of Nottingham, England and a Ph.D. in Microbiology from Queen Elizabeth College, London University, UK.

KALPANA MORPARIA
Independent Director

Ms. Kalpana Morparia is the Chairperson of J.P. Morgan, South and Southeast Asia. Ms. Morparia is a member of J.P. Morgan's Asia Pacific Management Committee. Prior to joining J.P. Morgan India, Ms. Morparia served as Vice Chair on the Board of ICICI Group and was the Joint Managing Director of ICICI Group from 2001 to 2007. She has been recognized by several national and international media for her role as one of the leading women professionals. Ms. Morparia holds directorship in Hindustan Unilever Limited and J.P. Morgan Services India Private Limited in India and Philip Morris International Inc. in USA. She is also a member of the Governing Board of Bharti Foundation. A graduate in science and law from Mumbai University, India. Ms. Morparia has served on several committees constituted by the Government of India.

LEO PURI
Independent Director

Mr. Leo Puri was the Managing Director of UTI Asset Management Co. Limited from August 2013 to August 2018. In his career of more than 30 years, Mr. Puri has previously worked as Director with McKinsey & Company and as Managing Director with Warburg Pincus. Mr. Puri has worked in the UK, USA and Asia. Since 1994, he has primarily worked in India. At McKinsey, he has advised leading financial institutions, conglomerates and investment institutions in strategy and operational issues. He has contributed to the development of knowledge and public policy through advice to regulators and government officials. At Warburg Pincus, he was responsible for leading and managing investments across industries in India. He also contributed to financial services investments in the international portfolio as a member of the global partnership. Mr. Puri holds directorship in Hindustan Unilever Limited, Northern Arc Capital Limited and Indiaideas.com Limited (Billdesk). Mr. Puri has a Master's degree in P.P.E. from Oxford University, UK and a Master's degree in Law from Cambridge University, UK.

PRASAD R MENON
Independent Director

Mr. Prasad R Menon is a former Managing Director of Tata Chemicals Limited and Tata Power Company Limited. Prior to joining Tata, he was Director Technical of Nagarjuna Fertilisers and Chemicals Limited. He has over 41 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry. Mr. Menon holds directorship in Singapore Tourism Board and Sanmar Group Advisory Board. Mr. Menon holds a chemical engineering degree from the Indian Institute of Technology (IIT), Kharagpur, India.

SRIDAR IYENGAR
Independent Director

Mr. Sridar Iyengar is an independent mentor investor in early stage start-ups and companies. Earlier, he was a senior partner with KPMG in the US and UK and also served for three years as the Chairman & CEO of KPMG's operations in India. For more than 36 years, he has worked with a large number of companies, advising them on strategy and other issues. Mr. Iyengar is the Chairman on the Board of ICICI Venture Funds Management Company Limited, and a Director on Boards of Mahindra Holidays and Resorts India Limited, Cleartrip Private Limited in India; AverQ Inc. in the US; Cleartrip Inc. in Cayman Islands; Holiday Club Resorts OY in Finland and our wholly-owned subsidiary, Dr. Reddy's Laboratories S.A., in Switzerland. He holds a Bachelor of Commerce (Hons.) degree from Calcutta University, India and is a Fellow of the Institute of Chartered Accountants in England and Wales.

SHIKHA SHARMA
Independent Director

Ms. Shikha Sharma was the Managing Director & CEO of Axis Bank, India's third largest private sector bank from June 2009 upto December 2018. As a leader adept at managing change, she led the Bank on a transformation journey from being primarily a corporate lender to a bank with a strong retail deposit franchise and a balanced lending book. Ms. Sharma has more than three decades of experience in the financial sector, having begun her career with ICICI Bank Limited in 1980. During her tenure with the ICICI Group, she was instrumental in setting up ICICI Securities. As Managing Director & CEO of ICICI Prudential Life Insurance Company Limited, she led the company to become the No. 1 private sector life insurance company in India.

Ms. Sharma is also an independent director on the Boards of Ambuja Cements Limited, Mahindra and Mahindra Limited, Tech Mahindra Limited, Tata Consumer Products Limited (formerly known as Tata Global Beverages Limited). She is a member of the Board of Governors of IIM Lucknow, a member of the Advisory Board of Bridgespan and an advisor to several companies. Ms. Sharma has an MBA from the Indian Institute of Management, Ahmedabad, India, B.A. (Hons.) in Economics and PGD in Software Technology from National Centre for Software Technology (NCST), Mumbai, India.

MANAGEMENT COUNCIL

Standing (Left to Right)

First row

Sanjay Sharma | Patrick Aghanian
Sauri Gudlavalleti | Ganadhish Kamat

Second Row

Erez Israeli | Deepak Sapra
Saumen Chakraborty | M V Ramana
Yugandhar Puvvala

Sitting (Left to Right)

Archana Bhaskar | Dr. Raymond De Vré
K Satish Reddy | G V Prasad
Marc Kikuchi | Dr. Anil Namboodiripad

K SATISH REDDY
Chairman

Age 53 | B.Tech., M.S. (Medicinal Chemistry)
Joined the company on 18 January 1993

G V PRASAD
Co-Chairman and Managing Director

Age 59 | B.E. (Chem. Eng.), M.S. (Indl. Admn.)
Joined the company on 30 June 1990

ARCHANA BHASKAR
Chief Human Resource Officer

Age 53 | MBA
Joined the company on 15 June 2017

DR. ANIL NAMBOODIRIPAD
Global Head of Proprietary Products

Age 54 | Ph.D. Physiology and Molecular Biophysics
Joined the company on 17 September 2007

DR. RAYMOND DE VRÉ
Global Head of Biologics

Age 52 | Ph.D. in Applied Physics
Joined the company on 30 July 2012

DEEPAK SAPRA
Global Head of PSAI

Age 45 | B.E., PGDM, MBA
Joined the company on 23 January 2003

EREZ ISRAELI
Chief Executive Officer

Age 53 | MBA
Joined the company on 2 April 2018

GANADHISH KAMAT
Global Head of Quality

Age 58 | M.Pharm., Diploma in Business Management
Joined the company on 18 April 2016

MARC KIKUCHI
Chief Executive Officer, North America Generics

Age 51 | MBA, BA (Molecular and Cell Biology)
Joined the company on 1 February 2019

M V RAMANA
Chief Executive Officer, Branded Markets (India and Emerging Markets)

Age 52 | MBA
Joined the company on 15 October 1992

PATRICK AGHANIAN
Chief Executive Officer, European Generics

Age 55 | MBA, BA (International relations and history)
Joined the company on 7 October 2019

SANJAY SHARMA
Global Head of Manufacturing

Age 52 | B. Tech. (Chem. Eng.)
Joined the company on 1 August 2017

SAUMEN CHAKRABORTY
President and Chief Financial Officer

Age 59 | B.Sc.(H), MBA
Joined the company on 2 July 2001

SAURI GUDLAVALLETI
Global Head of Integrated Product Development Organization (IPDO)

Age 42 | B. Tech. (Mech. Eng.), Masters in Mechanics and MBA
Joined the company on 16 March 2015

YUGANDHAR PUVVALA
Global Head of Supply Chain

Age 49 | MBA
Joined the company on 21 February 2001

BUSINESS RESPONSIBILITY REPORT

Our stakeholders have ethical, social and environmental expectations from the organization that extend beyond financial goals and legal requirements. Therefore, we engage with them consistently to nurture trust and ensure business sustainability.

DISCLOSURES ON THE NINE PRINCIPLES AS CHARTED BY THE MINISTRY OF CORPORATE AFFAIRS IN THE 'NATIONAL VOLUNTARY GUIDELINES (NVGs) ON SOCIAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITIES OF BUSINESS'

PRINCIPLE 1

ETHICS, TRANSPARENCY & ACCOUNTABILITY

Businesses should conduct and govern themselves with ethics, transparency and accountability.

PRINCIPLE 2

PRODUCT LIFE CYCLE SUSTAINABILITY

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

PRINCIPLE 3

EMPLOYEE WELLBEING

Businesses should promote the wellbeing of all employees.

PRINCIPLE 4

STAKEHOLDER ENGAGEMENT

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

PRINCIPLE 5

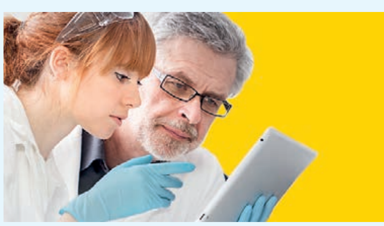
HUMAN RIGHTS

Businesses should respect and promote human rights.

PRINCIPLE 6

ENVIRONMENT

Businesses should respect, protect and make efforts to restore the environment.



PRINCIPLE 7

POLICY ADVOCACY

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

PRINCIPLE 8

EQUITABLE DEVELOPMENT

Businesses should support inclusive growth and equitable development.

PRINCIPLE 9

CUSTOMER VALUE

Businesses should engage with and provide value to their customers and consumers in a responsible manner.

SECTION A
GENERAL INFORMATION ABOUT THE COMPANY

CORPORATE IDENTITY NUMBER (CIN) OF THE COMPANY
L85195TG1984PLC004507

NAME OF THE COMPANY
Dr. Reddy's Laboratories Limited

REGISTERED ADDRESS
8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034, Telangana, India

WEBSITE
www.drreddys.com

E-MAIL ID
shares@drreddys.com

FINANCIAL YEAR REPORTED
April 2019 to March 2020

SECTOR(S) THAT THE COMPANY IS ENGAGED IN (INDUSTRIAL ACTIVITY CODE-WISE)
Pharmaceuticals (210)

LIST THREE KEY PRODUCTS/ SERVICES THAT THE COMPANY MANUFACTURES/PROVIDES
Buprenorphine & Naloxone, Omeprazole and Liposomal Doxorubicin

TOTAL NUMBER OF LOCATIONS WHERE BUSINESS ACTIVITY IS UNDERTAKEN BY THE COMPANY
Our manufacturing, sales and marketing operations span over 42 countries.
We also serve API customers globally.

(A) Number of international locations

We have six manufacturing facilities in Louisiana (USA), Middleburgh (USA), Mexico, Mirfield (UK), Beverley (UK) and Kunshan Development zone (China); and three research and development facilities in Cambridge (UK), Leiden (The Netherlands) and Kuala Lumpur (Malaysia).
Refer page no. 78

(B) Number of national locations

We have 17 manufacturing units and six research and development facilities in India. Refer page no. 79

MARKETS SERVED BY THE COMPANY – LOCAL/STATE/NATIONAL/ INTERNATIONAL
Our major markets include the United States of America (USA), India, Russia, CIS regions and Europe.

We also reach out to patients in various other markets like South Africa, Australia, Jamaica, New Zealand, Brazil, China and the Association of Southeast Asian Nations (ASEAN) countries.

SECTION B
FINANCIAL DETAILS OF THE COMPANY (AS ON 31 MARCH 2020)

PAID-UP CAPITAL (₹)
831 million

TOTAL TURNOVER FROM OPERATIONS (₹)
118,504 million

TOTAL PROFIT AFTER TAX (₹)
29,377 million

TOTAL SPENDING ON CORPORATE SOCIAL RESPONSIBILITY (CSR) AS PERCENTAGE (%) OF PROFIT AFTER TAX (PAT)
2.25% of the average net profits of the company made during the immediately three preceding financial years.

LIST OF ACTIVITIES ON WHICH EXPENDITURE ABOVE HAS BEEN INCURRED
Refer to Principle 8 on page no. 33

SECTION C
OTHER DETAILS

DOES THE COMPANY HAVE ANY SUBSIDIARY COMPANY/COMPANIES?
Yes

DO THE SUBSIDIARY COMPANY/ COMPANIES PARTICIPATE IN THE BUSINESS RESPONSIBILITY (BR) INITIATIVES OF THE PARENT COMPANY? IF YES, THEN INDICATE THE NUMBER OF SUCH SUBSIDIARY COMPANY(S).
Our subsidiary companies are closely integrated with our corporate BR initiatives.

DO ANY OTHER ENTITY/ENTITIES (E.G. SUPPLIERS, DISTRIBUTORS ETC.) THAT THE COMPANY DOES BUSINESS WITH, PARTICIPATE IN THE BR INITIATIVES OF THE COMPANY? IF YES, THEN INDICATE THE PERCENTAGE OF SUCH ENTITY/ENTITIES?
Yes. We have a code of conduct for partners, which we expect them to follow. For more details, please refer to: https://www.drreddys.com/media/720559/supplier-code-of-conduct.pdf

SECTION D
BR INFORMATION

(A) Details of the director responsible for implementation of the BR policy/ policies
Mr. K Satish Reddy
Chairman
DIN: 00129701

(B) Details of the BR head
Mr. Thakur Pherwani
Head, EHS, Sustainability and Operations Excellence
Tel: +91-40-4900-2339
E-mail ID: tpherwani@drreddys.com
DIN: Not applicable

(C) Indicate the frequency with which the board of directors, committee of the board or CEO meets to assess the BR performance of the company
3–6 months

(D) Does the company publish a BR or a sustainability report? What is the hyperlink for viewing this report? How frequently it is published?
Yes, the company publishes both a BR and a sustainability report.
The sustainability report can be viewed at: www.drreddys.com/our-citizenship/sustainability.aspx

The BR report can be viewed as part of the annual report. This is published annually.

(E) Principle-wise (as per National Voluntary Guidelines) Business Responsibility (BR) policy/policies.
Please refer **Table 1**

TABLE 1 PRINCIPLE-WISE (AS PER NVGS) BR POLICY/POLICIES

SL. NO.	PRINCIPLE-WISE (AS PER NVGS) BR POLICY/ POLICIES	P1 ETHICS, TRANSPARENCY AND ACCOUNTABILITY	P2 PRODUCT LIFE CYCLE SUSTAINABILITY	P3 EMPLOYEE WELLBEING	P4 STAKEHOLDER ENGAGEMENT	P5 HUMAN RIGHTS	P6 ENVIRONMENT	P7 POLICY ADVOCACY	P8 EQUITABLE DEVELOPMENT	P9 CUSTOMER VALUE
1	Do you have a policy/policies for-	Yes	Yes	Yes	Yes	We comply with all the statutory requirements. All the contracts and standing orders include relevant aspects of human rights.	Yes	Not applicable	Yes	Yes
2	Has the policy been formulated in consultation with the relevant stakeholders?	Yes	Yes	Yes	Yes	All the standing orders are co-signed by the recognized union.	Yes		Yes	Yes
3	Does the policy conform to any national/ international standards? If yes, specify?	We have adopted a code of business ethics (COBE) which conforms to national and international standards. This applies to all the directors and employees across the group.	We abide by all laws of the land and are a signatory to the 10 principles of the UN Global Compact. We take into account industry best practices and global benchmarks in defining our policies.	Yes, we conform to the required labor laws in each country. Apart from that, we continuously benchmark our policies with competition in different markets and review them as needed.	We abide by all laws of the land and are a signatory to the 10 principles of the UN Global Compact. We take into account industry best practices and global benchmarks in defining our policies.	Yes, the policy conforms to national standards pertinent to human rights.	Yes, the policy is inline with national standards.		Yes, the policy is inline with national standards.	We abide by all laws of the land and are a signatory to the 10 principles of the UN Global Compact. We take into account industry best practices and global benchmarks in defining our policies.
4	Has the policy been approved by the board? If yes, has it been signed by MD/ owner/CEO/ appropriate board director?	Yes, it has been approved by the board and/ or appropriately authorized.	Statutory policies are placed before the board for consideration and approval. All other policies are approved by CEO/MD.	Policies in India are approved by CHRO and international policies by CEO/MD. The management council (MC) and relevant stakeholders are consulted.	Statutory policies are placed before the board for consideration and approval. All other policies are approved by CEO/MD.	Policies in India are approved by CHRO and international policies by CEO/ MD. The MC and relevant stakeholders are consulted.	Yes		Yes	Statutory policies are placed before the board for consideration and approval. All other policies are approved by CEO/MD.
5	Does the company have a specified committee of the board/ director/official to oversee the implementation of the policy?	Yes	The responsibility for the implementation of policies and their review primarily lies with the respective business/function head.	All policy changes are discussed in HR leadership team meeting. The MC and relevant stakeholders are consulted before taking it for approval.	The responsibility for the implementation policies and their review of policies lies with the respective business/ function head.	The responsibility for the implementation of policies and their review primarily lies with the respective business/function head.	Yes		Yes	The responsibility for the implementation of policies and their review primarily lies with the respective business/ function head.
6	Indicate the link for the policy to be viewed online?	www.drreddys.com/ investors/governance/code-of-business-conduct-and-ethics-cobe.aspx	https://www.drreddys.com/ media/636787/dr-reddys-she-policy-board.pdf	NA	https://www.drreddys.com/ media/636787/dr-reddys-she-policy-board.pdf	www.drreddys.com/ investors/governance/code-of-business-conduct-and-ethics-cobe.aspx	https://www.drreddys.com/ media/636787/dr-reddys-she-policy-board.pdf		https://www.drreddys.com/ media/527942/corporate-social-responsibility-policy_2017.pdf	https://www.drreddys.com/ media/636787/dr-reddys-she-policy-board.pdf

TABLE 1 PRINCIPLE-WISE (AS PER NVGS) BR POLICY/POLICIES

SL. NO.	PRINCIPLE-WISE (AS PER NVGS) BR POLICY/ POLICIES	P1 ETHICS, TRANSPARENCY AND ACCOUNTABILITY	P2 PRODUCT LIFE CYCLE SUSTAINABILITY	P3 EMPLOYEE WELLBEING	P4 STAKEHOLDER ENGAGEMENT	P5 HUMAN RIGHTS	P6 ENVIRONMENT	P7 POLICY ADVOCACY	P8 EQUITABLE DEVELOPMENT	P9 CUSTOMER VALUE
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes	Employees are required to sign an undertaking, at least annually, stating that they have read the Code of Business Conduct and Ethics (COBE) and comply with the principles of the code. New employees are required to sign a similar undertaking at the time of joining. Additionally, all our policies with respect to the nine principles are available on the company's website.	Yes, all policies have been communicated to stakeholders.	Employees are required to sign an undertaking, at least annually, stating that they have read the Code of Business Conduct and Ethics (COBE) and comply with the principles of the code. New employees are required to sign a similar undertaking at the time of joining. Additionally, all our policies with respect to the nine principles are available on the company's website.	Yes	Yes	Not applicable	Yes	Employees are required to sign an undertaking, at least annually, stating that they have read the Code of Business Conduct and Ethics (COBE) and comply with the principles of the code. New employees are required to sign a similar undertaking at the time of joining. Additionally, all our policies with respect to the nine principles are available on the company's website.
8	Does the company have in-house structure to implement the policy/policies?	Yes	Yes	Yes, we have an intranet where all policies are published along with FAQs. Apart from that, we have employee communications sent out on any changes in policies.	Yes	Yes	Yes		Yes	Yes
9	Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Yes	We also have a dedicated ombudsperson policy to address all concerns related to company-level policies.	Policy grievances are handled by the respective business HR partners. We also have a common e-mail ID wherein employees can drop an e-mail with their feedback.	We also have a dedicated ombudsperson policy to address all concerns related to company-level policies.	Yes	Yes		NA	We also have a dedicated ombudsperson policy to address all concerns related to company-level policies.
10	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Yes	We comply with the nine principles broadly through the following policies: Code of Business Conduct and Ethics (COBE), SHE policy and principles, quality policy, purchase policy and HR policies. These policies are regularly reviewed by various internal and external agencies, including regulatory agencies. We also proactively follow public advocacy through various forums.	All policies are audited by the internal audit team. We also have external auditors who review HR policies/processes.	We comply with the nine principles broadly through the following policies: Code of Business Conduct and Ethics (COBE), SHE policy and principles, quality policy, purchase policy and HR policies. These policies are regularly reviewed by various internal and external agencies, including regulatory agencies. We also proactively follow public advocacy through various forums.	Yes	Yes		No	We comply with the nine principles broadly through the following policies: Code of Business Conduct and Ethics (COBE), SHE policy and principles, quality policy, purchase policy and HR policies. These policies are regularly reviewed by various internal and external agencies, including regulatory agencies. We also proactively follow public advocacy through various forums.

SECTION E
PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1

ETHICS, TRANSPARENCY AND ACCOUNTABILITY

1. **Does the policy relating to ethics, bribery and corruption cover only the company? Does it extend to the group/joint ventures/suppliers/contractors/NGOs/others?**
   Yes. The policy relating to ethics, bribery and corruption extends beyond our employees, both whole-time and independent directors and covers our wholly-owned subsidiaries. While contracts with our suppliers, contractors and business partners include adherence to our principles concerning ethics, there is a separate code of conduct required to be adhered to by our suppliers and service providers.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**
   We have a hotline for receiving concerns from whistle-blowers. The concerns received are dealt with according to our Ombudsperson policy. During the year ended 31 March 2020, we have received and resolved 165 complaints after due investigation.

PRINCIPLE 2

PRODUCTS LIFE CYCLE SUSTAINABILITY

1. **List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**
   i. Lifitegrast
   ii. Elagolix Sodium
   iii. ROXADUSTAT

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**
   i. Lifitegrast
   The innovator route to Lifitegrast involves protection and deprotection strategies that incur costs from additional reagents and waste disposal, and generally leads to increased process mass intensity. Analysis of prior art provided us an opportunity and an improved process was identified by designing around avoiding protection and deprotection steps. This allowed the manufacture of Lifitegrast with superior quality API in terms of overall purity (>99.5% purity and with <0.05% of R-isomer)

   Innovator Overall Yield
   26%

   Innovator Number of Steps
   6

   Inhouse Overall Yield
   41%

   Inhouse Number of Steps
   4

   ii. Elagolix Sodium
   We have continued to apply and embed 12 principles of green chemistry in our research and development pursuits. We identified a synthesis of Elagolix Sodium in which a different ligand than the innovator has been employed in the coupling step. This innovative step has enabled us to improve the overall yield from 16% (innovator) to 31%, and there was also a reduction in the number of steps from 10 to 8.

   Innovator Overall Yield
   16%

   Innovator Number of Steps
   10

   Inhouse Overall Yield
   31%

   Inhouse Number of Steps
   8

   iii. ROXADUSTAT
   We have continued to apply and embed 12 principles of green chemistry in our research and development pursuits. We identified a synthesis of ROXADUSTAT in which a regioselective opening of anhydride ring and Pd metal free C-C bond formation aiming to develop an innovative, greener and cost effective route [relatively less raw material cost (RMC)] to meet the business needs without compromising on the environmental considerations. In this endeavour, we have reduced the process mass intensity (PMI) substantially and quantified as given below:

   Innovator Overall Yield
   11%

   Inhouse Overall Yield
   15%

3. **Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?**
   Yes, we have a well defined and documented "supplier code of conduct" for our suppliers, wherein we ensure that our business partners are aware of the code of conduct and follow the same appropriately. The code of conduct addresses all the sustainable sourcing elements, and we have dedicated resources involved, which cater to the vision of sustainable sourcing with special emphasis on capacity building, supplier relationships, and vendor and performance management.

   Few of the initiatives have been listed below:
   - As a part of a continuous journey, our dedicated team is working for risk mitigation and alternate vendor development program. We have initiated several projects during this fiscal year, which are in various phases of implementation.
   - We have been practicing volume consolidation to avoid multiple import part container load shipments. For e.g. for import of

lactose from one of the suppliers based in The Netherlands. We have executed 15 shipments for 29 materials, hence reducing the number of shipments to 50%, thereby reducing the environmental impact due to transportation.

- Lead times and minimum order quantity (MOQ) are pre-defined in the system to ensure sea shipments with very minimal requirement of air shipments to address business exigencies leading to a reduction in the green house gases (GHG) emissions.

Ease of doing business: In order to make our suppliers comfortable while doing business with us, we have developed a dedicated portal called Vikreta Connect/Digital P2P portal, which digitizes complete procure to pay process (P2P).

Vikreta has helped in the integration of multiple systems, thereby enabling the smooth flow of the process. It serves as a one stop solution for business partners, providing them better visibility on request for quotations, purchase orders (PO), PO acknowledgement, goods receipt numbers, service entries and payment status.

Vikreta has efficient invoice management resulting in faster processing of invoices, hence there has been significant improvement in on time payments to business partners. Also, uploading digital invoices has promoted paperless transactions. Here, business partners can make advance shipment notice before executing dispatches making the operations easy. Also, we have a dedicated team which addresses suppliers' concerns regarding the usability of the portal, which is always functional to address the issues in the fastest possible manner.

Air vs Sea shipment: We have a process in place to monitor the overall air vs sea shipments to maximize the export shipments by sea, and yearly plans are laid-down (market specific targets are assigned) for shifting finished goods movement from air to sea.

There has been an increase of 10% in the share of sea shipments in the reporting period as compared to FY2019, contributing 45% in total export shipments in FY2020.

Increase in sea shipments has helped to effectively reduce our carbon emissions by 60,977 tons of CO_2e.

Furthermore, as a part of our strategy to reduce the air shipments, we have initiated clubbing of multiple batches of the injectable products in the active/passive containers that are moved by air. These containers allow the product to be maintained at required 2^0C to 8^0C temperature range during the transit. Increasing the utilization of these containers allowed us to reduce significant air shipment tonnage. To reduce transportation costs, we have been practicing multiple pickups single delivery and also single pick up multiple drops.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Yes, small scale industries form a crucial part of our supplier base. We have been making continuous efforts to encourage small vendors by helping, educating and providing them required support to build capacity and supply material to us.

Localization has helped us in better management of inventory, better compliance control and has led to significant reduction in lead time and cost saving along with reduction in carbon footprint due to reduction in transport.

Few of the initiatives taken in this direction include:

- We help local business partners to customize their existing products to meet our product requirements and thus eliminating import shipments.
- In terms of packaging material, procurement from small scale industries has been recorded to be 14.83% of total packaging material procurement.

On the packaging front, in FY2019, the import purchase was 30% of total packaging material procurement cost, which has reduced to 27% in FY2020. The 3% reduction has been contributed by the procurement of major volumes of cotton, desiccants, high density poly ethylene (HDPE) bottles and application pumps.

Increase in sea shipments has helped to effectively reduce our carbon emissions by 60,977 tons of CO_2e.

5. **Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycled products and waste?**
We ambitiously took a target to go for zero solid waste to landfill by the end of 2020. For the same, we have taken various initiatives to reuse/recycle the waste.

Total 17,586* tons of hazardous waste was generated during the reporting period. Out of the total hazardous waste generated, 78% of the waste was sent to cement industries for co-processing thereby eliminating offsite incineration. Almost 21.3% waste was sent for recycling.

Thus, 99.3% of hazardous waste was co-processed and recycled. Our API facilities have already achieved zero solid waste to landfill.

PRINCIPLE 3

EMPLOYEE WELLBEING

1. **Please indicate the total number of employees.**
21,650

2. **Please indicate the total number of employees hired on temporary/contractual/casual basis.**
962

3. **Please indicate the number of permanent women employees.**
3,993

4. **Please indicate the number of permanent employees with disabilities.**
45 in India

5. **Do you have an employee association that is recognized by management?**
Yes

6. **What percentage of your permanent employees is members of this recognized employee association?**
4.4%

7. **Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.**
Table 2 provides the details.

8. **What percentage of your employees were given safety & skill up-gradation training in the last year?**
We have trained 4,705 employees for skill up-gradation. 9,408 employees underwent safety refresher training program.

PRINCIPLE 4

STAKEHOLDER ENGAGEMENT

1. **Has the company mapped its internal and external stakeholders?**
Yes, we have mapped our internal and external stakeholders.

2. **Out of the above, has the company identified the disadvantaged, vulnerable and marginalized stakeholders?**
Yes, we have identified disadvantaged, vulnerable and marginalized stakeholders.

3. **Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders?**
We believe businesses must strengthen capabilities to fulfil stakeholder aspirations through greater engagement. We build lasting bonds with all our stakeholders, internal and external, through meaningful deliberations. This process helps us review our actions, rethink our roadmap, redress grievances and recognize new avenues of growth.

We have identified clusters of stakeholders who are directly and indirectly affected by our operations, and have developed targeted engagement mechanisms for each cluster. **Table 3** details our engagement platforms for each stakeholder group.

TABLE 2

SL. NO.	CATEGORY	NO. OF COMPLAINTS FILED DURING THE FINANCIAL YEAR	NO. OF COMPLAINTS PENDING AS ON END OF THE FINANCIAL YEAR
1	Child labor/forced labor/involuntary labor	0	0
2	Sexual harassment	20	1
3	Discriminatory employment	0	0

* Data pertains to India operations

PRINCIPLE 5

HUMAN RIGHTS

1. Does the policy of the company on human rights cover only the company or extend to the group/joint ventures/suppliers/ contractors/NGOs/others?

At present, our policy is extended to the group, our suppliers, contractors and NGOs.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

We did not receive any complaints in the last financial year.

PRINCIPLE 6

ENVIRONMENT

1. Does the policy related to Principle 6 cover only the company or extends to the group/joint ventures/suppliers/ contractors/NGO/others?

We have a well defined Safety, Health and Environmental policy and principles in place to motivate our employees to minimise our environmental impacts. The policy and principles are also communicated to all our stakeholders and ensure that they are in compliance with the policy.

2. Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.?

We are a responsible corporate committed towards managing climate change both within and beyond our sphere of influence.

Yes, we have internal commitments to address climate change and global warming.

Through carbon disclosure project (CDP), we publicly disclose our carbon footprint to all the stakeholders at regular intervals. In CDP 2019, we have achieved a "C" score band in climate change. We are also participating on behalf of our key customers in the CDP-SC (Supply chain) disclosure and we have achieved a "B" score band for the same in CDP 2019.

CDP India Annual Report 2019: https://6fefcbb86e61af1b2fc4-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/ 000/004/862/original/CDP_India_Report_2019.pdf?1584010372

We are also disclosing our water footprint through CDP's water disclosure. In CDP 2019, we have achieved "B-" score band in it.

We publicly report on our environmental performance through our sustainability report. Please refer to page no: 40 to 53 of our sustainability report 2018-19 where we have mentioned details regarding the environmental initiatives taken at our units.

Our sustainability report 2018-19 can be accessed at: https://www.drreddys.com/our-citizenship/sustainability/

3. Does the company identify and assess potential environmental risks?

Yes, we identify and assess potential environmental risks and mitigate these risks through enterprise risk management (ERM) initiative.

The environmental risks as identified are reviewed by the risk management committee of the board on a periodic basis.

4. Does the company have any project related to clean development mechanism? Also, if yes, whether any environment compliance report is filed?

No, we have not filed any project under clean development mechanism. However, we have implemented 182 energy conservation projects across various business units in FY2020 and accrued savings of ₹ 196 million, thus eliminating GHG emission.

TABLE 3

KEY STAKEHOLDERS	ENGAGEMENT PLATFORMS
EMPLOYEES	
The driving forces of the organisation, our employees deserve a safe, inclusive and empowering workplace with the freedom to act, innovate and grow not just as professionals but also individuals.	Organisation health index I Inhouse publications I Intranet I Internal networking platform I MD/CEO communication I 360 degree feedback I Celebrations I Training programs I Health page
INVESTORS AND SHAREHOLDERS	
Our investors and shareholders put trust and financial capital in the organisation and expect a steady return on their investments.	Analyst meets I Quarterly results I Annual reports I Sustainability reports I Earning calls I E-mail communication I Official news releases and presentations
SOCIETY	
Communities across the world, especially the economically weaker sections of the society, whose lives are impacted by our social contributions. Healthcare professionals who rely on today's products and tomorrow's innovations.	Through partners like Dr. Reddy's Foundation, CSIM, NICE Foundation and local NGO partners and employee volunteering program Dr. Reddy's Foundation for Health and Education (DRFHE) Inner circle - Relationship building programs I Abhilasha - Nursing efficiency program I Sarathi - Doctor's assistant program I Sanjeevani – Pharmacists program I Awareness for Life & Swasthyagraha – Awareness programs for public and employees I Manthan & Mantra - Senior Doctors programs I Quality in Healthcare - Healthcare professional programs
CUSTOMERS AND PARTNERS	
Insurers, vendors, suppliers, distributors, Government, regulators and business partners who support various aspects of our operations.	Customers: Customer satisfaction survey, regular business meetings Business partners - Vendors: Vendor meets, strategic business partner training and development

5. **Has the company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc.?**
   Yes, we as a responsible corporate have undertaken many energy conservation initiatives. In FY2020, we have implemented 182 energy conservations projects across various business units and accrued savings of ₹ 196 million.

   The share of renewable energy in our total energy consumption has also increased. Solar energy consumption for FY2020 is around 65.96 million kwh, thereby we have avoided carbon emission by 54,084 tons of CO_2e. We have also generated 127.15 TJ of energy using biomass/rice husk briquettes, thus eliminating GHG emission by 12,997 tons of CO_2e.

6. **Are the emissions/waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**
   Yes, air emissions and waste generated by us are within the permissible limits prescribed by environmental regulators.

7. **Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.**
   All the notices that we have received during FY2020 are addressed and closed as on end of the year.

PRINCIPLE 7

POLICY ADVOCACY

1. **Is your company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with:**
   - The Confederation of Indian Industry (CII)
   - Indian Pharmaceutical Alliance (IPA)
   - Indian Drug Manufacturers' Association (IDMA)
   - Bulk Drug Manufacturers Association (BDMA)
   - Federation of Indian Chambers of Commerce and Industry (FICCI)

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good?**
   We have advocated for economic reforms through these associations.

PRINCIPLE 8

EQUITABLE DEVELOPMENT

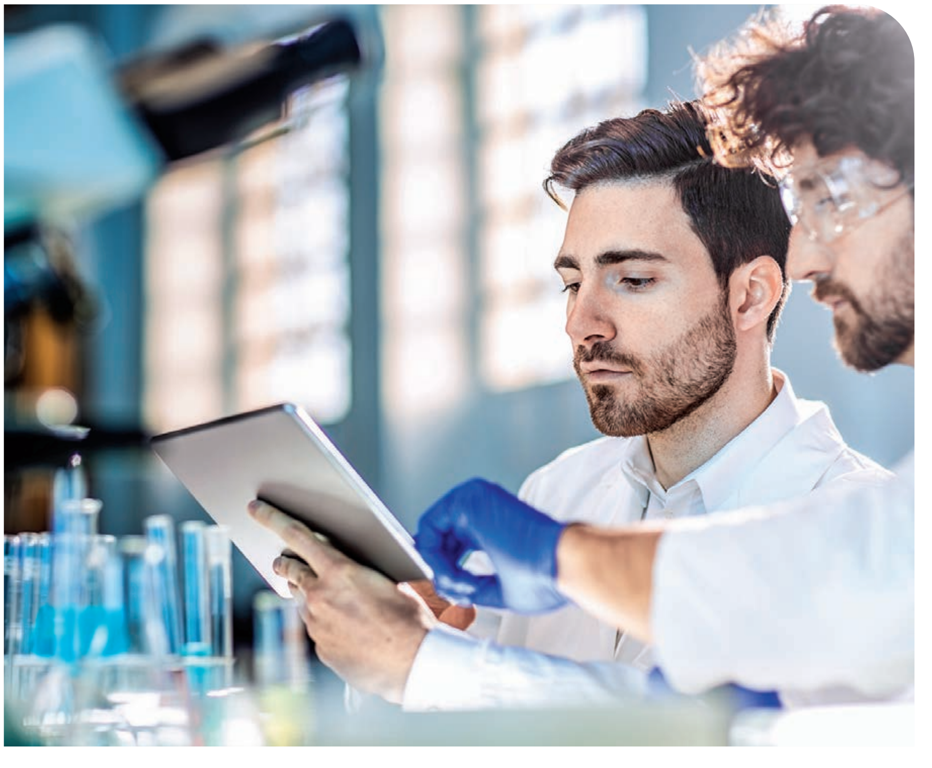
1. **Does the company have specified programs/initiatives/projects in pursuit of the policy related to Principle 8?**
   We are focusing on specific CSR initiatives that support social development. The implementation of these programs is carried out through various partner organizations. We work primarily in the areas of education, livelihood and health. The key programs are described below:

> **The environmental risks as identified are reviewed by the risk management committee of the board on a periodic basis.**

Education

Our education initiatives focus on enhancing the quality of education.

- Pudami neighborhood schools and English primaries aim to make available quality english medium education to children from underprivileged sections. 11 Pudami schools are educating over 5,278 students. Kallam Anji Reddy Vidyalaya (KARV), a model Pudami School caters to 2,500 students.
- Kallam Anji Reddy Vocational Junior College (KAR-VJR) was established in 2003, trains tenth class passed students in two-year vocational courses. The college offers courses such as computer science, computer graphics animation, accounting and taxation and medical lab technician. The college's strength in FY2020 was 800 students.
- School improvement program (SIP) is implemented in 229 government schools covering one lakh students, across seven districts of Andhra Pradesh and Telangana. Through SIP, we provide remedial learning, computer skills, science education through mobile science labs, basic amenities such as safe water and sanitation. SIP also provides scholarships for meritorious students to pursue higher education.



- Project Prerna, implemented in partnership with Agastya International Foundation, focuses particularly on science education. A mobile lab reaches out to schools to impart science education through science labs, reading clubs in schools, and science fairs. In FY2020, 3,003 students in 14 schools were covered through 64 mobile science lab visits. Additionally, the mobile science lab conducted five community visits covering both the children and the adults in the community.

Health initiatives

Our health initiatives include:
The community health intervention program (CHIP) covers 145 villages of Srikakulam, and Vizianagaram districts. This project was started in partnership with the NICE foundation to provide primary and preventive care at the doorstep, to a large segment of rural population that do not have access to safe and reliable healthcare in the region. In FY2020, we reached out to a population of two lakhs.

Livelihood

Our livelihood programs, implemented through Dr. Reddy's Foundation (DRF), focus on making the Indian youth employable and enhance their earning potential:

- Grow: The program particularly aims at delivering high quality skill training to youth to help them get better skills and jobs. It particularly focuses on improving 'Core Employability' skills to ensure that the youth is equipped with appropriate knowledge and skills for his/her profession-of-choice and help pursue their career. In FY2020, we impacted 520 youth.
- Grow PwD: Grow People with Disability, a skill development program, where differently abled youth are given training in market driven skills which enables them to gain a suitable employment opportunity.
- Marking integrated transformation for resourceful agriculture (MITRA): This program assists farmers with technology and methodology in farming. This program helps them enhance their income by increasing productivity. In FY2020, 1,100 lead farmers were identified and nurtured in 446 villages and impacting 19,889 fellow farmers covering 22,336 acres of crop area under different crops like food crops, cash crops and horticulture, out of which 8,087 fellow farmers adopted practices for both kharif and rabi season.

Nurturing change makers

We trained 38 budding social change agents on entrepreneurial and leadership skills through Centre for Social Initiatives and Management (CSIM) – Hyderabad.

2. **Are the programs/projects undertaken through in-house team/own foundation/external NGO/government structures/ any other organization?**
   We engage with the community through our partners such as Dr. Reddy's Foundation, Naandi Foundation, NICE Foundation, Agastya International Foundation and other similar organizations.

3. **Have you done any impact assessment of your initiative?**
   We review our internal assessment systems and projects from time to time. Each project has specific deliverables against which it is measured.

4. **What is your company's direct contribution to community development projects – Amount in ₹ and the details of the projects undertaken?**
   We contributed ₹ 275.3 million for community development.

   For details of the projects undertaken refer the projects listed in the CSR Report. Refer page no. 91.

Contribution towards community development

₹ 275.3 million

Lead farmers reached through MITRA program

1,100

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community?**

   Our community development initiatives are inclusive and designed towards sustainability. We involve gram panchayat or local government in the project development discussions.

   For the education program, we encourage the participation of parents in the school management committee (SMC) meetings, in which even local leaders participate, to instill ownership. Mandal education officer (MEO) on quarterly basis reviews the school performance. Youth participating in the vocational skills enhancing program, pay a small percentage of the course fees. For health program, local panchayat and villagers were involved right at the beginning. Villagers and local government authorities have given space for running outpatient (OP) wards and beneficiaries, i.e. the community members are given the responsibility of running the OP and patient scheduling. Patients are showing a positive attitude towards minimal contribution sought from them for rendering medical services at their doorsteps. For other community development initiatives as well, we engage the local authorities whose active involvement encourages participation and ownership from the community members.

PRINCIPLE 9

CUSTOMER VALUE

1. **What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

   As on 31 March 2020, there were 113 consumer complaints pending in India, 207 in the US and three in Russia.

2. **Does the company display product information on the product label, over and above what is mandated as per local laws?**

   Yes, for the new launches, we have complied with the labelling requirements.

3. **Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year?**

   On 18 December 2016, the Attorneys General for 19 states in the United States of America filed claims in the United States District Court for the District of Connecticut against a number of pharmaceutical companies alleging conspiracies to fix prices and to allocate bids and customers from 2013 through at least 2016, with respect to two generic drugs. Initially, our U.S. subsidiaries were not named as defendants. However, in April 2017, a total of 45 states, plus the District of Columbia and the Commonwealth of Puerto Rico, joined as plaintiff s in this case (the “State AG Action”) which in August 2017, were consolidated with the private plaintiff class actions pending in the multi-district litigation (“MDL-2724”) in the United States District Court for the Eastern District of Pennsylvania.

   On 31 October 2017, the Attorneys General for the 45 States, plus the District of Columbia and the Commonwealth of Puerto Rico, filed an Amended Complaint in the State AG Action in MDL-2724 which added our U.S. subsidiary, Dr. Reddy’s Laboratories, Inc., as a defendant. Further, on 10 May 2019, the Attorneys General of forty-nine U.S. States, the Commonwealth of Puerto Rico and the District of Columbia, filed a Complaint in the United States District Court for the District of Connecticut against twenty-one generic pharmaceutical companies (including our U.S. subsidiary) and fifteen individual defendants alleging that our U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the 116 named drugs. Our U.S. subsidiary is specifically named as a defendant with respect to five generic drugs (ciprofloxacin HCL tablets, glimepiride tablets, oxaprozin tablets, paricalcitol and tizanidine), and is named as an alleged co-conspirator on an alleged “overarching conspiracy” with respect to the other thirteen generic drugs named. We deny the claims asserted and intend to vigorously defend against the claims asserted.

4. **Did your company carry out any consumer survey/consumer satisfaction trends?**

   No

MANAGEMENT DISCUSSION AND ANALYSIS

Driven by the core philosophy of 'Good Health Can't Wait', we are committed to providing affordable and innovative medicines for healthier lives, creating healthy ecosystems and strong communities.

(1) FY2020 represents fiscal year 2019-20, from 1 April 2019 to 31 March 2020, and analogously for FY2019 and previously such labelled years.

(2) Unless otherwise stated, financial data given in this Management Discussion and Analysis is based on the company's consolidated results prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

AS AN INTEGRATED GLOBAL PHARMACEUTICAL ENTERPRISE, WE OPERATE THROUGH THREE CORE BUSINESS SEGMENTS:

Global Generics (GG), which includes branded and unbranded prescription medicine as well as over-the-counter (OTC) pharmaceutical products. It also includes the biosimilars business.

Pharmaceutical Services and Active Ingredients (PSAI), comprising Active Pharmaceutical Ingredients (APIs) and Custom Pharmaceutical Services (CPS).

Proprietary Products (PP), which is mainly composed of the differentiated formulations business, focusing on certain key medical needs.

Through our portfolio of products and services, we operate in multiple therapeutic areas. Of these, the major ones are (i) gastrointestinal, (ii) oncology, (iii) cardiovascular, (iv) pain management, (v) central nervous system (CNS), (vi) respiratory, and (vii) anti-infective.

We are present in several countries across the globe, with the key geographies being the US, Europe, India, Russia, Commonwealth of independent states (CIS) countries, China and other markets.

Continuing the momentum from the last year, FY2020 witnessed robust operational and financial performance for the company, despite pricing pressure challenges that continued in the US, in Europe, and across certain Emerging Markets. Even so, the company was able to grow across all its businesses, with a significant turnaround in Europe and healthy growth in the branded markets of India, Russia and several other emerging economies. Our North America generics and PSAI businesses also grew, albeit at a lower rate.

Our focus on cost controls, productivity improvements and on creating a leaner and more de-layered business model continued unabated from the previous year. This focus helped improve our profits. Moreover, the financial performance benefited due to depreciation of rupee against the US dollar.

'GOOD HEALTH CAN'T WAIT' TRANSLATES TO MEETING OUR FIVE PROMISES

- Bringing expensive medicines within reach
- Working with our partners to help them succeed
- Addressing unmet patient needs
- Enabling and helping our partners ensure that our medicines are available where needed
- Helping patients manage disease better

CONSOLIDATED FINANCIAL RESULTS FOR FY2020

Revenues
₹ 174.6 billion ↑13%

Gross profit
₹ 94 billion ↑13%

Gross profit margin
53.8% ↓40 bps

EBITDA
₹ 46.4 billion ↑36%

Operating profit
₹ 16 billion ↓23%

Profit before taxes (PBT)
₹ 18 billion ↓20%

Profit after taxes (PAT)
₹ 19.5 billion ↑4%

Diluted earnings per share (EPS)
₹ 117.40 ↑4%

↑ growth over previous year
↓ decline over previous year

We leveraged growth momentum across our key branded markets of India, Russia, CIS countries and some other regions.

Improvements in revenue and EBITDA in FY2020 were mainly on account of the following factors.

1. **Turnaround in the Europe generics business:** FY2020 saw a significant growth in the existing geographies as well as in the new markets in Europe. This was driven by an expansion of the base business and new product launches — coupled by the fact that a few key molecules entered the official tenders. Moreover, the temporary supply disruptions that we witnessed last year were resolved in the course of FY2020.

2. **Continued growth in the branded generics markets:** We leveraged growth momentum across our key branded markets of India, Russia, CIS countries and some other regions. Such growth was due to improved base business in these markets and launch of new products.

3. **Moving ahead on our journey of cost control:** We continued making good progress on the journey that began last year to trim cost structures through enhanced productivity and elimination of waste across our businesses. The initiatives that were put in place to drive cost efficiencies and productivity improvement across manufacturing, procurement, R&D expenditures and marketing spends, played a significant part in improving the financial performance of the company.

4. **Streamlining our operations towards a leaner business model:** Continuing with our strategy of achieving self-sustainability across each of our businesses, streamlining and optimizing global cost structures to create profitable growth for the company, we sold the US and selected territory rights of our commercialized neurology products of the Proprietary Products (PP) business. Profit was, however, impacted due to impairment charge taken on certain product intangibles, which will be discussed later.

A SNAPSHOT OF PERFORMANCE

GLOBAL GENERICS (GG)

- **Revenue from GG in FY2020 was ₹ 138.1 billion**, which represented an increase of 12% compared to the previous year. This growth was largely attributable to impressive performances witnessed in Europe, Emerging Markets and India.
- **Revenue from North America generics (NAG) was ₹ 64.7 billion**, with a growth of 8% versus FY2019. This growth was supported by the launch of 27 new products, including four re-launches during the year - the major ones being Daptomycin, Carboprost Tromethamine and Phytonadione (Vitamin K). It should, however, be noted that while there was a healthy growth in the sales volumes of our existing products, this was offset by significant pricing pressures on some of our key products, such as Buprenorphine and Naloxone sublingual films, Metoprolol and Decitabine Injection.
- **In FY2020, we filed eight new Abbreviated New Drug Applications (ANDAs) with the USFDA**. As on 31 March 2020, the company had 99 generic filings pending approval from the USFDA — comprising 97 ANDAs and two New Drug Applications (NDAs) filed under the Section 505(b)(2) route of the US Federal Food, Drug and Cosmetic Act. Of the 97 ANDAs, 54 are Para IV applications, and we believe 30 of these have 'First to File' status.
- **Revenue from Europe was ₹ 11.7 billion**, representing a growth of 49% versus FY2019. This was primarily due to expansion of the base business, new product launches coupled with a few key molecules entering tenders, and resolution of the temporary supply disruptions that were witnessed last year. Growth was also aided by the scaling up of our businesses in the new markets of Italy, Spain and France.
- **Revenue from Emerging Markets was ₹ 32.8 billion**, with a growth of 14% compared to FY2019. This was largely on account of improvement in our base business performance, new product launches and further scaling up of business in some of our new markets.
  - **Revenue from Russia was ₹ 16.9 billion**, representing a year-on-year growth of 10%.
  - **Revenue from other CIS countries and Romania was ₹ 6.5 billion**, or an annual growth of 23%.
  - **Revenue from Rest of the world (RoW) territories was ₹ 9.4 billion**, or a year-on-year growth of 13%.
- **Revenue from India was ₹ 28.9 billion**, which represented a growth of 11% compared to FY2019. This was attributable to an increase in both sales volume and price of our existing products, along with additional revenues from the launch of new products. During FY2020, we launched 21 new brands in India. We also entered the nutrition segment with the launch of our diabetes nutrition drink 'Celevida'.

PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS (PSAI)

- **Revenues from PSAI stood at ₹ 25.7 billion**, or a growth of 7% versus FY2019. During the year, we filed 98 drug master files (DMFs) worldwide, including 10 filings in the US.

PROPRIETARY PRODUCTS (PP)

- **Revenue from PP was ₹ 7.9 billion**. This translated to a growth of 67%. During the year, we sold our US and select territorial rights for ZEMBRACE® SYMTOUCH® (sumatriptan injection) 3 mg and TOSYMRA™ (sumatriptan nasal spray) 10 mg, belonging to our neurology franchise.

GLOBAL PHARMACEUTICAL MARKET OUTLOOK[1]

The global pharmaceutical industry has seen an increased use of medicines over the past decade — where the rate of growth of medicine usage has outpaced both population and economic growth. This expansion has been largely on account of the pharmerging markets.

However, the pace of expansion slowed down somewhat in the latter half of the decade, partly due to the decline and stagnation in economic growth in some of the countries, coupled with changes in spending dynamics of consumers.

Revenue from GG in FY2020

₹ 138.1 billion

[1] *The outlook and the key trends discussed in this section are primarily from 'Global Medicine Spending and Usage Trends Outlook to 2024' and 'The Impact of the COVID-19 Pandemic on Global Pharmaceutical Growth' by IQVIA Institute; 'US Pharma Outlook: Ten Trends to look out for in 2020' by CPhI North America; growth data by IMF and from various other publicly available sources.*

Specialty medicines contribution to global spending by 2024

40%

As per the recent IQVIA report, global spending on medicines is expected to surpass US$1.1 trillion by 2024. This can be attributed to the increasing reach of medicines, aided by innovative and specialty offerings bringing newer brands to the market.

Equally, however, overall industry growth is expected to moderate to below 5% by 2024, owing primarily to the slower growth in developed markets, offsetting the 5%-8% growth expected in the pharmerging markets.

Specialty medicines currently contribute to 36% of global spending and this share is expected to go up to 40% by 2024. This growth is, and will be, coming from niche areas such as oncology and orphan drugs.

While consumer spend on specialty products in developed markets is expected to reach 52% of total pharmaceutical expenditure in 2024 from 44% currently, such spending in pharmerging markets is expected to be flat. This would be largely due to high out-of-pocket expenses and delays in marketing of specialty medicines relative to developed markets — often on account of slower adoption rate of such medicines in the pharmerging markets.

While continuing to remain positive, the rate of growth in pharmaceutical spends has seen a steady decrease over the past few years. This has been on account of tighter price controls and the increasing loss of exclusivity by brands, which are being offset by new medicines launched in the market.

New product growth is projected to contribute US$165 billion over the next five years, with around 270 new molecular entities expected to be approved, compared to 236 approved in the last five years. However, declining price, especially in the US, and continued, albeit slower, expansion of older products may offset the gains made from new products.

Over the past few years, there has been an increasing trend across pharmaceutical companies to outsource discovery, development and manufacturing of new products, thus saving capital costs and gaining access to capacity and specialty capabilities which are not routinely available in-house. In this context, contract development and manufacturing organizations (CDMOs) have been providing niche services such as product development and characterization, manufacturing of clinical and commercial APIs and drug products, along with a range of ancillary services including but not limited to clinical, logistical, distribution and regulatory support.

There seems to be a strong correlation between a company's size and its likelihood of outsourcing to one or more CDMO — as larger pharmaceutical enterprises are developing alternate sources for supplying APIs for their critical products to ensure minimum supply disruptions.

We foresee strong growth for CDMOs in the coming years on the back of continued growth in the pharmaceutical industry and companies striving to reduce their fixed costs through outsourcing their manufacturing activities. On their part, CDMOs are expected to make additional investments to boost their capacities and capabilities in anticipation of future business.

With a renewed global focus on (i) cost and process optimization for manufacturing and distribution functions; (ii) disruptive technologies revolutionizing almost every aspect of reaching patients; and (iii) Artificial intelligence (AI) and machine learning promising to provide efficient solutions for utilizing and deriving value out vast swathes of data, given below are some key trends that we expect to emerge.

- *Transforming manufacturing through continuous processing*: With increasing focus on bringing economies of scale in manufacturing, more and more companies are investing in continuous processes and flow chemistry, as distinct from the erstwhile batch processing techniques. Most global pharmaceutical companies believe that long-term sustainability lies in continuous manufacturing operations. Innovation in new technologies is enabling manufacturers to reduce usage of raw material, automate process development studies and calibration, and help with micro-dosages and containment. The reduced volumes of raw materials that can be used in flow chemistry versus batch processing results in enhanced safety and better economies of scale with lower variable costs.
- *Drug pricing reforms and consolidation of generic players in the US*: With the presidential elections approaching in 2020, healthcare reforms remain a key policy agenda. As a part of this, several legislative proposals to lower prescription drug prices have been initiated. These include linking of drug prices in the US to international drug pricing, imposing penalties on manufacturers not participating in the drug pricing negotiations with the government, and proposals to establish a federal agency to oversee drug pricing in the US. These pricing pressures have also led to an increasing trend of consolidation among the US generic players.
- *Increase in supply chain security through advances in serialization*: Under the Drug Supply Chain Security Act (DSCSA), 2013, manufacturers and packagers must enable the tracing of prescription drugs through the entire pharmaceutical supply chain by placing a unique product identifier on certain prescription drug packages. The objective is to protect consumers from exposure to counterfeit, stolen, contaminated, or otherwise harmful drugs. With the timelines of the act drawing near, serialization will be a major focus area for pharmaceutical manufacturers and packagers.
- *Increased scrutiny of drug manufacturing quality*: A key development over the last two years is the increased scrutiny by the USFDA and the European Medicines Agency (EMA) on account of the detection of nitrosamine (NDMA) impurities in certain APIs. NDMA is a probable human carcinogen, and low levels of NDMA are commonly

Most global pharmaceutical companies believe that long-term sustainability lies in continuous manufacturing operations.

AI has been generating significant interest in clinical trials to increase efficiency and ensure better outcomes — thereby making the trial results more reliable and less biased.

ingested through food and water — levels that are not expected to lead to an increase in the risk of cancer. However, sustained higher levels of exposure may increase the risk of cancer in humans. The impurity was detected mostly in the 'Sartan' family of drugs and also in Ranitidine. Later last year, the USFDA also began investigating the potential of NDMA impurities in the anti-diabetes drug Metformin. It is expected that such scrutiny will expand to other formulations as well and, in the process, redefine raw material sourcing, processing conditions and impurity testing parameters for APIs.

- *Increasing use of Artificial intelligence (AI) for improving clinical trial results*: AI has been generating significant interest in clinical trials to increase efficiency and ensure better outcomes — thereby making the trial results more reliable and less biased. Human clinical trials have been time-consuming, expensive and risky. In this milieu, AI is being leveraged to optimize the use of the data available to generate insight about patients and their clinical journey to effectively and rapidly identify the candidates for trial.

THE COVID-19 PANDEMIC AND ITS POTENTIAL IMPACT ON THE PHARMACEUTICAL INDUSTRY

The novel coronavirus (COVID-19) outbreak originated in the commercial center of Wuhan, the capital of Hubei Province in China in December 2019, and then spread across the world. On 11 March 2020, after it had infected citizens of several countries around the world, the World Health Organization (WHO) belatedly declared it a global pandemic.

COVID-19 has rapidly spread to over 200 countries and regions. As on 31 May 2020, it infected almost 6.2 million people worldwide (confirmed infections), and claimed over 370,000 lives. Its spread continues unabated across developed and developing nations alike. It has stretched the healthcare infrastructure of even the most developed nations to almost breaking point, and is expected to cause economic repercussions of the kind not seen since the Great Depression of the 1930s.

Table 1 gives the latest growth forecasts of the International Monetary Fund (IMF) for 2020.

As of now, there is no approved treatment or vaccine for COVID-19. Till such a treatment comes into being — and is made available across the world at an affordable price — the impact on the global and Indian pharmaceutical industry is expected to be significant. Given below are a few key trends that are being anticipated.

- *Lower spend on medicines in countries, thanks to the sharp economic downturn*: As **Table 1** shows, the slump will be severe. This will adversely affect all sectors of the economy, most income earners and government finances.

TABLE 1 HOW GDP GROWTH IS EXPECTED TO CRASH

	GDP GROWTH (%)		THE COVID FALL
	2019	2020	
World	2.9	-3.0	-5.9
Advanced Economies	1.7	-6.1	-7.8
USA	2.3	-5.9	-8.2
Euro Area	1.2	-7.5	-8.7
UK	1.4	-6.5	-7.9
Emerging Markets	3.7	-1.0	-4.7
China	6.1	1.2	-4.9
India*	5.0	-0.5	-5.5
Latin America	0.1	-5.2	-5.3
Brazil	1.1	-5.3	-6.4
Russia	1.3	-5.5	-6.8
South Africa	0.2	-5.8	-6.0

Source: IMF, World Economic Outlook: The Great Lockdown (April 2020).
** Estimates for India are based on those put out by Goldman Sachs, JP Morgan and Credit Suisse.*

In that scenario, there could be adverse impacts on pharmaceutical demand, where increased unemployment and lower disposable income ought to negatively affect consumer spending on healthcare and medicines. Only in some developed markets, where social security measures have helped to relatively insulate healthcare spending from downturns, could one see a limited impact.

- *Impact on APIs and generics players with their over-dependence on China*: Over the past few decades, India has emerged as a global hub of pharmaceutical products. However, the biggest risk for the industry has been its excess dependence on China for intermediates and APIs. Any significant disruption of this supply chain would lead to a rise in input costs and trigger global price increases for the affected products, especially generics.
The need for internalization of intermediates and APIs has been long felt by some leading Indian generics companies. Supply chain disruptions of China's API production due to the COVID-19 pandemic have further heightened the need for backward integration of major products.
We expect this to be a significant opportunity for Indian pharmaceutical companies to establish themselves as end-to-end manufacturers in the pharma supply chain.
- *Increased spending on preventive healthcare and for public health emergencies*: Ever since the COVID-19 outbreak, intensive campaigns targeted at personal hygiene have been initiated to prevent its transmission. Similarly, most countries have been found wanting an adequate healthcare infrastructure to deal with such a pandemic. With governments having to face the importance of preventive healthcare and adequate public health infrastructure, we expect that the spending on these will increase significantly in the short to medium term.
- *Short term delays in treatment of other medical ailments*: With the treatment of COVID-19 patients taking precedence, that of other medical ailments has taken a back-seat. In most cases,

Over the past few decades, India has emerged as a global hub of pharmaceutical products.

the Government ordered lockdowns have significantly reduced footfalls in hospitals and clinics. Patients with other ailments are also reluctant to visit doctors and hospitals for the fear of contracting COVID-19. Besides, to manage limited available capacity, most hospitals are de-prioritizing admission of non COVID-19 cases for surgeries and other treatments. While there has been some use of technology through tele-consultations to address the needs of non COVID-19 patients, this has at best been marginal. In the short term, delays in the treatment of non COVID-19 patients can result in worsening health conditions, as well as in reduced demand for many pharmaceutical products especially in hospitals.

- *Increased demand for over the counter (OTC) medicines to mitigate COVID-19 symptoms*: After the pandemic outbreak, there has been a significant upsurge in panic-buying of OTC medicines relating to immunity enhancement, vitamins, analgesics and flu and anti-infective medication. This stockpiling is expected to continue in the short term resulting in short term demand surges of OTC drugs.
- *Reduced in-person interactions between medical representatives and doctors*: In-person interactions between medical representatives and doctors as well as pharmacists increase product awareness and promote pharmaceutical sales. Such interaction has fallen significantly in most countries after COVID-19 due to government lockdowns as well as restrictions by hospitals and doctors themselves to avoid the spread of infection. Although remote/online interactions have taken precedence, the absence of an in-person interface may lead to a negative impact on pharmaceutical sales.
- *Relative de-prioritization of innovation*: With some pharmaceutical companies now more concentrated towards developing medication for the treatment of COVID-19, the broader focus on R&D and launch of new products is expected to get de-prioritized and postponed. In addition, while some manufacturers are proceeding normally with respect to the development of life saving drugs, delays in regulatory approvals due to insufficient personnel and modifications in policies are expected to have an impact on new product launches in the short term.

Revenue from NAG in FY2020

₹ 64.7 billion

- *Impact on medical tourism due to travel restrictions*: With most of the countries closing their borders and enforcing travel restrictions, revenues from medical tourism is expected to see a significant dip in 2020. This would reduce the consumption of pharmaceutical products across hospitals and other pharma outlets, impacting revenues.

OUR MARKET PERFORMANCE, FY2020

NORTH AMERICA GENERICS (NAG)

NAG is our largest market. In FY2020, it contributed to around 47% of the company's GG sales, and 37% of overall sales.

Revenue from the region for FY2020 was ₹ 64.7 billion (US$ 910 million), representing a growth of 8% over the previous year. Even so, the year continued to see significant price erosion due to increased competition across some major products. However, this impact was to a great extent offset by an increase in volumes for some of our base products, and contribution from new product launches — the important ones being Daptomycin, Carboprost Tromethamine and Phytonadione (Vitamin K). Growth was further aided by the strengthening of the US dollar against the Indian rupee. Some key developments were:

- Launched Daptomycin for Injection, a therapeutically equivalent generic version of Cubicin® for Injection, used in the treatment of systemic and life-threatening bacterial infections.
- Launched Carboprost Tromethamine Injection, a therapeutically equivalent generic version of Hemabate® injection, used in cases of an obstetrical emergency of postpartum hemorrhage.
- Launched Phytonadione Injectable Emulsion, a therapeutically equivalent generic version of Vitamin K1, used to treat and prevent unusual bleeding by increasing the body's production of blood clotting factors.
- Gained significant market share in certain key products such as Buprenorphine and Naloxone sublingual film and Metoprolol.
- Filed eight new ANDAs, which comprise some complex products and are across different dosage forms.

Our current priority includes accelerating new product launches and increasing the market share of existing products. The strategy is to significantly expand our portfolio and ensure the right cost structures for our products to be able to compete in this highly competitive market.

We will continue to focus on complex formulations — primarily injectables and oral solid dosage forms — as well as OTC brands in the medium term, and 505(b)(2) generics, controlled substances under class II, and non-substitutable generics in the longer term.

EMERGING MARKETS

Revenue from Emerging Markets for FY2020 was ₹ 32.8 billion, representing a growth of 14% compared to the previous year. This significant growth has been on account of increased revenues from our base business, new product launches and scaling up of business in new markets.

Revenue from Russia for FY2020 was ₹ 16.9 billion, representing a 10% growth over the previous year. The growth was 9% in terms of the local currency (ruble).

In Russia, our key products — such as Nise, Omez, Nasivin, Femibion and Ibuclin were ranked among the top 200 best-selling formulation brands, as per IQVIA in its report for the 12-month period ended 31 March 2020.

Revenue from CIS countries (including Romania) was ₹ 6.5 billion, representing a 23% increase over the previous year. The growth was led by Ukraine through an increase in the sale of existing products, new product launches and a favorable currency, and supported by growth in Belarus due to new product launches.

In the current fiscal, we emerged as one of the winners for the supply of Olanzapine in the centralized drug procurement tender in China. We were the first Indian company to win a national tender in China.

Revenue from Emerging Markets in FY2020

₹ 32.8 billion

Revenue from our Rest of the world markets (which includes Brazil, China, South Africa, and certain other markets) was ₹ 9.4 billion, representing 13% growth over the previous year. This growth was primarily led by scaling up in the new markets such as Brazil, Columbia, Turkey, Chile and Malaysia.

Our focus is to improve market share in the chosen therapy areas through growth in the existing products as well as new product launches.

Our strategy for the Emerging Markets is to build a healthy portfolio pipeline, including expansion of biosimilars and oncology products. We will focus on scaling up in our major markets, which include Russia, China, Brazil, South Africa and Ukraine.

EUROPE

Revenue from Europe in FY2020 was ₹ 11.7 billion, representing a growth of 49% vis-a-vis the previous year. This was due to increased revenues in our base markets of Germany and the UK, and was aided by expansion in the new markets of Italy, France and Spain. The increase in revenues was propelled by high volume growth and improvement in supplies, as well as new product launches across all our markets.

Currently, Europe comprises 8% of the company's global generics sales. In the medium to long-term, we expect it to grow by leveraging our in-house portfolio, seeking in-licensing opportunities, and further scaling up business in the three new markets.

INDIA

Revenue from India in FY2020 was ₹ 28.9 billion, representing a growth of 11% compared to the previous year. According to the IQVIA in its report for the 12-month period ended 31 March 2020, our growth has been 11.4% versus a market growth of 10.8%. Our market rank as per MAT (March 2020) remains at 13, same as that of last year. Growth in this market has been on account of improvement in the base business performance led by an increase in volumes and price in certain products as well as launch of new products.

During the year, we launched 21 brands in India, including Versavo (the sixth bio-similar from our internal pipeline) and Celevida (our first offering, marking our foray into the nutritional segment), which aided growth.

Our strategy for the Emerging Markets is to build a healthy portfolio pipeline, including expansion of biosimilars and oncology products.

Eight of our brands (Omez, Omez D, Atarax, Econorm, Nise, Razo D, Stamlo & Ketorol) are in the top 300 brands of the Indian pharmaceuticals market (IPM).

In the near term, we will continue to drive productivity improvement and focus on our core therapeutic areas and big brands. In the medium to long-term, our strategy is to build a healthy pipeline of differentiated products in relevant therapies including biosimilars, and expand our presence in new areas such as nutraceuticals.

PSAI

The PSAI business recorded revenues of ₹ 25.7 billion in FY2020, representing a 7% growth over the previous year. In FY2020, we filed 98 DMFs globally, of which 10 were in the US.

This business primarily comprises of APIs and pharmaceutical services. We believe that the recent market developments present us with a good opportunity to expand our API business. We are also focusing on increasing our services business and expect it to be a growth driver.

Our strategy of building a sustainable and growing business involves new product launches and ramping up of base businesses in key geographies. We will also leverage our relationships with key customers by supplying materials that have value addition instead of being 'plain-vanilla' APIs. We aim to be a partner of choice for global generics manufacturers and achieve global leadership through costs and service.

PROPRIETARY PRODUCTS (PP)

The PP business recorded revenue of ₹ 7.9 billion in FY2020, with a growth of 67%. During the current year, we sold the US and select other territorial rights for two of our neurology brands — ZEMBRACE® SMYTOUCH® (sumatriptan injection 3mg) and TOSYMRA™ (sumatriptan nasal spray 10mg). Currently, we do not directly sell any product under this business.

Going forward, our strategy is to focus on advancing the development of the two in-licensed assets — E7777 and PPN-06 — in addition to the in-house pipeline in a well calibrated manner which strives to achieve an optimal balance between risks and costs.

We will focus more on addressing larger unmet needs and bringing a highly selective and focused innovative approach through global development, versus incremental improvement. This should enable the PP business to offer a meaningful presence in the market place. At an overall level, this aligns well with our renewed strategy to enable us to achieve self-sustainability and profitable growth across each of our businesses.

USFDA OBSERVATIONS: AN UPDATE

It may be recalled that the USFDA had issued a warning letter dated 5 November 2015 relating to good manufacturing practice (cGMP) deviations at our API manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as at our oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh.

The contents of the warning letter emanated from Form 483 observations that followed inspections of these three sites by the USFDA in November 2014, January 2015 and February-March 2015, respectively.

Pending resolution of the issues identified in the warning letter, the USFDA withheld approval of new products from these facilities.

After receiving the warning letter, we promptly instituted corrective and preventive actions and submitted a comprehensive response to the USFDA, followed by periodic written updates and in-person meetings. Moreover, to minimize the business impact, we transferred certain key products to alternate manufacturing facilities.

Revenue from India in FY2020

₹ 28.9 billion

The USFDA subsequently re-inspected these facilities between February and April 2017. The outcomes of these inspections were as follows:

- *API facility at Miryalaguda*: The USFDA raised three observations in the areas of older methods of validation, improvements in instrument calibration and adherence to the United States Pharmacopeia (USP) test methods.
- *API facility at Srikakulam*: Here, the USFDA raised two observations in (i) high-performance liquid chromatography (HPLC) maintenance, and (ii) the management of soft copies of chromatograms.
- *Oncology formulation facility at Duvvada*: The USFDA raised 13 observations relating to investigations, batch production records, document controls, general computer systems and environmental monitoring.

Global corrective actions, as well as some specific actions, were further implemented. In addition, a detailed response was submitted to the USFDA, which included root cause, corrective actions and preventive actions and impact assessment.

The current status for these sites is as follows:

- *API facility at Miryalaguda*: In June 2017, the USFDA issued an establishment inspection report (EIR) indicating successful closure of the audit of this facility. This plant was again re-inspected in March 2020; and subsequently, in April 2020 we received an EIR indicating closure of the audit.
- *API facility at Srikakulam*: In February 2018, the USFDA issued an EIR for this facility indicating that its inspection status remains unchanged, and we were asked to carry out certain detailed investigations and analyses. In response, we submitted the results of such investigations in October 2018. As part of the review of the response by the USFDA, certain additional follow-on queries were received by us. We responded to all queries in January 2019. In February 2019, the USFDA requested answers to three follow-up questions to us; and we responded in March 2019. In January 2020, the USFDA again audited this plant and a Form 483 was issued with five observations. In May 2020, based on our responses and actions taken, the USFDA issued an EIR indicating closure of the audit, and the inspection classification of this facility was determined as 'voluntary action indicated' (VAI).
- *Oncology formulation facility at Duvvada*: In June 2018, the company requested the USFDA to schedule a re-inspection of the oncology formulation manufacturing facility at Duvvada. In October 2018, the re-inspection was completed and the USFDA issued Form 483 with eight observations. We responded to these on 20 November 2018. Subsequently, in February 2019, the USFDA issued an EIR indicating the successful closure of the audit of this facility. This plant was again re-inspected in June 2019 and August 2019 and subsequently, we received EIR's for these inspections in September 2019 and February 2020, indicating closure of the audits.

Thus, there have been satisfactory audit closures in all the three facilities.

We remain fully committed to following high standards of quality and to strive towards further strengthening of our quality management systems and processes for sustainability. Our plans to enhance quality management systems and operations include improvements in rigor of investigations and document control systems, standardization of instrument calibrations, strengthening controls with respect to information technology as well as shop floor training programs, and simplifying and standardizing standard operating procedures and batch records on the shop floor.

The company has initiated additional operational improvements such as shop floor supervision and process walks, engineering, implementation of electronic batch records to eliminate manual errors — all with a focus on robustness of processes. We are fully committed to safe and efficacious products for our patients.

FINANCIALS

Table 2 gives the abridged IFRS consolidated revenue performance for FY2020 compared to FY2019. **Table 3** gives the consolidated income statement.

REVENUE

Total revenue grew by 13% to ₹ 174,600 million in FY2020. The growth was primarily aided by an increase in volume and new product launches across our businesses and benefits due to depreciation of rupee against the US dollar, partially offset by price erosion in our GG segment's North America (the US and Canada), Europe and some other Emerging Markets. Growth was also aided by the sale of the US and select territorial rights for two of our neurology brands in the PP segment.

We remain fully committed to following high standards of quality and to strive towards further strengthening of our quality management systems and processes for sustainability.

GROSS PROFIT

Gross profit increased by 13% to ₹ 94,009 million in FY2020. This resulted in a gross profit margin of 53.8% in FY2020 – representing a decrease of 40 basis points compared to FY2019. The gross profit margin for GG was 56.8%. The GG gross profit margin was largely impacted by price erosion in the US and Europe, which was partly offset by new product launches with higher margins, cost optimization initiatives taken by the company, and the depreciation of the rupee against the US dollar. For the PSAI business, the gross profit margin was 24%. PSAI's gross profit margin declined primarily on account of the product mix.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

SG&A expenses increased by 3% to ₹ 50,129 million in FY2020. This was largely attributable to an increase in personnel costs, primarily on account of annual increments, freight outward costs due to increase in volumes, and increases pertaining to depreciation of rupee. These increases were offset by significant efforts and continued focus on cost optimization. *SG&A accounted for 28.7% of sales in FY2020 versus 31.6% in FY2019 — or an improvement of 290 basis points over last year.*

R&D EXPENSES

R&D expenses for FY2020 were ₹ 15,410 million, or 8.8% of revenue, versus 10.1% in FY2019. The absolute and proportional decrease in R&D spends were in line with the productivity improvement measures undertaken by the company, including cost optimization, productivity gains and prioritization of projects. These have been executed in a manner that does not impinge on building the pipeline of complex generics, biosimilars and differentiated products.

IMPAIRMENT OF INTANGIBLES

In FY2020, there has been an impairment charge of ₹ 16,757 million, which pertains to charges of:

a) ₹ 11,137 million for the product Ethinyl Estradiol/Ethenogestral vaginal ring (generic equivalent to Nuvaring®). During the year, there was a launch of both generic and authorized generic versions of the product, thereby reducing the overall potential of our future cash flows.
b) ₹ 4,385 million for products tobramycin inhalation solution, ramelteon tablets 8 mg, and imiquimod cream. While the impairment for tobramycin and ramelteon was triggered by adverse market conditions — such as increased competition and reduced selling prices by contestants — the company decided to drop the launch of imiquimod cream.
c) ₹ 1,235 million on other products of the GG and PP segment, as the company determined that there was a decrease in the market potential of these products, primarily due to higher than expected price erosion and increased competition leading to lower volumes.

NET FINANCE INCOME

The net finance income was ₹ 1,478 million in FY2020 versus ₹ 1,117 million in FY2019.

NET PROFIT

Net profit increased by 4% to ₹ 19,498 million in FY2020. This represents a PAT margin of 11.2% of revenues versus 12.2% in FY2019. Net profit after tax was higher than the profit before tax largely due to recognition of MAT credit and creation of deferred tax assets, in line with the requirement of accounting standards.

LIQUIDITY AND CAPITAL RESOURCES

The data are given in **Tables 4 and 5.** Cash generated from operating activities in FY2020 was ₹ 29,841 million. Net outflow from investing activities amounting to ₹ 4,923 million in FY2020 includes net investment in property, plant, equipment and intangibles to build capacity and capabilities for future business growth. Cash outflow from financing activities was ₹ 25,159 million. Closing cash and cash equivalents as on 31 March 2020 was ₹ 1,962 million.

DEBT-EQUITY

In FY2020, our total borrowings decreased by ₹ 16,370 million.
As on 31 March 2020 the company's debt-to-equity ratio was 0.14 as against 0.27 on 31 March 2019. The net debt-to-equity position was at (0.03) versus 0.09 last year. **Table 6** gives the data.

TABLE 2 CONSOLIDATED REVENUE MIX BY SEGMENT (₹ MILLION)

PARTICULARS	FY2020 ($)	FY2020 (₹)	FY2020 %	FY2019 ($)	FY2019 (₹)	FY2019 %	GROWTH %
Global Generics	**1,832**	**138,123**	**79.1**	**1,630**	**122,903**	**79.9**	**12**
North America		64,659			59,957		8
Europe*		11,707			7,873		49
India		28,946			26,179		11
Emerging Markets#		32,811			28,894		14
Pharmaceutical Services and Active Ingredients (PSAI)	**342**	**25,747**	**14.8**	**320**	**24,140**	**15.7**	**7**
Proprietary Products & Others	**142**	**10,730**	**6.1**	**90**	**6,808**	**4.4**	**58**
Total	**2,316**	**174,600**	**100.0**	**2,040**	**153,851**	**100.0**	**13**

* *Europe includes Germany, the UK and out-licensing sales business, Italy, France and Spain.*
\# *Emerging markets refer to Russia, other CIS countries, Romania and Rest of the World markets.*

TABLE 3 CONSOLIDATED INCOME STATEMENT (₹ MILLION)

PARTICULARS	FY2020 ($)	FY2020 (₹)	FY2020 %	FY2019 ($)	FY2019 (₹)	FY2019 %	GROWTH %
Revenues	**2,316**	**174,600**	**100.0**	**2,041**	**153,851**	**100.0**	**13**
Cost of Revenues	1,069	80,591	46.2	934	70,421	45.8	14
Gross Profit	**1,247**	**94,009**	**53.8**	**1,107**	**83,430**	**54.2**	**13**
Operating Expenses							
Selling, General & Administrative expenses	665	50,129	28.7	646	48,680	31.6	3
Research and Development expenses	204	15,410	8.8	207	15,607	10.1	(1)
Impairment of non-current assets	222	16,767	9.6	3	210	0.1	7,884
Other operating (income)	(57)	(4,290)	(2.5)	(26)	(1,955)	(1.3)	119
Results from operating activities	**212**	**15,993**	**9.2**	**277**	**20,888**	**13.6**	**(23)**
Finance (income), net	(20)	(1,478)	(0.8)	(15)	(1,117)	(0.7)	32
Share of (profit) of equity accounted investees, net of income tax	(7)	(561)	(0.3)	(6)	(438)	(0.3)	28
Profit before income tax	**239**	**18,032**	**10.3**	**298**	**22,443**	**14.6**	**(20)**
Income tax expense	(19)	(1,466)	(0.8)	48	3,648	2.4	(140)
Profit for the period	**259**	**19,498**	**11.2**	**249**	**18,795**	**12.2**	**4**
Diluted Earnings Per Share (EPS) (in ₹)		**117.40**			**113.09**		**4**

Note: The conversion rate is considered as US$ 1 = 75.39

ENTERPRISE RISK MANAGEMENT (ERM)

Our ERM function operates with the following objectives:

- Proactively identify and highlight risks to relevant stakeholders;
- Facilitate discussions around risk prioritization and mitigation;
- Provide a framework to assess appetite;
- Develop systems to warn when the appetite is being breached; and
- Provide an analysis of residual risk.

The ERM team connects with our business units and functions, which are the primary sources for risk identification. It also monitors external trends on liabilities and risks reported by peers in the industry. The team collaborates with the compliance, internal audit and other assurance teams to identify and mitigate risks of business units, including risk relating to cyber security.

Our ERM function focuses on the identification of key business, and operational and strategic risks. These are carried out through structured interviews, on-call discussions, or review of incidents.

Risks are aggregated at the unit, function and organization levels and are categorized by risk groups. Our response framework categorizes these risks into (i) internal (preventable), (ii) internal (strategic) and (iii) external risks. The finance, investment and risk management (FIRM) council is a management-level committee that helps ERM to prioritize organization-wide risks and steer mitigation efforts in line with our risk appetite.

Mitigation work carried out by the ERM team is periodically reviewed, and progress on key risks is discussed with the FIRM council, our senior management, as well as at the risk management committee of the board of directors. These include (i) updates on the progress of mitigation of key risks; and (ii) specific risk-related initiatives carried out during the year.

During FY2020, a review and benchmarking of ERM framework was undertaken. The risk mitigation efforts were focused towards cyber security risk, quality and regulatory risk, compliance and ethics risks, water risks, climate change risks and their mitigation strategies. Efforts were also undertaken in assessing and strengthening data privacy related exposure and other operating risks.

HUMAN RESOURCES (HR)

In FY2020, the focus was on accelerating the transformation and growth journey that our organization had embarked in FY2019. Several interventions have been made to realign the organization culture, business systems and processes to enable market leading business growth.

At the beginning of FY2019, we revamped our organization banding structure to create a system that was more meritocratic, less hierarchical and progressive. The structure is based on the role-based philosophy — where employees are identified by the role they play and growth is viewed more holistically beyond vertical moves.

Several growth bridges were rolled out to provide an ecosystem that enables employees to grow through exposure to different learning experiences. These included the extension of our flagship Young Leaders' program to internal employees, a blended learning journey for developing women leaders (called Chrysalis), exposure to work in areas outside their roles through experiential projects and reverse mentoring.

To execute on our strategy with rigor and deliver consistent results, a Strategy Deployment Process along with Lean Daily Management has been revived as the execution system. Integrated with tools, digital and analytics and leadership behaviors, these will constitute our way of excellence.

TABLE 4 CONSOLIDATED CASH FLOW ACCORDING TO IFRS		(₹ MILLION)
PARTICULARS	**FY2020**	**FY2019**
Opening Cash and Cash Equivalents	2,228	2,542
Cash flows from:		
(a) operating activities	29,841	28,704
(b) investing activities	(4,923)	(7,727)
(c) financing activities	(25,159)	(21,326)
Effect of exchange rate changes	(25)	35
Closing Cash and Cash Equivalents	**1,962**	**2,228**

Net Profit in FY2020

₹ 19.5 billion

We recently rolled out a simplified and commonly understood framework of leadership behaviors called ASPIRE. This is integrated in our people processes like recruitment, talent assessment and performance management.

We continue to focus on strengthening our talent processes through cadre and capability building interventions. In creating a culture of learning, we have institutionalized programs that incentivize employees to share their expertise, develop managers as coaches and celebrate learning and growth.

Digital capability building and transformation is a key focus area. In our efforts to enhance employee experience, we have digitized several people processes such as recruitment, performance management, and increments. The launch of our first ever digital personal assistant, Amy, and gamified learning through apps have been some early successes in this space.

Diversity and inclusion continue to remain important in the organizational agenda. For the third time, we have been featured in the *2020 Bloomberg Gender Equality Index* for our commitment to gender equality.

We have also strengthened our efforts towards actively promoting employment for specially-abled individuals. We signed to the *Valuable 500* initiative earlier this year. In this initiative, we committed to get disability inclusion included in our board agenda and undertook a pledge for a 10% increase in employing people with physical disabilities.

DIGITAL TRANSFORMATION

We continue to make progress on our digital transformation journey in line with our planned roadmap. In FY2020, we refreshed our digital strategy and realigned our efforts to:

a) *Digitize the Core*: We continue on our journey to Reimagine, Simplify and Digitize all core business processes across the organization. We initiated reimplementation of our ERP system SAP to the latest version S/4 HANA. This project was used as a vehicle to re-engineer processes across the organization, making them

We continue to focus on strengthening our talent processes through cadre and capability building interventions.

'digital native' and nimble. We also made good progress in extending digitization in functional processes, with platforms like e-Lab Notebook in R&D, manufacturing execution systems (MES), laboratory information management systems (LIMS), document management systems (DMS), customer relationship management (CRM) and others. These are intended to strengthen our process foundations, improve productivity and consistency in execution. We are also applying technologies like robotic process automation on top of this to automate repeatable processes across the value chain.

b) *Data as an Asset*: We embarked on a journey (i) to 'Collect' all data internal and external, (ii) to 'Connect' data across processes and systems to make information more meaningful, and (iii) to 'Analyze' by creating insights that help us in generating business value. We are making good progress on our Data Lake journey to make this happen. We have started to see success on our data platforms using artificial intelligence (AI) based insights in all areas of the value chain. These have helped in faster drug development, improvement in productivity and quality of manufacturing, and personalized connect with our customers. One example is manufacturing, where we are able to use advanced analytics to help in yield optimization, create a golden tunnel for process parameters to generate better quality outcomes and digital dashboards for faster execution.

c) *Platforms to Transform and Win*: We have also started to reimagine Dr. Reddy's as a platform-based organization that will bring together capabilities of the entire ecosystem to enhance our value proposition to our partners, customers and patients. For instance, our Vikreta Connect platform now offers not just collaboration with our suppliers but adjacent services like bill discounting to create a win-win partnership. We have identified a few more platforms that are critical to take us on this journey, and believe that these will transform the way in which we interact with our customers, partners and the healthcare ecosystems around the globe.

OUTLOOK, INCLUDING COVID-19

FY2020 has seen us continuing the improvement of performance in various domains that we embarked upon last year, in spite of the risks and challenges that are inherent to the pharmaceutical industry.

The pricing pressures in the US and Europe have continued. However, our strong performance was led by volume growth and new product launches across our markets. Having said that, some delays in the launch of a few key products hampered even further growth.

Successful closure of the USFDA audits at our three plants reiterate our commitment towards quality.

We continued our journey towards creating a leaner business model, leveraging productivity improvement, cost control and increased efficiencies across several functions in FY2020. We expect this journey to continue with increased rigor in FY2021, and thus provide the necessary impetus to our performance next year.

We will continue to focus on patient-centric product innovation, operational excellence, continuous improvement and attaining leadership in chosen spaces.

For FY2021, the big questions are:
(i) What are we doing about COVID-19?
and (ii) How will it affect our business?

In the short run, the national lockdown that was imposed in India from 25 March 2020 coupled with lockdowns in other parts of the world led to significant disruption in the supply chain and logistics. These impacted normal level of plant operations due to restrictions on people movement; created restrictions on the face-to-face meetings

TABLE 5 CONSOLIDATED WORKING CAPITAL (₹ MILLION)

PARTICULARS	AS ON 31 MARCH 2020	AS ON 31 MARCH 2019	CHANGE
Trade Receivables (A)	50,278	39,869	10,409
Inventories (B)	35,066	33,579	1,487
Trade Payables (C)	16,659	14,553	2,106
Working Capital (A+B-C)	**68,685**	**58,895**	**9,790**
Other Current Assets (D)	45,026	41,053	3,973
Total Current Assets (A+B+D)	**130,370**	**114,501**	**15,869**
Short & Long-term loans and borrowings, current portion (E)	20,707	16,381	4,326
Other Current Liabilities (F)	35,448	28,766	6,682
Total Current Liabilities (C+E+F)	**72,814**	**59,700**	**13,114**

TABLE 6 DEBT AND EQUITY POSITION (₹ MILLION)

PARTICULARS	AS ON 31 MARCH 2020	AS ON 31 MARCH 2019	CHANGE
Total Shareholder's Equity	**154,988**	**140,197**	**14,791**
Long-term debt (current portion)	4,266	4,256	10
Long-term debt (non-current portion)	1,304	22,000	(20,696)
Short-term borrowings	16,441	12,125	4,316
Total Debt	**22,011**	**38,381**	**(16,370)**

We are using digital channels for enabling work from home and reaching out to doctors, customers and vendors.

with doctors; impacted the normal level of R&D activities; and, at an overall level, challenged the usual manner of doing business.

We rose to the occasion with timely proactive measures supported by our strong digital infrastructure. Consequently, we have been able to continue most of our business operations despite the initial challenges. We are using digital channels for enabling work from home and reaching out to doctors, customers and vendors. Various initiatives have been undertaken to ensure that our manufacturing related operations continue unabated. In addition, a few products related to COVID-19 are under development.

While we saw some incremental sales in certain markets, such as the US, Europe and Russia, due to an increase in panic buying, our sales also got impacted and/or deferred in PSAI, the India business and few Emerging Markets. On an overall basis, however, there was no major impact on either in Q4 FY2020 or the full year FY2020.

Having said so, we believe FY2021 will have more uncertainties than ever before. Consequently, our overall performance may be quite volatile.

Equally, we remain cautiously optimistic of re-calibrating our levers to suit the new business environment. If we do this successfully, we should be able to come to terms with the new COVID-19 reality. And, if that occurs, we should perform satisfactorily in FY2021.

CAUTIONARY STATEMENT

Our management has prepared and is responsible for the financial statements that appear in this report. These are in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and accounting principles generally accepted in India and therefore, include amounts based on informed judgments and estimates. The management also accepts responsibility for the preparation of other financial information that is included in this report. This write up includes some forward-looking statement, within the meaning of Section 27A of the US Securities Act of 1933, as amended and Section 21E of the US Securities Exchange Act of 1934, as amended.

The management has based these forward-looking statements on its current expectations and projections about future events. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. These factors include, but are not limited to, changes in local and global economic conditions, changes in government regulations, ability to successfully implement the strategy, manufacturing or quality control outcomes, ability to achieve expected results from investments in our product pipeline, change in market dynamics, technological change, currency fluctuations and exposure to various market risks. By their nature, these expectations and projections are only estimates and could be materially different from actual results in the future. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis and assumptions only as of the date hereof. In addition, readers should carefully review the other information in this annual report and in our periodic reports and other documents filed with all the stock exchanges.

We will continue to focus on patient-centric product innovation, operational excellence, continuous improvement and attaining leadership in chosen spaces.

FIVE YEARS AT A GLANCE

(₹ MILLION)

YEAR ENDING MARCH 31	2020	2019	2018	2017	2016
INCOME STATEMENT DATA					
Revenues	174,600	153,851	142,028	140,809	154,708
Cost of revenues*	80,591	70,421	65,724	62,118	62,427
Gross profit	**94,009**	**83,430**	**76,304**	**78,691**	**92,281**
as a % of revenues	53.8	54.2	53.7	55.9	59.6
Operating Expenses:*					
Selling, general and administrative expenses	50,129	48,680	46,857	46,300	45,485
Research and development expenses	15,410	15,607	18,265	19,513	17,734
Impairment of non-current assets	16,767	210	53	445	317
Other operating (income)/expenses, net	(4,290)	(1,955)	(788)	(1,065)	(874)
Total operating expenses	**78,016**	**62,542**	**64,387**	**65,193**	**62,662**
Operating income	**15,993**	**20,888**	**11,917**	**13,498**	**29,619**
as a % of revenues	9.2	13.6	8.4	9.6	19.1
Finance Costs, net:					
Finance income	2,461	2,280	2,897	1,587	2,251
Finance expenses	(983)	(1163)	(817)	(781)	(4,959)
Finance (expense)/income, net	**1,478**	**1,117**	**2,080**	**806**	**(2,708)**
Share of profit of equity accounted investees, net of income tax	561	438	344	349	229
Profit before income tax	**18,032**	**22,443**	**14,341**	**14,653**	**27,140**
Income tax benefit/(expense)	1,466	(3,648)	(4,535)	(2,614)	(7,127)
Profit for the year	**19,498**	**18,795**	**9,806**	**12,039**	**20,013**
as a % of revenues	11.2	12.2	6.9	8.5	12.9
Earnings per share (₹)					
Basic	118	113	59	72	117
Diluted	117	113	59	72	117
Dividend declared per share for the year (₹)	25	20	20	20	20
BALANCE SHEET DATA					
Cash and cash equivalents, net of bank overdraft	1,962	2,228	2,542	3,779	4,921
Operating working capital**	68,685	58,895	53,655	53,178	58,584
Total assets	232,241	225,427	225,604	219,821	207,650
Total long-term debt, excluding current portion	1,304	22,000	25,089	5,449	10,685
Total stockholders' equity	154,988	140,197	126,460	124,044	128,336
ADDITIONAL DATA					
Net cash provided by/(used in):					
Operating activities	29,841	28,704	18,029	21,513	41,247
Investing activities	(4,923)	(7,727)	(14,883)	(18,471)	(20,423)
Financing activities	(25,159)	(21,326)	(4,440)	(3,692)	(17,001)
Effect of exchange rate changes on cash	(25)	35	57	(492)	(4,296)
Expenditure on property, plant and equipment & Intangibles	(6,115)	(8,376)	(11,043)	(40,984)	(14,875)

* *Figures are restated for previous years*

** *Operating working capital = Trade receivables + Inventories - Trade payables*

KEY FINANCIAL RATIOS

YEAR ENDING MARCH 31	2020	2019	2018	2017	2016
PROFITABILITY RATIOS					
EBITDA margin (%)#	27%	22%	17%	18%	23%
Gross Margin (%)	54%	54%	54%	56%	60%
- Global Generics	57%	59%	59%	62%	66%
- PSAI	24%	25%	20%	21%	22%
Adjusted PAT* margin (%)	21%	12%	7%	9%	13%
Net Profit Margin (%)#	11.2%	12.2%	6.9%	8.5%	12.9%
Return on Net Worth (%)#	13%	13%	8%	10%	16%
ASSET PRODUCTIVITY RATIOS					
Fixed Asset Turnover	3.3	2.7	2.5	2.5	3.0
Total Assets Turnover	0.8	0.7	0.6	0.7	0.8
WORKING CAPITAL RATIOS					
Working Capital Days	188	180	194	204	193
Inventory Days#	154	163	154	160	149
Debtors Days#	100	90	102	96	99
Creditor Days#	67	73	62	51	55
GEARING RATIOS					
Net Debt/Equity#	(0.03)	0.09	0.24	0.25	(0.05)
Interest Coverage#	16.8	18.3	15.0	17.7	6.0
Current Ratio#	1.8	1.9	1.6	1.2	1.9
VALUATION RATIOS					
Earnings per share (₹)	117.4	113.1	59.0	72.1	117.0
Book Value per share (₹)	933	844	763	743	750
Dividend Payout	21%	18%	34%	28%	17%
Trailing Price/Earnings Ratio	26.6	24.6	35.3	36.5	25.9

(1) Fixed Asset Turnover: Net Sales/Average Net Fixed Assets (Property, plant and equipment)

(2) Total Asset Turnover: Net Sales/Average Total Assets

(3) Working Capital Days: Inventory Days + Receivable Days – Payable Days

*(4) Inventory Days: (Average of closing Inventory - as on the end of September and March)/(Cost of Revenue during the last six months) * 182*

(5) Receivable Days: outstanding receivables netted-off with the daily average sales; starting from the latest month

*(6) Payable Days: (Average of closing Payables - as on the end of December and March)/(Material cost during the last three months) * 90*

(7) Interest Coverage: Profit Before Interest & Taxes/Finance Expenses

(8) Book Value per share: Equity/Outstanding equity shares

(9) Dividend Payout: DPS/EPS

(10) Trailing price: Closing share price on the last working day of March

* *PAT adjusted for impairment of non-current assets.*

Key financial ratios in terms of Schedule V(B)(1)(h) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

CORPORATE GOVERNANCE

Dr. Reddy's Laboratories Limited ('Dr. Reddy's' or 'the company') believes that timely disclosures, transparent accounting policies coupled with a strong and independent board go a long way in maintaining good corporate governance, preserving shareholders' trust and maximizing long-term corporate value. The company's corporate governance framework is based on the following main principles:

- Appropriate composition, diversity and size of the board, with each director bringing in key expertise in different areas.
- Proactive flow of accurate information to members of the board and board committees to enable effective discharge of fiduciary duties.
- Ethical business conduct by the board, management and employees.
- Well-developed systems of internal controls, risk management and financial reporting.
- Protection and facilitation of shareholders' rights.
- Adequate, timely and accurate disclosure of all material operational and financial information to stakeholders.

In India, the Securities and Exchange Board of India (SEBI) regulates corporate governance for listed companies through SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). We are in full compliance with all the applicable provisions of SEBI's corporate governance norms. We are also in compliance with the appropriate corporate governance standards of the New York Stock Exchange, Inc. (NYSE).

This chapter, together with information given in the chapters on *Management Discussion and Analysis* and *Additional Shareholders' Information*, constitute our report on corporate governance for 2019-20 (or FY2020).

BOARD OF DIRECTORS

COMPOSITION

As on 31 March 2020, our board had 10 directors, comprising (i) two executive directors, including the chairman of the board, and (ii) eight independent directors as defined under the Companies Act, 2013, the Listing Regulations and the Corporate Governance Guidelines of the NYSE Listed Company Manual. Their detailed profiles are given in this annual report.

The directors have expertise in the fields of strategy, management and governance, finance, operations, science, technology and human resources. Such expertise enables the board to steer the company in the right direction.

Table 1 gives details of their individual competence, expertise and skills.

The board provides leadership, strategic guidance, objective and independent views to the company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure. It regularly reviews the company's governance, risk and compliance framework, business plans, and organization structure to align with the highest global standards.

Each director informs the company on an annual basis about the board and board committee positions she/he occupies in other companies, and notifies it of any changes regarding their directorships and committee positions. In addition, the independent directors provide an annual confirmation that they meet the criteria of independence as defined under Indian laws. Pursuant to a notification dated 22 October 2019 issued by the Ministry of Corporate Affairs, all independent directors have completed the registration with the independent directors databank. Requisite disclosures have been received from the directors in this regard. After assessment of such disclosures, declarations and confirmations, the board has opined that all the independent directors fulfil the conditions specified under Listing Regulations and are independent of the management.

Table 2 gives the composition of our board, with all relevant details.

TERM OF BOARD MEMBERSHIP

On recommendations of the nomination, governance and compensation committee (NGCC), the board considers the appointment and reappointment of directors.

Section 149(10) of the Companies Act, 2013, provides that an independent director shall hold office up to five consecutive years on the board of a company from the date of appointment and shall be eligible for reappointment for a second term of up to five consecutive

TABLE 1 MATRIX OF BOARD EXPERTISE

NAME	STRATEGY	MANAGEMENT AND GOVERNANCE	FINANCE	HUMAN RESOURCES	SCIENCE, TECHNOLOGY AND OPERATIONS
Mr. K Satish Reddy	√	√	√	√	√
Mr. G V Prasad	√	√	√	√	√
Ms. Kalpana Morparia	√	√	√	√	
Dr. Bruce L A Carter	√	√	√	√	√
Mr. Sridar Iyengar	√	√	√	√	
Mr. Bharat N Doshi	√	√	√	√	
Mr. Prasad R Menon	√	√	√	√	√
Mr. Leo Puri	√	√	√	√	
Ms. Shikha Sharma	√	√	√	√	
Mr. Allan Oberman	√	√	√	√	

Note: FY2020 represents fiscal year 2019-20, from 1 April 2019 to 31 March 2020, and analogously for FY2019 and previously such labelled years.

years on passing of a special resolution by the members. Moreover, independent directors cannot retire by rotation.

During FY2020, the members of the company approved the reappointment of Mr. Sridar Iyengar (DIN: 00278512) and Ms. Kalpana Morparia (DIN: 00046081), independent directors, for a second term of four and five years respectively, under Section 149 (10) of the Companies Act, 2013. Mr. Anupam Puri and Dr. Omkar Goswami ceased to be independent directors of the company on completion of their terms.

Section 152 of the Companies Act, 2013, states that one-third of the board members, other than independent directors, who are subject to retire by rotation, shall do so every year and be eligible for reappointment, if approved by the members. Accordingly, Mr. K Satish Reddy (DIN: 00129701) retires by rotation at the forthcoming annual general meeting (AGM) and, being eligible, seeks reappointment.

Additionally, the board of directors at its meeting held on 20 May 2020 reappointed Mr. G V Prasad, as whole-time director, designated as co-chairman and managing director of the company (or such other designation as the board may deem fit), for a further period of five years with effect from 30 January 2021, subject to approval of the members at the forthcoming 36th AGM scheduled on 30 July 2020.

According to the Regulation 17(1A) of the Listing Regulations, a listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained 75 years of age only after the concerned company has obtained approval of its members by way of a special resolution.

Mr. Prasad R Menon (DIN: 00005078) an independent director, aged 74 years, will attain the age of 75 years during his present term from 30 October 2017 up to 29 October 2022. Accordingly, the board recommends the continuation of directorship of Mr. Prasad R Menon and seeks the approval of its members by way of a special resolution at the forthcoming 36th AGM under Regulation 17(1A) of the Listing Regulations.

Therefore, at the forthcoming annual general meeting, approval of members is being sought for:

i. Reappointment of Mr. K Satish Reddy, who retires by rotation and, being eligible, offers himself for the reappointment.
ii. Reappointment of Mr. G V Prasad, as whole-time director designated as co-chairman and managing director, for a further period of five years with effect from 30 January 2021.
iii. Continuation of Mr. Prasad R Menon, as an independent director, on attaining the age of 75 years during his present term up to 29 October 2022.

SELECTION AND APPOINTMENT OF NEW DIRECTORS

Recommending any new member on the board is the responsibility of the NGCC of the board, which consists entirely of independent directors. Given the existing composition of the board, the tenure as well as the years left of the existing members to serve on the board, and the need for new domain expertise are reviewed by this committee. When such a need becomes apparent, the committee reviews potential candidates in terms of their expertise, attributes, personal and

TABLE 2 COMPOSITION OF OUR BOARD AND THEIR DIRECTORSHIPS AS ON 31 MARCH 2020

NAME	POSITION	RELATIONSHIP WITH OTHER DIRECTORS	DATE OF JOINING	DIRECTORSHIPS UNDER SECTION 165 OF THE COMPANIES ACT, 2013		OTHER DIRECTORSHIPS(1)	COMMITTEE MEMBERSHIPS(2)	CHAIRMANSHIP IN COMMITTEES(2)
				PUBLIC COMPANIES	PRIVATE COMPANIES			
Mr. K Satish Reddy	Chairman	Brother-in-law of Mr. G V Prasad(3)	18 January 1993	8	7	7	1	-
Mr. G V Prasad	Co-Chairman and Managing Director	Brother-in-law of Mr. K Satish Reddy(3)	8 April 1986	8	4	3	1	-
Ms. Kalpana Morparia	Independent Director	None	5 June 2007	2	1	1	-	1
Dr. Bruce L A Carter	Independent Director	None	21 July 2008	2	-	5	1	-
Mr. Sridar Iyengar	Independent Director	None	22 August 2011	3	1	4	-	3
Mr. Bharat N Doshi	Independent Director	None	11 May 2016	4	-	2	2	-
Mr. Prasad R Menon	Independent Director	None	30 October 2017	1	-	2	-	-
Mr. Leo Puri	Independent Director	None	25 October 2018	4	-	-	3	1
Ms. Shikha Sharma	Independent Director	None	31 January 2019	5	-	-	5	-
Mr. Allan Oberman	Independent Director	None	26 March 2019	1	-	-	-	-

(1) Other directorships are those, which are not covered under Section 165 of the Companies Act, 2013.

(2) Membership/chairmanship in audit and stakeholders' relationship committees of all public limited companies, whether listed or not, including the company's are considered. Membership/chairmanship of foreign companies, private limited companies and those under Section 8 of the Companies Act, 2013 have been excluded. Membership/chairmanship of our nomination, governance and compensation committee; science, technology and operations committee; corporate social responsibility committee; banking and authorizations committee and risk management committee are also excluded.

(3) However, as per the definition of relative under Section 2(77) of the Companies Act, 2013, Mr. K Satish Reddy (chairman) and Mr. G V Prasad (co-chairman and managing director) are not relatives.

(4) None of the independent directors serves as an independent director in more than seven listed companies.

(5) None of the directors holds directorships in more than 10 public limited companies.

professional backgrounds and their ability to attend meetings in India. It then places the details of shortlisted candidates to the board for its consideration. If the board approves, the person is appointed as an additional director, subject to the approval of members in the company's next general meeting.

FAMILIARIZATION PROCESS FOR INDEPENDENT DIRECTORS

To familiarize a new independent director with the company, an information kit is provided containing documents about the company. It contains, *inter alia*, information such as its annual reports, sustainability reports, investor presentations, recent press releases, research reports, code of business conduct and ethics (COBE) and the memorandum and articles of association and a brief on company's board practices. The new independent director individually meets with board members and senior management. Visits to plants and research locations are organized for the director to understand the company's operations.

We believe that the board should be continuously empowered with knowledge of latest developments affecting the company and the industry. Apart from regular presentations on the company's business strategies and associated risks, expositions are made on various topics covering the pharmaceutical industry. Updates on relevant statutory changes and judicial pronouncements around industry-related laws are regularly circulated to the directors. They also visit the company's manufacturing and research locations. Each director has complete access to any of the company's information and full freedom to interact with senior management.

Details of the familiarization programs for independent directors are available on the company's website: https://www.drreddys.com/media/877371/familiarization-programs-2020.pdf

LETTER OF APPOINTMENT

Upon their appointment, independent directors are given a formal appointment letter containing, *inter alia*, the term of appointment, roles, function, duties and responsibilities, the company's code of conduct, disclosures and confidentiality. For such terms and conditions, see: www.drreddys.com/investor/governance/policies-and-documents/terms-condition-directors.html

BOARD EVALUATION

Since FY2015, the board has carried out an annual self-evaluation of its performance, the working of its committees and peer evaluation of each director internally. Prior to that, on two such occasions, an independent expert was engaged to conduct the evaluation process.

During FY2019, an independent expert was engaged to perform the evaluation and effectiveness process of the board, its committees and individual directors. During FY2020, the evaluation process was undertaken internally.

For the purpose of this year's annual evaluation, each director completed a questionnaire involving peer evaluation and feedback on processes of the board and its committees. The contribution and impact of individual members were evaluated on a number of parameters, such as level of engagement, independence of judgment, conflicts resolution, contributions to enhance the board's overall effectiveness, etc. Peer ratings on certain parameters, positive attributes and improvement areas for each director were provided to them on a confidential basis.

The committees were evaluated on various parameters such as effective discharge of their roles, responsibilities and advice given to the board for discharging its fiduciary responsibilities, including adequate and periodical updates to the board on the committees' functioning.

DIRECTORS' SHAREHOLDING IN THE COMPANY

Table 3 gives details of shares/ADRs held by the directors as on 31 March 2020.

MEETINGS OF THE BOARD

The company plans and prepares the schedule of the board and board committee meetings eighteen to twenty four months in advance. The schedule of meetings and their agenda are finalized in consultation with the chairman of the board, the lead independent director and committee chairpersons. Agendas are circulated in advance with appropriate presentations, detailed notes, supporting documents and executive summaries.

Under Indian laws, the board of directors must meet at least four times a year, with a maximum gap of 120 days between two board meetings. Our board met five times during the financial year under review: on 17 May 2019, 29 July 2019, 1 November 2019, 27 January 2020 and 27 March 2020. Details of directors' attendance at board meetings and the AGM are given in **Table 4**.

Our board and committee meetings typically comprise structured two-day sessions.

INFORMATION GIVEN TO THE BOARD

Among others, the company provides the following information to the board and/or its committees:

- Annual operating plans and budgets, capital budgets and other updates;
- Quarterly, half-yearly and annual financial results of the company and its operating divisions or business segments;
- Detailed presentations on the progress in research and development (R&D) and new drug discoveries;
- Minutes of meetings of the board, audit committee and other committees of the board;

TABLE 3 SHARES/ADRs HELD BY DIRECTORS AS ON 31 MARCH 2020

NAME	NO. OF SHARES / ADRs HELD
Mr. K Satish Reddy[1]	898,432
Mr. G V Prasad[1]	1,117,940
Ms. Kalpana Morparia	10,800
Dr. Bruce L A Carter (ADRs)	7,800
Mr. Sridar Iyengar	-
Mr. Bharat N Doshi	1,000
Mr. Prasad R Menon	-
Mr. Leo Puri	-
Ms. Shikha Sharma	-
Mr. Allan Oberman	-

(1) APS Trust owns 83.11% of Dr. Reddy's Holdings Limited, which in turn owns 41,325,300 shares (24.87%) of Dr. Reddy's Laboratories Limited. Mr. G V Prasad, Mr. K Satish Reddy, Mrs. G Anuradha, Mrs. Deepti Reddy and their bloodline descendants are the beneficiaries of APS Trust.

- Information on recruitment and remuneration of key executives below the board level including chief financial officer and the company secretary;
- Significant regulatory matters concerning Indian or foreign regulatory authorities;
- Issues which involves possible public or product liability claims of a substantial nature, if any;
- Risk analysis of various products, markets and businesses;
- Detailed analysis of potential acquisition targets and possible divestments;
- Details of any joint venture or collaboration agreements;
- Transactions that involve substantial payment towards, or impairment of goodwill, brand equity or intellectual property;
- Significant sale of investments, subsidiaries, assets which are not in the normal course of business;
- Contracts/arrangements in which director(s) are interested;
- Materially important show cause, demand, prosecution and penalty notices, if any;
- Fatal or serious accidents or dangerous occurrences, if any;
- Significant effluent or pollution problems, if any;
- Material default in financial obligations to and by the company or substantial non-payment for goods sold by the company, if any;
- Significant labor problems and their proposed solutions, if any.
- Significant development in the human resources and industrial relations fronts;
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement;
- Non-compliance of any regulatory or statutory nature or listing requirements as well as shareholders' services such as non-payment of dividend and delays in share transfer, if any;
- Subsidiary companies' minutes, financial statements, significant transactions and investments; and
- Significant transactions and arrangements.

POST-MEETING FOLLOW-UP MECHANISM

Important decisions taken and suggestions made by the board and its committees are promptly communicated to the concerned departments or divisions. Action taken/status reports on decisions/ suggestions of the previous meeting(s) are followed up and placed at the next meeting for information and further recommended actions, if any.

MEETINGS OF INDEPENDENT DIRECTORS

During FY2020, our independent directors met four times in executive sessions without the presence of executive directors and other members of management. The company is ready to facilitate more such sessions as and when required by the independent directors. During these meetings, the independent directors reviewed the performance of the company and its senior management, that of the chairman, co-chairman and managing director, and the board. Corporate strategy, risks, competition, succession planning for the board and senior management and the information given to the board were also discussed.

TABLE 4 DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND THE AGM, FY2020

NAME	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS	ATTENDANCE IN LAST AGM ON 30 JULY 2019
Mr. K Satish Reddy	5	5	Present
Mr. G V Prasad	5	5	Present
Dr. Omkar Goswami*	2	1 (1)	Present
Mr. Anupam Puri**	1	1	Not Applicable
Ms. Kalpana Morparia	5	5	Present
Dr. Bruce L A Carter	5	5	Present
Mr. Sridar Iyengar	5	5	Present
Mr. Bharat N Doshi	5	4 (2)	Present
Mr. Prasad R Menon	5	5	Present
Mr. Leo Puri	5	5	Present
Ms. Shikha Sharma	5	5	Present
Mr. Allan Oberman	5	5	Present

* *Term ended on 30 July 2019 as an independent director.*
** *Term ended on 26 July 2019 as an independent director.*
(1) *Was given leave of absence on request for one meeting. He participated in that meeting through tele-conference.*
(2) *Was given leave of absence on request for one meeting.*

ANNUAL BOARD RETREAT

During FY2020, the annual board retreat was organized at the company's Leadership Academy, Visakhapatnam, on 4-6 September 2019, where the board conducted a detailed strategy review of the company's business segments, visited plants and discussed various governance related matters.

DIRECTORS' REMUNERATION

We have a policy for the remuneration of directors, key managerial personnel (KMP), senior management personnel (SMP) and other employees. It lays down principles and parameters to ensure that remunerations are competitive, reasonable, and in line with corporate and individual performance. The remuneration policy is enclosed as **Annexure A** to this chapter.

Executive directors are appointed by members' resolution for a period of five years. No severance fee is payable to them. Except the commission payable, all other components of remuneration to the executive directors are fixed in line with the company's policies. Their annual remuneration, including commission based on standalone net profits of the company, is recommended by the NGCC to the board for its consideration. While recommending such commission, the committee also takes into account the overall corporate performance in a given year and the key performance indicators (KPIs). The remunerations are within the limits approved by members. Perquisites and retirement benefits are paid in accordance with the company's compensation policies, as applicable to all employees.

Independent directors are entitled to receive sitting fees, commission based on the standalone net profits of the company and reimbursement of any expenses for attending meetings of the board and its committees. Such remuneration, including commission payable, is in conformity with the provisions of the Companies Act, 2013, and has been considered and approved by the board and the members. The company, in compliance with Section 197 of the Companies Act, 2013, and the

Listing Regulations, has not granted any stock options to independent directors since FY2013. Remuneration paid or payable to the directors for FY2020 is given in **Table 5**.

INDEPENDENT DIRECTORS

Independent directors of the company head the following governance and/or board committee functions:

- Mr. Prasad R Menon: Governance, corporate strategy, lead independent director and nomination, governance and compensation committee;
- Dr. Bruce L A Carter: Science, technology and operations committee;
- Mr. Sridar Iyengar: Audit committee, and all financial and audit matters that fall under the remit of the committee plus he is the financial expert and ombudsperson for the company's whistle-blower policy;
- Ms. Kalpana Morparia: Stakeholders' relationship committee;
- Ms. Shikha Sharma: Risk management committee; and
- Mr. Bharat N Doshi: Corporate social responsibility committee.

COMMITTEES OF THE BOARD

We have seven board-level committees, whose details are given below:

AUDIT COMMITTEE

The management is responsible for the company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audits of the company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits. The board of directors has entrusted the audit committee with the responsibility to supervise these processes and ensure adequate, accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

The primary functions of the audit committee are to:

- Supervise the financial reporting process;
- Review the quarterly and annual financial statements/results before placing them to the board along with audit/limited review report, related disclosures and filing requirements;
- Review the adequacy of internal controls in the company, including the plan, scope and performance of the internal audit function;
- Discuss with management the company's major policies with respect to risk assessment and risk management;
- Hold discussions with statutory auditors on the nature, scope and process of audits and any views that they have about the financial control and reporting processes;
- Ensure compliance with accounting standards and with listing requirements with respect to the financial statements;
- Recommend the appointment and removal of external auditors and their remuneration;
- Recommend the appointment of auditors;
- Review the independence of auditors;
- Ensure that adequate safeguards have been taken for legal compliance for the company and its subsidiaries;
- Review the financial statements, in particular, investments made by all the subsidiary companies;
- Review and approval of related party transactions;
- Review the functioning of whistle-blower mechanism;
- Review the implementation of applicable provisions of the Sarbanes-Oxley Act, 2002;
- Scrutinize inter-corporate loans and investments;
- Examine the valuation of undertakings or assets of the company, wherever necessary;
- Evaluate internal financial controls; and
- Review suspected fraud, if any, committed against the company.

TABLE 5 REMUNERATION PAID OR PAYABLE TO THE DIRECTORS FOR FY2020 (₹ '000')

NAME	SALARIES	PERQUISITES[1]	COMMISSION[2]	TOTAL
Mr. K Satish Reddy	18,348	4,240	70,000	92,588
Mr. G V Prasad	18,348	5,415	120,000	143,763
Dr. Omkar Goswami[3]	-	-	5,297	5,297
Mr. Anupam Puri[4]	-	-	5,145	5,145
Ms. Kalpana Morparia	-	-	11,350	11,350
Dr. Bruce L A Carter	-	-	12,258	12,258
Mr. Sridar Iyengar	-	-	13,014	13,014
Mr. Bharat N Doshi	-	-	12,485	12,485
Mr. Prasad R Menon	-	-	13,241	13,241
Mr. Leo Puri	-	-	11,879	11,879
Ms. Shikha Sharma	-	-	11,350	11,350
Mr. Allan Oberman	-	-	11,879	11,879

(1) *Perquisites include medical reimbursement for self and family according to the rules of the company, leave travel assistance, personal accident insurance, leave encashment, long service award, company's vehicle with driver for official use, telephone at residence and mobile phone, contribution to provident fund and superannuation scheme. All these benefits are fixed in nature.*

(2) *Payment of commission is variable, and based on the percentage of net profit calculated according to Section 198 of the Companies Act, 2013. The board of directors approved a fixed commission of ₹ 7,566,500 (US$ 100,000) per independent director; a specific amount of ₹ 1,891,625 (US$ 25,000) to the chairperson of the audit committee; ₹ 1,134,975 (US$ 15,000) to the chair of science, technology and operations committee; the nomination, governance and compensation committee; the risk management committee; the corporate social responsibility committee; and the stakeholders' relationship committee; ₹ 756,650 (US$ 10,000) to the other members of the committees; ₹ 1,891,625 (US$ 25,000) to the lead independent director; ₹ 378,325 (US$ 5,000) variable fee per meeting based on the attendance at the board meeting to every independent director. Other than the above, a specific amount of ₹ 226,995 (US$ 3,000) per meeting was paid towards foreign travel of the directors resident outside India.*

(3) *Remuneration for part of the year, term ended on 30 July 2019 as an independent director.*

(4) *Remuneration for part of the year, term ended on 26 July 2019 as an independent director.*

(5) *Apart from receiving the above remuneration, the independent directors do not have any pecuniary relationship or transaction with the company.*

The audit committee comprises entirely of independent directors. All members are financially literate and bring in expertise in the fields of finance, economics, strategy and management. The committee comprises Mr. Sridar Iyengar (chairman), Mr. Leo Puri, Mr. Bharat N Doshi and Ms. Shikha Sharma.

Under the Indian laws, the audit committee must meet atleast four times in a year, with a maximum gap of 120 days between two meetings. The audit committee met five times during the year: on 16 May 2019, 29 July 2019, 31 October 2019, 25 January 2020 and 25 March 2020. It also met the key members of the finance team and chief internal auditor along with the chairman and the CFO to discuss matters relating to audit, assurance and accounting. During the year, the committee also met representatives of statutory auditors without the presence of the management. In addition, the chairman of the committee and other members met to review other processes, particularly the internal control mechanisms to prepare for certification under Section 404 of the Sarbanes-Oxley Act, 2002, and subsidiary governance oversight.

The chairman, CFO and the chief internal auditor (CIA) are permanent invitees to all the audit committee meetings. The representatives of statutory auditors are also present. The company secretary officiates as the secretary of the committee.

Audit committee meetings are preceded by pre-audit committee conference calls with the members, the CFO, the internal audit and compliance teams, external auditors and other key finance personnel of the company. During these calls, key audit related matters are discussed and items that need further face-to-face discussion at the audit committee meetings are identified.

The internal and statutory auditors of the company discuss their findings and updates, and submit their views to the committee. Separate discussions are held with the internal auditors to focus on compliance issues and to conduct detailed reviews of the processes and internal controls in the company. Permissible non-audit related services undertaken by the statutory and independent auditors are also pre-approved by the committee.

TABLE 6 AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2020

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Mr. Sridar Iyengar	Chairman	5	5
Dr. Omkar Goswami*	Member	2	1(1)
Mr. Bharat N Doshi	Member	5	4(2)
Ms. Shikha Sharma	Member	5	5
Mr. Leo Puri**	Member	3	3

* *Term ended on 30 July 2019 as an independent director.*
** *Appointed as a member of the committee with effect from 1 August, 2019.*
(1) *Was given leave of absence on request for one meeting. He participated in that meeting through tele-conference.*
(2) *Was given leave of absence on request for one meeting.*

TABLE 7 NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2020

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Mr. Prasad R Menon*	Chairman	3	3
Mr. Anupam Puri**	Member	1	1
Mr. Bharat N Doshi	Member	3	2(1)
Mr. Leo Puri	Member	3	3

* *Appointed as chairman with effect from 27 July 2019.*
** *Term ended on 26 July 2019 as an independent director.*
(1) *Was given leave of absence on request for one meeting.*

The audit committee also reviews the performance and remuneration of the CIA and chief compliance officer (CCO).

Table 6 gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 1** to this chapter.

NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

The nomination, governance and compensation committee also entirely consists of independent directors. Its primary functions are to:

- Examine the structure, composition and functioning of the board, and recommend changes, as necessary, to improve the board's effectiveness, oversee the evaluation of the board and formulation of criteria for such evaluation;
- Formulate policies on the remuneration of directors, KMP and other employees and on board diversity;
- Assess the company's policies and processes in key areas of corporate governance, other than those explicitly assigned to other board committees, with a view to ensure that the company is at the forefront of good governance;
- Regularly examine ways to strengthen organizational health, by improving hiring, retention, motivation, development, deployment and behavior of management and other employees. In this context, the committee also reviews the framework and processes for motivating and rewarding performance at all levels of the organization, the resulting compensation awards, and makes appropriate proposals for board approval. In particular, it recommends all forms of compensation payable to the executive directors, KMP and senior management of the company;
- Review the sexual harassment complaints, the outcome of investigations, if any, and awareness initiatives; and
- Review the company's ESOP Schemes and recommend changes as necessary and also administering the ESOP Schemes and the Dr. Reddy's Employees ESOS Trust.

The head of human resources (HR) makes periodic presentations to the committee on organization structure, talent management, leadership, succession, diversity, performance appraisals, increments, performance bonus recommendations and other HR matters.

The committee met three times during the year: on 16 May 2019, 31 October 2019 and 26 January 2020. The co-chairman and managing director is a permanent invitee to all such committee meetings. The head of HR officiates as the secretary of the committee. **Table 7** on page 55 gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 2** to this chapter.

SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE

The science, technology and operations committee of the board also entirely comprises of independent directors. Its primary functions are to:

- Review scientific, medical and technical matters and operations involving the company's development and discovery programs (generic and proprietary), including major internal projects and business development opportunities;
- Review and monitor management's actions in the creation of valuable intellectual property (IP);
- Review the safety and quality of the company's operations;
- Review the status of non-infringement patent challenges; and
- Review and monitor management's actions and plans in building and nurturing science in the organization in line with the company's business strategy.

The co-chairman and managing director and chief executive officer (CEO) are permanent invitees to all committee meetings. Officials heading IPDO, GMO, quality, proprietary products and biologics are also invited to the meetings. The head of IPDO acts as secretary of the committee.

The committee met four times during the year: on 16 May 2019, 29 July 2019, 31 October 2019 and 25 January 2020. **Table 8** gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 3** to this chapter.

RISK MANAGEMENT COMMITTEE

The risk management committee also consists entirely of independent directors. Its key functions are to:

- Discuss with senior management regarding enterprise risk management (ERM) and management of cyber security risks and other key risks;
- Ensure that it is apprised of the most significant risks along with mitigating actions taken by management; and
- Review risk disclosure statements in any public documents or disclosures, where applicable.

The company has in place an enterprise-wide risk management system. The risk management committee of the board oversees and reviews the risk management framework as well as the assessment of risks, their management and mitigation procedures. The committee reports its findings and observations to the board. A section on risk management practices of the company under the ERM framework forms a part of the chapter on *Management Discussion and Analysis* in this annual report.

The chairman, CEO, CIA and the CCO are permanent invitees to all risk management committee meetings. The CFO officiates as the secretary of the committee. The committee met thrice during the year: on 16 May 2019, 31 October 2019, and 26 January 2020.

Table 9 gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 4** to this chapter.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

The stakeholders' relationship committee is empowered to perform the functions of the board relating to the handling of queries and grievances of security holders. It primarily focuses on:

- Review investor complaints and their redressal;
- Review measures taken for effective exercise of voting rights by shareholders;
- Review work done by the share transfer agent including adherence to the service standards;
- Review of corporate actions related to security holders;
- Review investor engagement plans/initiatives and movement in shareholdings and ownership structure; and
- Review initiatives for reduction of quantum of unclaimed dividends and ensure timely receipt of dividend/annual report/statutory notices by the shareholders.

The committee also advises the company on various shareholders' related matters.

TABLE 8 SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE MEMBERSHIP AND ATTENDANCE FOR FY2020

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Dr. Bruce L A Carter	Chairman	4	4
Mr. Anupam Puri*	Member	1	1
Ms. Kalpana Morparia	Member	4	4
Mr. Prasad R Menon	Member	4	4
Mr. Leo Puri**	Member	2	2
Mr. Allan Oberman	Member	4	4

* *Term ended on 26 July 2019 as an independent director.*
** *Ceased to be a member of the committee with effect from 1 August 2019.*

TABLE 9 RISK MANAGEMENT COMMITTEE MEMBERSHIP AND ATTENDANCE FOR FY2020

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Ms. Shikha Sharma*	Chairperson	3	3
Dr. Omkar Goswami**	Member	1	0[(1)]
Dr. Bruce L A Carter	Member	3	3
Mr. Sridar Iyengar	Member	3	3
Mr. Allan Oberman	Member	3	3

* *Appointed as chairperson, with effect from 31 July 2019.*
** *Term ended on 30 July 2019 as an independent director.*
(1) *Was given leave of absence on request for one meeting. He participated in that meeting through tele-conference.*

The committee consists of four directors, including the two executive directors. The chairperson is an independent director. The committee met four times during the year: on 16 May 2019, 29 July 2019, 31 October 2019 and 25 January 2020. **Table 10** gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 5** to this chapter.

The company secretary officiates as the secretary of the committee and is also designated as the compliance officer in terms of Listing Regulations and as a nodal officer under IEPF Rules. An analysis of investor queries and complaints received and responded/addressed during the year is given in the chapter on *Additional Shareholders' Information*.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The committee consists of three directors, including the two executive directors. The chairman is an independent director. The CSR committee's primary functions are to:

- Formulate, review and recommend to the board, a CSR policy indicating the activities to be undertaken by the company as specified in schedule VII of the Companies Act, 2013;
- Recommend the amount of expenditure to be incurred on the initiatives as per the CSR policy;
- Provide guidance on various CSR initiatives undertaken by the company and monitor their progress including their impact; and
- Monitor implementation and adherence to the CSR policy of the company from time to time.

The CSR committee met four times during the year: on 16 May 2019, 29 July 2019, 31 October 2019 and 25 January 2020. The head of CSR officiates as the secretary of the committee. **Table 11** gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 6** to this chapter.

BANKING AND AUTHORIZATIONS COMMITTEE

The banking and authorizations committee authorises executive directors and selected officers of the company to deal with day-to-day business operations such as banking, treasury, insurance, excise, customs, administration and dealing with other government/non-government authorities. It consists of two executive directors, and it met six times during the year: on 17 May 2019, 29 July 2019, 30 August 2019, 1 November 2019, 27 January 2020 and 27 March 2020. The company secretary officiates as the secretary of the committee.

OTHER BOARD MATTERS

CAPITAL EXPENDITURES (CAPEX)

The board approves the annual capex budget in line with the company's long-term strategy. An internal management committee approves all capex investments within the annual capex budget approved by the board. An update on key capex approvals (and their relevant details) granted by the internal management committee is generally provided to the board.

COMPLIANCE REVIEWS

We have a chief compliance officer (CCO) and a full-fledged compliance team to oversee compliance activities. The company's compliance status is periodically updated to the senior management team and presentations are given in the quarterly audit committee and risk management committee meetings. When pertinent, these are also shared with all board members.

COBE AND VIGIL MECHANISM

We have adopted a code of business conduct and ethics ('COBE' or the 'code'), which applies to all directors and employees of the company, its subsidiaries and affiliates. It is the responsibility of all directors and employees to familiarize themselves with this code and comply with its standards. The directors and the employees across the globe annually affirm compliance with the code. A declaration of the CEO of the company to this effect is enclosed as **Exhibit 7** to this chapter.

The company has an ombudsperson policy (whistle-blower or vigil mechanism) to report concerns on actual or suspected violations of the code. The audit committee chairperson is the chief ombudsperson. Concerns raised to the company and their resolution are reported through the chief ombudsperson to the audit committee and, where applicable, to the board. During FY2020, no personnel has been denied access to the audit committee on ombudsperson issues.

The COBE and ombudsperson policy are available on the company's website: www.drreddys.com/investors/governance/code-of-business-conduct-and-ethics-cobe and www.drreddys.com/investors/governance/ombudsperson-policy

RELATED PARTY TRANSACTIONS

We have adequate procedures to identify and monitor related party transactions. All transactions with related parties are placed before the audit committee and the board for review and approval, as appropriate. Transactions entered into with related parties during the financial year were on arm's length pricing basis and generally in the ordinary course of

TABLE 10 STAKEHOLDERS' RELATIONSHIP COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2020

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Ms. Kalpana Morparia	Chairperson	4	4
Mr. Bharat N Doshi	Member	4	3(1)
Mr. G V Prasad	Member	4	4
Mr. K Satish Reddy	Member	4	4

(1) *Was given leave of absence on request for one meeting.*

TABLE 11 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2020

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Mr. Bharat N Doshi	Chairman	4	3(1)
Mr. K Satish Reddy	Member	4	4
Mr. G V Prasad	Member	4	4

(1) *Was given leave of absence on request for one meeting.*

business. The details of related party transactions are discussed in detail in note 2.23 to the standalone financial statements. The company's policy on materiality of the related party transactions is available on the company's website: https://www.drreddys.com/media/764069/policy-materiality-related-party-transactions.pdf

The interested directors are not present for discussion and voting on such related party transactions. Furthermore, the transactions with directors/their relatives/entities outside our group in which they are interested, are reviewed by an independent chartered accountant.

SUBSIDIARY COMPANIES

The audit committee reviews the financial statements of our subsidiaries. It also reviews the investments made by such subsidiaries, the statement of all significant transactions and arrangements entered into by subsidiaries, and the compliances of each materially significant subsidiary on a periodic basis.

The audit committee also reviews the utilization of loans/advances/investments given by the company to its subsidiaries. The minutes of board meetings of the subsidiary companies are placed before the board for review.

The company has also established group governance policy for monitoring the governance of its subsidiaries.

Mr. Sridar Iyengar and Dr. Bruce L A Carter, independent directors of the company are also directors on the board of our material subsidiaries, Dr. Reddy's Laboratories S. A., Switzerland and Dr. Reddy's Laboratories, Inc., USA respectively.

The company's policy for determining material subsidiaries is available on the company's website: https://www.drreddys.com/media/763674/policy-for-determining-material subsidiaries.pdf

(₹ MILLION)

TABLE 12	AUDITORS' FEES	
TYPE OF SERVICE	FY2020	FY2019
Audit fees	76.0	68.2
Tax fees	13.1	10.7
All other fees	2.1	2.1
Total	**91.2**	**81.0**

DISCLOSURE ON ACCOUNTING TREATMENT

In the preparation of financial statements for FY2020, there is no treatment of any transaction which is different from that prescribed in the Indian Accounting Standards (Ind AS) notified by the Government of India under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended, the guidelines issued by SEBI and other accounting principles generally accepted in India.

MANAGEMENT

Our management develops and implements policies, procedures and practices that attempt to translate the company's core purpose and mission into reality. It also identifies, measures, monitors and minimizes risks in the business and ensures safe, sound and efficient operations. These are internally supervised and monitored through the company's management council (MC).

MANAGEMENT COUNCIL (MC)

Our MC consists of senior management from the business and corporate functions. Page nos. 22-23 of this annual report gives details of the members of the MC. Apart from monthly meetings, the MC meets once a quarter for two-day sessions. Background notes for the monthly and quarterly meetings are circulated in advance. Listed below are some of the key issues that were considered by the MC during the year under review:

- The company's long-term strategy, growth initiatives and priorities;
- Overall company performance, including those of various business units and their rest of the year's performance;
- Decision on major corporate policies;
- Discussion and sign-off on annual plans, budgets, investments and other major initiatives; and
- Discussion on business alliances proposals and organizational design.

MANAGEMENT DISCUSSION AND ANALYSIS

The chapter on *Management Discussion and Analysis* forms a part of this annual report.

MANAGEMENT DISCLOSURES

Senior management of the company (at the role band of yellow and above, as well as certain identified key employees) make annual disclosures to the board on all material, financial and commercial transactions in which they may have personal interest, if any, and which may have a potential conflict with the interest of the company. Transactions with key managerial personnel are listed in the financial section of this annual report under related party transactions.

PROHIBITION OF INSIDER TRADING

We have a policy prohibiting insider trading in conformity with applicable Regulations of the SEBI in India and the Securities and Exchange Commission (SEC) of the USA. Necessary procedures have been laid down for directors, officers, and designated persons for trading in the securities of the company. These are periodically communicated to such employees who are considered as insiders of the company. Apart from this, regular insider trading awareness sessions are conducted for the benefit of designated persons. Trading window closure/blackouts/quiet periods, when the directors and designated persons are not permitted to trade in the securities of the company, are intimated in advance to all concerned. Violations of the policy, if any, are appropriately acted on and reported to SEBI. The company also maintains a structured digital database, as required under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

INTERNAL CONTROL SYSTEMS AND STATUTORY AUDITS

We have both external and internal audit systems in place. Auditors have access to all records and information of the company. The board recognizes the work of the auditors as an independent check on the information received from the management on the operations and performance of the company. The board periodically reviews the findings and recommendations of the statutory and internal auditors and suggests corrective actions whenever necessary.

INTERNAL CONTROLS

We maintain a system of internal controls designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Adequacy of safeguards for assets;

- Reliability of financial and non-financial reporting; and
- Compliance with applicable laws and regulations.

The integrity and reliability of the internal control systems are achieved through clear policies and procedures, process automation, careful selection, training and development of employees and an organization structure that segregates responsibilities. Our internal audit team is an independent, objective assurance and advisory function, responsible for evaluating and improving the effectiveness of risk management, control and governance processes. The internal audit team helps to enhance and protect organizational value by providing risk-based objective assurance, advice, and insight. The internal audit team prepares annual audit plans based on risk assessment and conducts extensive reviews covering financial, operational and compliance controls. Areas requiring specialized knowledge are reviewed in partnership with external experts or by recruiting resources with specialised skills. Suggested improvements in processes are identified during reviews and communicated to the management on an ongoing basis.

The audit committee of the board monitors the performance of internal audit team on a periodic basis through review of audit plans, audit findings and speed of issue resolution through follow-ups. Each year, there are at least four meetings in which the audit committee reviews internal audit findings. During the year, the audit committee chairman also met the chief internal auditor without the presence of management.

CEO AND CFO CERTIFICATION

A certificate of the CEO as well as the CFO of the company on financial statements and applicable internal controls as stipulated under Regulation 17(8) of the Listing Regulations is enclosed as **Exhibit 8** to this chapter.

STATUTORY AND IFRS AUDITORS

For FY2020, M/s. S.R. Batliboi & Associates LLP, chartered accountants (firm registration No. 101049W/E300004), the statutory auditors, audited the financial statements prepared in accordance with the Ind AS. During the year, the company reappointed M/s. Ernst & Young Associates LLP as independent registered public accounting firm (independent auditor) to audit the annual consolidated financial statements and for issuing an opinion on the financial statements prepared in accordance with IFRS as issued by the International Accounting Standard Board (IASB) for FY2020.

The statutory and independent auditors render an opinion regarding the fair presentation in the financial statements of the company's financial condition and operating results. Their audits are conducted in accordance with generally accepted auditing standards and include a review of the internal controls, to the extent necessary, to determine the audit procedures required to support their opinion.

While auditing the operations of the company, the external auditors recorded their observations and findings with the management. These were then discussed by the management and the auditors at the audit committee meetings - both face-to-face and via conference calls. Remedial measures suggested by the auditors and the audit committee have been either implemented or taken up for implementation by management.

The statutory and independent auditors provide a confirmation of their independence every financial year. They confirm that the engagement team, involved in the audit of the company and its group including network firms have complied with relevant ethical requirements regarding independence.

They also confirm that on the basis of procedures implemented within their practice, they have not identified any situation or risk likely to affect their independence as company's auditors for the financial year within the terms of the rules of conduct applicable in India.

AUDITORS' FEES

During FY2020, the company and its subsidiaries, on a consolidated basis paid the fees mentioned in **Table 12** to M/s. S.R. Batliboi & Associates LLP, chartered accountants, the statutory auditors; M/s. Ernst & Young Associates LLP, the independent auditors and other entities within their network.

AGREEMENTS WITH MEDIA

The company has not entered into any agreement with any media company and/or its associates.

SHAREHOLDERS

MEANS OF COMMUNICATION

1. **Quarterly and annual results:** Quarterly and annual results of the company are published in widely circulated national newspapers such as the Business Standard and the local vernacular daily, Andhra Prabha. These are also disseminated internationally through Business Wire and made available on the company's website: www.drreddys.com.
   The financial results were sent, if asked for, to the registered e-mail IDs of members.

2. **News releases, presentations, etc.:** The company has established systems and procedures to disseminate relevant information to its stakeholders, including members, analysts, suppliers, customers, employees and the society at large. It also conducts earning calls with analysts and investors. Details of communications made during the year are produced in **Table 13**.

3. **Website:** The primary source of information regarding the company's operations is the company's website: www.drreddys.com. All official news releases and presentations made to institutional investors and analysts are posted here. It contains a separate dedicated investors section where the information for members is available. The webcast of the proceedings of the AGM is generally also made available on the company's website.

4. **Annual report:** The company's annual report containing, *inter alia*, the board's report, additional shareholders information, the corporate governance report, the business responsibility report, management's discussion and analysis (MD&A), audited standalone and consolidated financial statements, auditors' report and other important

TABLE 13 DETAILS OF COMMUNICATION MADE DURING FY2020

MEANS OF COMMUNICATION	NUMBER
Press releases/statements	62
Earnings calls	4
Publication of results	4

information is circulated to members and others so entitled. The annual report is also available on the company's website in a user-friendly and downloadable form.

5. **Chairman's speech:** The speech given at the AGM is made available on the company's website: www.drreddys.com

6. **Reminder to investors:** Reminders to collect unclaimed dividend on shares or debenture redemption/interest are sent to the relevant members and debenture holders.

7. **Compliances with stock exchanges:** National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) maintain separate online portals for electronic submission of information by listed companies. Various communications such as notices, press releases and the regular quarterly, half-yearly and annual compliances and disclosures are filed electronically on these portals. In addition, such disclosures and communications are also sent to the NYSE and filed with SEC, as appropriate.

8. **Designated exclusive email-ID:** We have designated an e-mail ID exclusively for investor services: shares@drreddys.com

9. **Register to receive electronic communications:** We provide an option to the members to register their e-mail ID online through the company's website to receive electronic communications. Members who wish to receive electronic communications may register at www.drreddys.com/investors/investor-services/shareholder-information.aspx

10. **Disclosures:** We have a policy on the determination of materiality for disclosure of certain events.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING REAPPOINTMENT AND APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

MR. K SATISH REDDY

Mr. K Satish Reddy (aged 53 years) (DIN: 00129701) graduated in Chemical Engineering from Osmania University, India, in 1988 and went on to receive an M.S. in Medical Chemistry from Purdue University, USA, in 1990. He joined Dr. Reddy's in 1993 as an executive director responsible for manufacturing and new product development. In 1997, he was appointed as managing director. In the mid-1990s, as the company prepared for its global foray, he anchored the establishment of key systems and initiatives that positioned Dr. Reddy's for rapid expansion and helped to build its brand and corporate identity.

Mr. Reddy played an instrumental role in the company's transition from a bulk drugs manufacturer to a global player in the branded space by spearheading Dr. Reddy's entry into international Emerging Markets, especially Russia. He is focused on translating the company's strategy into action to drive its growth and performance globally.

Mr. Reddy was reappointed as a whole-time director designated as managing director and chief operating officer for a period of five years commencing on 1 October 2012. After the demise of the company's founder, Dr. K Anji Reddy, he was re-designated as vice-chairman and managing director with effect from 30 March 2013 and has been subsequently re-designated as the chairman of the company with effect from 13 May 2014.

The board of directors and members of the company, at their meetings on 12 May 2017 and 28 July 2017 respectively, approved the reappointment of Mr. K Satish Reddy as a whole-time director designated as chairman of the company for a further period of five years, commencing from 1 October 2017 to 30 September 2022, liable to retire by rotation. He retires by rotation at the 36th AGM of the company and, being eligible, offers himself for the reappointment.

In addition to positions held in our wholly-owned subsidiaries, Mr. Reddy is also a director on the boards of: Greenpark Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings Limited, Araku Originals Private Limited, Cipro Estates Private Limited, KAR Therapeutics & Estates Private Limited, Quin Estates Private Limited, Satish Reddy Estates Private Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Institute of Life Sciences and Ruthenika Technologies Limited in India; KAR Holdings (Singapore) Private Limited and KAREUS Therapeutics (Singapore) Private Limited in Singapore.

Apart from the committee chairmanship or membership of Dr. Reddy's, he is not a chairman or a member of any committee of any other company.

Mr. Reddy has attended all board meetings held during FY2020. He holds 898,432 equity shares in the company.

Except Mr. G V Prasad and Mr. K Satish Reddy and their relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Reddy's reappointment at the ensuing annual general meeting.

MR. G V PRASAD

Mr. G V Prasad (aged 59 years, DIN: 00057433) holds a Bachelor degree in Chemical Engineering from Illinois Institute of Technology, Chicago in the USA, and an M.S. in Industrial Administration from Purdue University, Indiana in the USA.

Mr. Prasad is a member of the company's board since 1986 and serves as co-chairman and managing director of the company.

He leads the core team that drives the growth and performance at Dr. Reddy's. He has played a key role in the evolution of Dr. Reddy's from a mid-sized pharmaceutical company into a globally respected pharmaceutical major. Mr. Prasad is widely credited as the architect of Dr. Reddy's successful Global Generics (GG) and Active Pharmaceutical Ingredients (API) strategies, as well as the company's foray into biosimilars, Proprietary Products and differentiated formulations.

Mr. Prasad was listed among the Top 50 CEOs that India ever had by Outlook magazine in 2017 and was recognized as one of the Top Five Most Valuable CEOs of India by Business World in 2016. He was also listed in the prestigious 'Medicine Maker 2018 Power List' of the most inspirational professionals shaping the future of drug development, and has been named India Business Leader of the year by CNBC Asia in 2015.

Prior to May 2014, he held titles of chairman and chief executive officer. He was the managing director of Cheminor Drugs Limited, prior to its merger with Dr. Reddy's. He was reappointed as whole-time director designated as co-chairman, managing director and CEO of the company at the 32nd AGM of the members held on 27 July 2016, for a period of five years commencing 30 January 2016 to 29 January 2021, liable to retire by rotation. Subsequently, he was re-designated as co-chairman and managing director of the company effective from 1 August 2019.

As part of the initiative to create enduring guidance for the company, the board of directors of the company, at their meeting held on 20 May 2020, have approved the reappointment of Mr. G V Prasad as whole-time director designated as co-chairman and managing director of the company for a further period of five years commencing 30 January 2021 to 29 January 2026.

In addition to the positions held in our wholly-owned subsidiaries, Mr. Prasad is also a director on the boards of: Greenpark Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings Limited, Ruthenika Technologies Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Institute of Life Sciences, International Foundation for Research and Education, Indian School of Business in India.

Apart from the committee memberships in Dr. Reddy's, he is also a member of the nomination and remuneration committee and the corporate social responsibility committee of the company's wholly-owned subsidiary, Aurigene Discovery Technologies Limited.

Mr. Prasad has attended all meetings of the board held during FY2020. He holds 1,117,940 equity shares in the company.

Except Mr. Prasad and Mr. K Satish Reddy and their relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Prasad's reappointment at the ensuing AGM.

MR. PRASAD R MENON

Mr. Prasad R Menon (aged 74 years) (DIN: 00005078) is a chemical engineer from the Indian Institute of Technology (IIT), Kharagpur. Mr. Menon has over 41 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry.

After 20 years with chemical giant ICI India Limited (now Akzo Nobel India Limited), he went on to become director (technical) of Nagarjuna Fertilisers and Chemicals Limited. In 2000, he took over as managing director of Tata Chemicals Limited, and in 2006, he stepped outside the chemicals field to become managing director of Tata Power Company Limited, from where he eventually retired in January 2011. Mr. Prasad R Menon also holds directorship in the Singapore Tourism Board and Sanmar Group Advisory Board.

Mr. Menon will attain the age of 75 years during his present term from 30 October 2017 up to 29 October 2022. Accordingly, the NGCC and board recommends the continuation of directorship of Mr. Prasad R Menon and seek the approval of its members by way of special resolution at the forthcoming 36th AGM under Regulation 17(1A) of the Listing Regulations. The continued association of Mr. Menon would be of immense benefit to the company.

Apart from the committee memberships in Dr. Reddy's, Mr. Menon is also a member of the Governance committee of Singapore Tourism Board.

Mr. Menon has attended all meetings of the board held during FY 2020. He doesn't hold any equity shares in the company.

Except Mr. Menon and his relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Menon's continuation of directorship at the ensuing AGM.

TABLE 14 LISTED COMPANY DIRECTORSHIP OF BOARD MEMBERS AS ON 31 MARCH 2020

DIRECTOR	COMPANY	LISTED IN	DESIGNATION HELD
Mr. K Satish Reddy	Dr. Reddy's Laboratories Limited	India	Chairman
Mr. G V Prasad	Dr. Reddy's Laboratories Limited	India	Co-Chairman and Managing Director
Mr. Allan Oberman	Dr. Reddy's Laboratories Limited	India	Independent Director
Mr. Bharat N Doshi	Dr. Reddy's Laboratories Limited	India	Independent Director
Dr. Bruce L A Carter	Enanta Pharmaceutical, Inc.,	USA	Chairman
	Mirati Therapeutics, Inc.,		Director
	Dr. Reddy's Laboratories Limited	India	Independent Director
Ms. Kalpana Morparia	Philip Morris International Inc.,	USA	Director
	Hindustan Unilever Limited	India	Independent Director
	Dr. Reddy's Laboratories Limited		Independent Director
Mr. Leo Puri	Hindustan Unilever Limited	India	Independent Director
	Dr. Reddy's Laboratories Limited		Independent Director
Mr. Prasad R Menon	Dr. Reddy's Laboratories Limited	India	Independent Director
Ms. Shikha Sharma	Ambuja Cements Limited	India	Independent Director
	Mahindra and Mahindra Limited		Independent Director
	Tech Mahindra Limited		Independent Director
	Tata Consumer Products Limited		Independent Director
	Dr. Reddy's Laboratories Limited		Independent Director
Mr. Sridar Iyengar	Mahindra Holidays & Resorts India Limited	India	Independent Director
	Dr. Reddy's Laboratories Limited		Independent Director

LISTED COMPANY DIRECTORSHIP OF BOARD MEMBERS

Table 14 on page 61 enumerates the directors who are holding directorship in listed entities, including Dr. Reddy's, as on 31 March 2020.

COMPLIANCE REPORT ON THE NYSE CORPORATE GOVERNANCE GUIDELINES

Pursuant to Section 303A.11 of the NYSE Listed Company Manual, a foreign private issuer, as defined by the SEC, must make its US investors aware of significant ways in which its corporate governance practices differ from those required of domestic companies under NYSE listing standards. A detailed analysis of this is available on the company's website: www.drreddys.com

COMPLIANCE REPORT ON DISCRETIONARY REQUIREMENTS UNDER REGULATION 27(1) OF THE LISTING REGULATIONS

1. **The board:** Our chairman is an executive director and maintains the chairman's office at the company's expenses for the performance of his duties.

2. **Shareholders' rights:** We did not send half-yearly results to the household of each shareholder(s) in FY2020. However, in addition to displaying our quarterly and half-yearly results on our website, www.drreddys.com, and publishing in widely circulated newspapers, the quarterly financial results are sent, if asked for, to the registered e-mail IDs of shareholders.

3. **Audit qualifications:** The auditors have not qualified the financial statements of the company.

4. **Separate post of chairman and CEO:** Mr. K Satish Reddy is the chairman of the company; Mr. G V Prasad is the co-chairman and managing director and Mr. Erez Israeli is the CEO.

5. **Reporting of internal audit:** The chief internal auditor regularly updates the audit committee on internal audit findings at the committee's meetings and conference calls.

ADDITIONAL SHAREHOLDERS' INFORMATION

The chapter on *Additional Shareholders' Information* forms a part of this annual report.

ANNEXURE A

REMUNERATION POLICY

I. CONTEXT

The purpose of this policy is to set over principles, parameters and governance framework of the remuneration for directors, KMPs, senior management personnel and employees. This policy will assist the board to fulfil its responsibility towards attracting, retaining and motivating the directors, KMPs, senior management personnel and employees through competitive and reasonable remuneration in line with the corporate and individual performance.

This document outlines following policies/ guidelines:

A. Performance evaluation of directors
B. Remuneration principles
C. Board diversity

II. DEFINITIONS

"Board" means board of directors of the company.

"Committee" means nomination, governance and compensation committee of the company as constituted or reconstituted by the board, from time to time.

"Company" means Dr. Reddy's Laboratories Limited.

"Director" means directors of the company.

"Employee" means any person, including officers who are in the permanent employment of the company.

"Independent Director" As provided under clause 49 of the Listing Agreement and/or under the Companies Act, 2013, 'independent director' shall mean a non-executive director, other than a nominee director of the company:

a) who, in the opinion of the board, is a person of integrity and possesses relevant expertise and experience;

b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

c) apart from receiving director's remuneration, has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;

e) who, neither himself nor any of his relatives —
(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
(iii) holds together with his relatives two per cent or more of the total voting power of the company; or
(iv) is a chief executive or director, by whatever name called, of any non-profit organization that receives twenty five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company; and
(v) is a material supplier, service provider or customer or a lessor or lessee of the company.

f) who is not less than 21 years of age.

"Key Managerial Personnel" is as defined under the Companies Act, 2013 and means-

a) the chief executive officer or the managing director or the manager (having ultimate controls over affairs of the company);
b) the company secretary;
c) the whole-time director;
d) the chief financial officer; and
e) such other officer as may be prescribed under the applicable statutory provisions/regulations from time to time.

"Senior Management" means officers/personnel of the company who are members of its core management team excluding board of directors comprising all members of management one level below the executive directors, including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

III. APPLICABILITY

This policy is applicable to the following:

- Directors (executive and non-executive);
- Key managerial personnel (KMPs);
- Senior management personnel; and
- Other employees.

IV. EVALUATION OF DIRECTORS

For the purpose of determining remuneration (based on profitability of the company), the evaluation criteria of the executive and non-executive directors are as outlined below:

1) Executive directors:
   a) Financial metrics covering growth in return on capital employed (RoCE) and profitability;
   b) Non-financial metrics covering aspects such as health, brand building, compliance, quality and sustainability of operations of the organization, as may be agreed upon from time to time with the company.

2) Non-executive directors:
   a) Level of engagement, independence of judgment, etc., and their contribution in enhancing the board's overall effectiveness;
   b) The non-executive directors remuneration shall be globally benchmarked with similar organizations;
   c) Participation in the committees (either as chairperson or member) and the board meetings.

V. REMUNERATION OF DIRECTORS, KMPs, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

The committee shall recommend to the board for their approval, any remuneration to be paid to the executive directors. The committee will separately review and approve the remuneration to be paid to KMPs and senior management personnel.

The level and composition of remuneration so determined by the committee shall be reasonable and sufficient required to attract, retain and motivate directors, KMPs and senior management in order to run the company successfully. There shall be a clear linkage of remuneration to performance and health targets. The remuneration shall be a mix of fixed and variable pay/long-term pay reflecting short and long-term performance objectives appropriate to the working of the company and its strategic goals.

The key principles for each of the positions are outlined below:

1) Executive directors – The executive directors shall be paid remuneration by way of monthly compensation and profit based commission. The total remuneration to be paid to the executive directors shall be within the limits prescribed under the provisions of the Companies Act, 2013 and Rules made thereunder;

2) Non-executive directors – The non-executive directors shall receive remuneration by way of sitting fees and reimbursement of expenses for attending meetings of board or committee thereof. In addition, the non-executive and independent directors shall also be eligible to receive profit related commission, as may be approved by the shareholders of the company. They shall not be entitled to any stock options;

   The chairman of the company shall propose remuneration to be paid to non-executive directors. The proposal for the remuneration shall be benchmarked with global pharmaceutical companies and the contribution made and time dedicated by each director;

3) KMPs and senior management personnel – Dr. Reddy's recognizes that those chosen to lead the organization are vital to its ongoing success and growth. Thus, these executives should be offered competitive and reasonable compensation so that Dr. Reddy's can attract, retain and encourage critical talent to meet important organizational goals and strategies. The compensation will be the mix of fixed pay, variable pay, performance based incentive plans or stock options. The executive total compensation program will be flexible to differentiate pay to recognize an individual incumbents' critical skills, contributions, and future potential to impact the organization's success; and

4) Other employees – The compensation program for employees is designed to help drive performance culture and align employees for the creation of sustainable value through behaviors like execution excellence, innovation and leadership. In line with the organization principles of managing the long-term and meritocracy, there are four principles of pay which have been enumerated – ability to pay, position-linked pay, person-specific pay and performance-linked pay. The company may periodically review the compensation and benefits at all levels to ensure that the company remains competitive and is able to attract and retain desirable talent.

   The committee may review the overall compensation approach for employees and on any changes done for the entire organization.

VI. BOARD DIVERSITY

Building a diverse and inclusive workplace is an integral part of Dr. Reddy's culture. These principles are also applied to the composition of our board.

The board of directors shall have the optimum combination of directors from different areas/fields of expertise and experience like operations, management, quality assurance, finance, sales and marketing, supply chain, research and development, human resources etc., or as may be considered appropriate. The board shall have at least one member who has accounting or related financial management expertise and at least three members who are financially literate.

At least one member of the board should be a woman.

VII. CONFIDENTIALITY

The members of the committee may not disclose, in particular, the information contained in the confidential reports they receive or the contents of confidential discussions. They shall also ensure that any employees appointed to support them likewise comply with this rule.

VIII. REVIEW

This policy will be reviewed at appropriate time, as decided by the committee. The utility and interpretation of this policy will be at the sole discretion of the committee.

EXHIBIT 1

REPORT OF THE AUDIT COMMITTEE

To the shareholders of
Dr. Reddy's Laboratories Limited

The audit committee of the board of directors consists of four directors. Each member is an independent director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

Dr. Reddy's management has primary responsibility for the financial statements and reporting process, including the systems of internal controls. During FY2020, the audit committee met five times. It discussed with the company's internal auditors, statutory auditors and independent auditors, the scope and plans for their respective audits. It also discussed the results of their examination, their evaluation of the company's internal controls, and overall quality of the company's financial reporting. The audit committee provides at each of its meetings an opportunity for internal and external auditors to meet privately with the members of the committee, without the presence of management.

In fulfilling its oversight responsibilities, the committee reviewed and discussed the company's quarterly unaudited and annual audited financial statements with the management. M/s. S.R. Batliboi & Associates LLP, chartered accountants, the company's statutory auditors for financial statements prepared in accordance with Ind AS, and M/s. Ernst & Young Associates LLP, the company's independent auditors for financial statements prepared in accordance with IFRS, are responsible for expressing their opinion on the conformity of the company's financial statements with generally accepted accounting principles (GAAP), as applicable.

Relying on the review and discussions with the management and the auditors, the audit committee believes that the company's financial statements are fairly presented in conformity with Indian accounting standards (Ind AS) and the IFRS as issued by the International Accounting Standards Board in all material aspects.

To ensure that the accounts of the company are properly maintained and that accounting transactions are in accordance with the prevailing laws and regulations, the committee reviewed the internal controls put in place by the company. In conducting such reviews, the committee found no material discrepancy or weakness in the company's internal control systems.

During the year, the committee, *inter alia,* also reviewed the following:

a) Non-audit services being provided by the statutory and independent auditors and concluded that such services were not in conflict with their independence;
b) Structure of the internal audit function and chief internal auditor's remuneration;
c) Related party transactions, as applicable; and
d) The financial statements of the subsidiaries including their investments and significant transactions.

The committee ensures that the company's code of business conduct and ethics has a mechanism such that no personnel intending to make a complaint relating to securities and financial reporting shall be denied access to the audit committee.

The audit committee has recommended to the board of directors:

a) That the audited standalone and consolidated financial statements of Dr. Reddy's Laboratories Limited for the year ended 31 March 2020 prepared as per Ind AS be approved by the board as a true and fair statement of the financial status of the company; and
b) That the financial statements prepared as per IFRS as issued by International Accounting Standards Board for the year ended 31 March 2020 be approved by the board and be included in the company's annual report on Form 20-F, to be filed with the US Securities and Exchange Commission.

In addition, the committee has also recommended appointment/reappointment of the secretarial auditor, cost auditor and independent auditor for FY2021 to the board.

Sridar Iyengar
Chairman, Audit Committee

Place : Hyderabad
Date : 19 May 2020

EXHIBIT 2

REPORT OF THE NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

To the shareholders of
Dr. Reddy's Laboratories Limited

The nomination, governance and compensation committee of the board of directors consists of three independent directors as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee's primary responsibilities are to:

- Assess the company's policies and processes in key areas of corporate governance other than those explicitly assigned to other board committees to ensure that the company is at the forefront of good corporate governance;
- Examine the structure, composition and functioning of the board, and recommend changes, as necessary, to improve the board's effectiveness, oversee the evaluation of the board and formulation of criteria for such evaluation;
- Examine major aspects of the company's organizational design, and recommend changes as necessary;
- Formulate policies on the remuneration of directors, KMP and other employees and on board diversity;

- Review and recommend compensation and variable pay for executive directors to the board;
- Review the sexual harassment complaints, outcome of investigations, if any, and awareness initiatives; and
- Establish, in consultation with the management, the compensation program for the company, and recommend it to the board for approval, and in that context:
  - Establish annual key result areas (KRAs) for the executive directors and oversee the status of their achievement;
  - Review, discuss and provide guidance to the management, on the KRAs for members of the MC, KMP and their remuneration; and
  - Review the company's ESOP schemes and oversee its administration.

As on 31 March 2020, the company had 962,955 outstanding stock options, which amounts to 0.58% of total equity capital. These options are held by 276 employees of the company and its subsidiaries under:

a) 'Dr. Reddy's Employees Stock Options Scheme, 2002';

b) 'Dr. Reddy's Employees ADR Stock Options Scheme, 2007'; and

c) 'Dr. Reddy's Employees Stock Option Scheme, 2018'.

384,420 stock options are exercisable at par value i.e. ₹ 5/- and 578,535 stock options are exercisable at fair market value.

The committee met three times during the financial year. In addition to the fulfilment of its normal responsibilities as described above, the committee gave special emphasis to boards' succession planning and modifying committee composition. It has also worked with management to review the organization design, plan for upgrading and retaining talent at all levels, review succession plans for key positions, and support revision of training programs and the performance enablement systems.

It also reviewed the company's system for hiring, developing and retaining talent.

Prasad R Menon
Chairman, Nomination, Governance and Compensation Committee

Place : Hyderabad
Date : 19 May 2020

EXHIBIT 3

REPORT OF THE SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE

To the shareholders of
Dr. Reddy's Laboratories Limited

The science, technology and operations committee of the board of directors consists of four independent directors as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee's primary responsibilities are to:

- Review scientific, medical and technical matters and operations involving the company's development and discovery programs (generic and proprietary), including major internal projects and business development opportunities;
- Review and monitor the management actions in the creation of valuable intellectual property (IP);
- Review the status of non-infringement patent challenges;
- Review and monitor the management actions in building and nurturing science in the organization to support its business strategy; and
- Review the safety and quality of the company's operations.

The committee met four times during the financial year and apprised the board on key discussions and recommendations made at such meetings.

Dr. Bruce L A Carter
Chairman, Science, Technology and Operations Committee

Place : Hyderabad
Date : 19 May 2020

EXHIBIT 4

REPORT OF THE RISK MANAGEMENT COMMITTEE

To the shareholders of
Dr. Reddy's Laboratories Limited

The risk management committee of the board of directors consists of four directors. Each member is an independent director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee's primary responsibilities are to:

- Discuss with senior management the company's enterprise-level risks and provide oversight as may be needed;
- Ensure it is apprised of the most significant risks and emerging issues, along with actions taken by management and how it is ensuring effective enterprise risk management (ERM); and
- Review risk disclosure statements in any public documents or disclosures.

The committee met thrice during the financial year to review key initiatives taken during the year including benchmarking of the ERM framework and adopt risk indicators for key risks. The committee also reviewed the status of mitigation of key business, compliance and financial risks, cyber security risks and related management initiatives, evaluated residual risk thereof and recommended interventions from time to time. It also apprised the board on key discussions and recommendations made at such meetings and shared information on enterprise-wide risks.

Shikha Sharma
Chairperson, Risk Management Committee

Place : Hyderabad
Date : 20 May 2020

EXHIBIT 5

REPORT OF THE STAKEHOLDERS' RELATIONSHIP COMMITTEE

To the shareholders of
Dr. Reddy's Laboratories Limited

The stakeholders' relationship committee of the board of directors consists of four directors. Out of them two members are independent directors as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee believes that its primary responsibilities are to:

- Review investor complaints and their redressal;
- Review measures taken for effective exercise of voting rights by shareholders;
- Review of work done by the share transfer agent including adherence to the service standards;
- Review corporate actions related to security holders;
- Review investor engagement plans/initiatives and movement in shareholdings and ownership structure; and
- Review initiatives for reduction of quantum of unclaimed dividends and ensure timely receipt of dividend/annual report/statutory notices by the shareholders.

The committee met four times during the financial year. It also reviewed the functioning of the company's secretarial and investor relations functions.
It apprised the board on key discussions and recommendations made at such committee meetings.

Kalpana Morparia
Chairperson, Stakeholders' Relationship Committee

Place : Hyderabad
Date : 19 May 2020

EXHIBIT 6

REPORT OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

To the shareholders of
Dr. Reddy's Laboratories Limited

The corporate social responsibility (CSR) committee of the board of directors consists of three directors, including two executive directors. The chairman is an independent director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The committee operates under a written charter adopted by the board of directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The committee believes that its primary responsibilities are to:

- Formulate, review and recommend to the board a CSR policy indicating the activities to be undertaken by the company as specified in schedule VII of the Companies Act, 2013;
- Recommend the amount of expenditure to be incurred on the initiatives as per the CSR policy;
- Provide guidance on various CSR initiatives undertaken by the company and to monitor their progress including their impact; and
- Monitor implementation and adherence to the CSR policy of the company from time to time.

During the financial year, the committee met four times. It also reviewed and apprised the board on the CSR budget, key discussions and recommendations made at such meetings and shared information on the overall CSR initiatives undertaken by the company.

Bharat N Doshi
Chairman, Corporate Social Responsibility Committee

Place : Hyderabad
Date : 19 May 2020

EXHIBIT 7

THE CEO'S DECLARATION ON COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

Dr. Reddy's Laboratories Limited has adopted a code of business conduct and ethics ('the code') which applies to all employees and directors of the company, its subsidiaries and affiliates.

Under the code, it is the responsibility of all employees and directors to familiarize themselves with the code and comply with its standards.

I hereby certify that the board members and senior management personnel of Dr. Reddy's have affirmed compliance with the code of the company for the financial year 2019-20.

Erez Israeli
Chief Executive Officer

Place : Hyderabad
Date : 20 May 2020

EXHIBIT 8

CEO AND CFO CERTIFICATE TO THE BOARD PURSUANT TO REGULATION 17(8) OF THE LISTING REGULATIONS

We, Erez Israeli, chief executive officer, and Saumen Chakraborty, president and chief financial officer of Dr. Reddy's Laboratories Limited, to the best of our knowledge and belief, hereby certify that:

A. We have reviewed the financial statements (standalone and consolidated) including the cash flow statement for the financial year ended 31 March 2020 and that these statements:
   i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
   ii. together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are no transactions entered into by the company during the year, which are fraudulent, illegal or violate the company's code of business conduct and ethics.

C. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.

D. We have disclosed, wherever applicable, to the auditors and the audit committee:
   i. That there were no deficiencies in the design or operations of internal controls that could adversely affect the company's ability to record, process, summarize and report financial data including any corrective actions;
   ii. that there are no material weaknesses in the internal controls over financial reporting;
   iii. that there are no significant changes in internal control over financial reporting during the year;
   iv. all significant changes in the accounting policies during the year, if any, and that the same

have been disclosed in the notes to the financial statements; and

v. that there are no instances of significant fraud of which we have become aware of and involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting.

Erez Israeli
Chief Executive Officer

Saumen Chakraborty
President & Chief Financial Officer

Place : Hyderabad
Date : 19 May 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE AS PER PROVISIONS OF CHAPTER IV OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015, AS AMENDED

The Members of
Dr. Reddy's Laboratories Limited
8-2-337, Road No. 3, Banjara Hills
Hyderabad – 500 034

1. The Corporate Governance Report prepared by Dr. Reddy's Laboratories Limited (hereinafter the "Company"), contains details as specified in regulations 17 to 27, clauses (b) to (i) of sub – regulation (2) of regulation 46 and para C, D, and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') for the year ended March 31, 2020 as required by the Company for annual submission to the Stock exchange.

MANAGEMENT'S RESPONSIBILITY

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

AUDITOR'S RESPONSIBILITY

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to provide a reasonable assurance in the form of an opinion whether, the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations.
5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of procedures performed include:
   i. Read and understood the information prepared by the Company and included in its Corporate Governance Report;
   ii. Obtained and verified that the composition of the Board of Directors with respect to executive and non-executive directors has been met throughout the reporting period;
   iii. Obtained and read the Register of Directors as on March 31, 2020 and verified that atleast one independent woman director was on the Board of Directors throughout the year;
   iv. Obtained and read the minutes of the following committee meetings / other meetings held from April 01, 2019 to March 31, 2020:
      (a) Board of Directors;
      (b) Audit committee;
      (c) Annual General meeting (AGM);
      (d) Nomination Governance and Compensation committee;
      (e) Stakeholders Relationship committee;
      (f) Corporate Social Responsibility committee
      (g) Risk management committee; and
      (h) National Company Law Tribunal, Hyderabad Bench, convened meeting of shareholders and creditors.
   v. Obtained necessary declarations from the directors of the Company.
   vi. Obtained and read the policy adopted by the Company for related party transactions.
   vii. Obtained the schedule of related party transactions during the year and balances at the year- end. Obtained and read the minutes of the audit committee meeting where in such related party transactions have been pre-approved prior by the audit committee.
   viii. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

8. The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

OPINION

9. Based on the procedures performed by us, as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations, as applicable for the year ended March 31, 2020, referred to in paragraph 4 above.

OTHER MATTERS AND RESTRICTION ON USE

10. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

11. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number:
101049W/E300004

per S Balasubrahmanyam
Partner

Membership Number: 053315

UDIN: 20053315AAAABC3668
Place of signature : Chennai
Date : May 20, 2020

PRACTICING COMPANY SECRETARY'S CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
Dr. Reddy's Laboratories Limited,
8-2-337, Road No.3, Banjara Hills,
Hyderabad-500034, Telangana.

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Dr. Reddy's Laboratories Limited having CIN (Corporate Identification Number) L85195TG1984PLC004507 and having registered office at 8-2-337, Road No.3, Banjara Hills, Hyderabad-500034, Telangana (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C clause (10)(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these, based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For R & A Associates

(G Raghu Babu)
Partner
FCS. No.# 4448, C.P. # 2820
UDIN: F004448B000250441

Place : Hyderabad
Date : 18 May 2020

SL NO	NAME OF DIRECTOR	DIN	DATE OF APPOINTMENT IN COMPANY
1.	Satish Reddy Kallam	00129701	18th January, 1993
2.	Venkateswara Prasad Gunupati	00057433	8th April, 1986
3.	Bruce Leonard Andrews Carter	02331774	21st July, 2008
4.	Kalpana Jaisingh Morparia	00046081	5th June, 2007
5.	Sridar Arvamudhan Iyengar	00278512	22nd August, 2011
6.	Bharat Narotam Doshi	00012541	11th May, 2016
7.	Prasad Raghava Menon	00005078	30th October, 2017
8.	Leo Puri	01764813	25th October, 2018
9.	Shikha Sanjaya Sharma	00043265	31st January, 2019
10.	Allan Grant Oberman	08393837	26th March, 2019

ADDITIONAL SHAREHOLDERS' INFORMATION

CONTACT INFORMATION

REGISTERED AND CORPORATE OFFICE
Dr. Reddy's Laboratories Limited
8-2-337, Road No. 3, Banjara Hills
Hyderabad 500 034, Telangana, India
Tel: +91-40-4900 2900
Fax: +91-40-4900 2999
Website: www.drreddys.com
CIN: L85195TG1984PLC004507
E-mail ID: shares@drreddys.com

REPRESENTING OFFICERS

Correspondence to the following officers may be addressed at the registered and corporate office of the company.

COMPLIANCE OFFICER UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND NODAL OFFICER UNDER IEPF
Sandeep Poddar
Company Secretary
Tel: +91-40 4900 2222
Fax: +91-40 4900 2999
E-mail ID: spoddar@drreddys.com

ADR INVESTORS/INSTITUTIONAL INVESTORS/FINANCIAL ANALYSTS
Amit Agarwal
Head - Investor Relations
Tel: +91-40 4900 2135
Fax: +91-40 4900 2999
E-mail ID: amita@drreddys.com

MEDIA
Archana Bhaskar
Chief Human Resource Officer and Head - Corporate Communications
Tel: +91-40 4900 2222
Fax: +91-40 4900 2999
E-mail ID: archanabhaskar@drreddys.com

INDIAN RETAIL INVESTORS
Sandeep Poddar
Company Secretary
Tel: +91-40-4900 2222
Fax: +91-40-4900 2999
E-mail ID: shares@drreddys.com

ANNUAL GENERAL MEETING

Date: Thursday, 30 July 2020
Time: 9.00 am
Mode: To be held through Video Conference (VC) facility/Other Audio Visual Means (OAVM)

Ministry of Corporate Affairs (MCA) vide circular no. 14/2020 dated 8 April 2020, general circular no. 17/2020 dated 13 April 2020 and circular no. 20/2020, dated 5 May 2020, has enabled convening of annual general meeting (AGM) through VC/OAVM without requiring the shareholders to physically assemble at a common venue. Shareholders can attend the proceedings of AGM by logging on the NSDL e-voting system at www.evoting.nsdl.com

DIVIDEND

The board of directors of the company has proposed a dividend of ₹ 25/- on equity share of face value of ₹ 5/- each. The dividend, if declared by the shareholders at the 36th annual general meeting scheduled to be held on 30 July 2020, will be paid on or after 4 August 2020.

BOOK CLOSURE DATES

The dates of book closure are from Wednesday, 15 July 2020 to Friday, 17 July 2020 (both days inclusive) for the purpose of payment of dividend.

E-VOTING DATES

The cut-off date for the purpose of determining the shareholders eligible for e-voting is Thursday, 23 July 2020.

The e-voting commences on Sunday, 26 July 2020 at 9.00 am IST and ends on Wednesday, 29 July 2020 at 5.00 pm IST.

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

ISIN is a unique identification number of a traded scrip. This number has to be quoted in each transaction relating to the dematerialized securities of the company. The ISIN number of our equity shares is INE089A01023.

FINANCIAL CALENDAR

TENTATIVE CALENDAR FOR DECLARATION OF FINANCIAL RESULTS IN FY2021	
For the quarter ending 30 June 2020	Last week of July 2020
For the quarter and half-year ending 30 September 2020	Last week of October 2020
For the quarter and nine months ending 31 December 2020	Last week of January 2021
For the year ending 31 March 2021	Third week of May 2021
AGM for the year ending 31 March 2021	Last week of July 2021

LISTING ON STOCK EXCHANGES AND STOCK CODES

DETAILS OF STOCK EXCHANGE	STOCK CODE	
	EQUITY SHARES	ADRs
BSE Limited (BSE), P J Towers, Dalal Street, Fort, Mumbai 400 001, India	500124	-
National Stock Exchange of India Limited (NSE), Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India	DRREDDY-EQ	-
New York Stock Exchange, Inc. (NYSE), 11, Wall Street, New York, 10005, USA	-	RDY

Notes:
1. *Listing fees to the Indian stock exchanges for listing of equity shares have been paid for the FY2021.*
2. *Listing fees to the NYSE for listing of ADRs has been paid for the CY2020.*
3. *The stock code on Reuters is REDY.NS and on Bloomberg is DRRD:IN.*

Note : FY2020 represents fiscal year 2019-20, from 1 April 2019 to 31 March 2020, and analogously for FY2019 and previously such labelled years.

TABLE 1 PERSONS HOLDING 1% OR MORE OF THE EQUITY SHARES IN THE COMPANY AS ON 31 MARCH 2020[1]

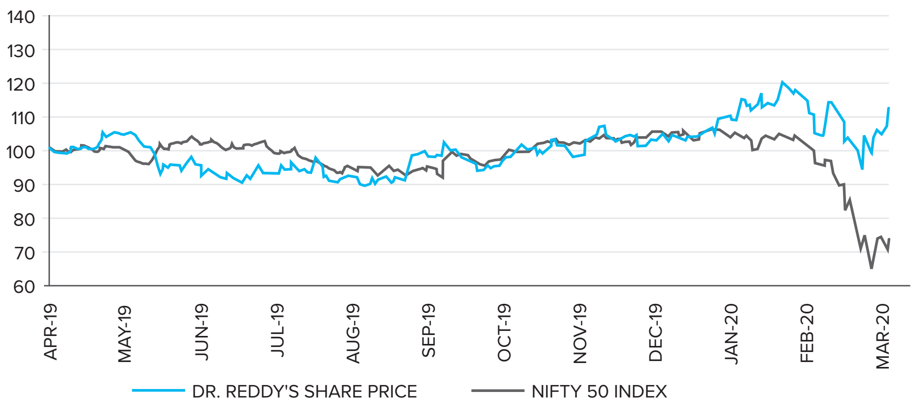
SL. NO.	NAME	NO. OF SHARES	%
1	Dr. Reddy's Holdings Limited	41,325,300	24.87
2	Life Insurance Corporation of India and their associates	8,468,983	5.10
3	Mitsubishi - UFJ Financial Group, Stewart and their associates	7,540,098	4.54
4	Blackrock and their associates	4,475,321	2.69
5	SBI-ETF NIFTY 50	2,419,916	1.46
6	ICICI Prudential Life Insurance Company Limited	2,124,894	1.28
7	Franklin Templeton Mutual Fund and their associates	2,066,348	1.24
8	United Nations Joint Staff Pension Fund	1,834,100	1.10
9	Aditya Birla Sun Life and their associates	1,725,905	1.04

[1] *Does not include ADR holding.*

TABLE 2 EQUITY HISTORY OF THE COMPANY SINCE INCORPORATION OF THE COMPANY UP TO 31 MARCH 2020

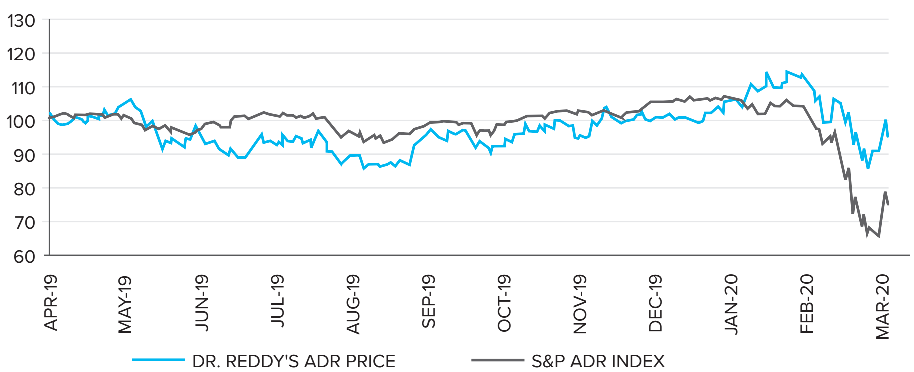
DATE/ FINANCIAL YEAR	PARTICULARS	ISSUED	CANCELLED/ EXTINGUISHED	CUMULATIVE
24-Feb-84	Issue to promoters	200		200
22-Nov-84	Issue to promoters	243,300		243,500
14-Jun-86	Issue to promoters	6,500		250,000
09-Aug-86	Issue to public	1,116,250		1,366,250
30-Sep-88	Forfeiture of 100 shares		100	1,366,150
09-Aug-89	Rights issue	819,750		2,185,900
16-Dec-91	Bonus issue (1:2)	1,092,950		3,278,850
17-Jan-93	Bonus issue (1:1)	3,278,850		6,557,700
10-May-94	Bonus issue (2:1)	13,115,400		19,673,100
10-May-94	Issue to promoters	2,250,000		21,923,100
26-Jul-94	GDR underlying equity shares	4,301,076		26,224,176
29-Sep-95	Standard Equity Fund Limited shareholders on merger	263,062		26,487,238
30-Jan-01	Cheminor Drugs Limited shareholders on merger	5,142,942		31,630,180
30-Jan-01	Cancellation of shares held in Cheminor Drugs Limited on merger		41,400	31,588,780
11-Apr-01	ADR underlying equity shares	6,612,500		38,201,280
09-Jul-01	GDR conversion into ADR			38,201,280
24-Sep-01	American Remedies Limited shareholders on merger	56,694		38,257,974
25-Oct-01	Sub-division of one equity share of ₹ 10/- into two equity shares of ₹ 5/-			76,515,948
2004-05	Allotment pursuant to exercise of stock options	3,001		76,518,949
2005-06	Allotment pursuant to exercise of stock options	175,621		76,694,570
2006-07	Allotment pursuant to exercise of stock options	63,232		76,757,802
30-Aug-06	Bonus issue (1:1)	76,757,802		153,515,604
22-Nov-06	ADR underlying equity shares	12,500,000		166,015,604
29-Nov-06	ADR underlying equity shares (green shoe option)	1,800,000		167,815,604
2006-07	Allotment pursuant to exercise of stock options	96,576		167,912,180
2007-08	Allotment pursuant to exercise of stock options	260,566		168,172,746
2008-09	Allotment pursuant to exercise of stock options	296,031		168,468,777
2009-10	Allotment pursuant to exercise of stock options	376,608		168,845,385
2010-11	Allotment pursuant to exercise of stock options	407,347		169,252,732
2011-12	Allotment pursuant to exercise of stock options	307,614		169,560,346
2012-13	Allotment pursuant to exercise of stock options	276,129		169,836,475
2013-14	Allotment pursuant to exercise of stock options	272,393		170,108,868
2014-15	Allotment pursuant to exercise of stock options	272,306		170,381,174
2015-16	Allotment pursuant to exercise of stock options	226,479		170,607,653
2016-17	Buyback of equity shares		5,077,504	165,530,149
	Allotment pursuant to exercise of stock options	211,564		165,741,713
2017-18	Allotment pursuant to exercise of stock options	169,194		165,910,907
2018-19	Allotment pursuant to exercise of stock options	155,041		166,065,948
2019-20	Allotment pursuant to exercise of stock options	106,134		166,172,082

CHART 1 MOVEMENT OF THE COMPANY'S SHARE PRICE ON NSE AND NIFTY 50 INDEX



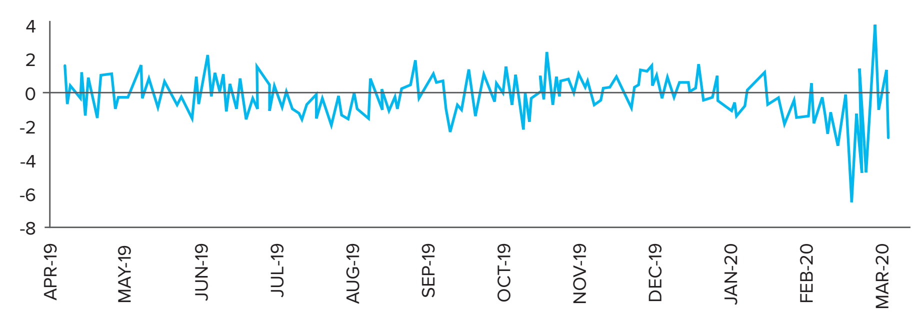
Notes:
1. *All values are indexed to 100 as on 1 April 2019.*
2. *Nifty 50 is a diversified 50 stock index accounting for 12 sectors of the Indian economy. Nifty 50 is owned and managed by NSE Indices Limited, India's specialized company focused upon the index as a core product.*

CHART 2 MOVEMENT OF THE COMPANY'S ADR PRICES AND S&P ADR INDEX



Notes:
1. *All values are indexed to 100 as on 1 April 2019.*
2. *The S&P ADR Index is based on the non-US stocks comprising the S&P Global 1200 traded in the US exchanges. For details of the methodology used to compute this index, please visit www.adr.com.*

CHART 3 PREMIUM IN PERCENT ON COMPANY'S ADR TRADED ON NYSE VERSUS SHARE PRICE QUOTED AT NSE



Note: Premium has been calculated on a daily basis using RBI reference exchange rate.

CUSIP NUMBER FOR ADRs

The committee on uniform security identification procedures (CUSIP) of the American Bankers Association has developed a numbering system for securities. A CUSIP number uniquely identifies a security and its issuer and this is recognized globally by organizations adhering to standards issued by the International Securities Organization. Our ADRs carry the CUSIP no. **256135203**.

DESCRIPTION OF VOTING RIGHTS

All equity shares issued by the company carry equal voting rights.

DEPOSITORIES

OVERSEAS DEPOSITORY OF ADRs

J.P. Morgan Chase & Co.
P.O. Box 64504, St. Paul
MN 55164-0504, USA
Tel: +1-651-453 2128

INDIAN CUSTODIAN OF ADRs

J.P. Morgan Chase Bank NA
India Sub-Custody, 6th Floor
Paradigm B Wing, Mindspace, Malad (West)
Mumbai 400 064, Maharashtra, India
Tel: +91-22-6649 2617
Fax: +91-22-6649 2509
E-mail ID: india.custody.client.service@jpmorgan.com

REGISTRAR AND TRANSFER AGENT (RTA) FOR INDIAN SHARES (COMMON AGENCY FOR DEMAT AND PHYSICAL SHARES)

Bigshare Services Private Limited
CIN: U99999MH1994PTC076534
306, Right Wing, 3rd Floor, Amrutha Ville
Opp. Yashoda Hospital, Rajbhavan Road
Hyderabad 500 082, Telangana, India
Tel: +91-40-2337 4967
Fax: +91-40-2337 0295
E-mail ID: bsshyd@bigshareonline.com

PERSONS HOLDING OVER 1% OF THE SHARES

Table 1 gives the names of the persons who hold more than 1% of equity shares of the company as on 31 March 2020.

EQUITY HISTORY OF THE COMPANY

Table 2 lists equity history of the company since the incorporation of the company up to 31 March 2020.

STOCK DATA

Table 3 gives the monthly high/low and the total number of shares/ADRs traded per month on the BSE, NSE and the NYSE during FY2020.

Chart 1 on page 71 gives the movement of our share price on NSE vis-à-vis NIFTY 50 Index during FY2020.

Chart 2 on page 71 gives the movement of our ADR price on NYSE vis-à-vis S&P ADR Index during FY2020.

Chart 3 on page 71 gives premium in percent on our ADR traded on NYSE compared to the share price quoted at NSE during FY2020.

SHAREHOLDING PATTERN AS ON 31 MARCH 2020

Tables 4 and 5 gives the data on shareholding classified on the basis of category and distribution of ownership, respectively.

DIVIDEND HISTORY

Chart 4 on page 73 shows the dividend history of the company from the FY2010 to FY2020.

NOMINATION FACILITY

Shareholders holding physical shares may, if they so desire, send their nominations in form SH-13 of the Companies (Share Capital and Debentures) Rules, 2015, as amended, to the RTA of the company. Further, shareholders may cancel/vary their nomination already made, in form SH-14 by sending it to the RTA. Those holding shares in dematerialized form may contact their respective depository participant (DP) to avail the nomination facility.

EXCHANGE OF SHARE CERTIFICATES

Standard Equity Fund Limited (SEFL), Cheminor Drugs Limited (CDL) and American Remedies Limited (ARL) merged with Dr. Reddy's Laboratories Limited in the years 1995, 2000 and 2001 respectively. Also, during the year 2001, the company sub-divided the face value of its equity shares of ₹ 10/- into ₹ 5/-. Hence, the share certificates of the above three companies and old share certificates of ₹ 10/- face value are no longer valid.

TABLE 3 HIGH, LOW AND NUMBER OF SHARES/ADRs TRADED PER MONTH ON BSE, NSE AND NYSE DURING FY2020

MONTH	BSE			NSE			NYSE		
	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH (US$)	LOW (US$)	NO. OF ADRs[1]
Apr-19	2,954.45	2,737.20	416,148	2,953.50	2,736.90	11,620,812	42.14	39.37	3,691,027
May-19	2,965.20	2,544.20	649,768	2,964.00	2,542.55	16,996,507	42.82	36.39	3,548,364
Jun-19	2,797.75	2,447.05	624,591	2,798.45	2,400.00	13,020,328	39.73	35.82	3,830,175
Jul-19	2,725.00	2,520.65	499,524	2,726.80	2,533.00	14,660,105	39.24	36.30	3,008,729
Aug-19	2,598.60	2,352.00	441,318	2,599.50	2,351.20	12,034,528	36.84	34.67	4,718,731
Sep-19	2,876.60	2,522.55	415,503	2,862.00	2,522.80	12,332,796	39.87	34.95	4,242,946
Oct-19	2,850.00	2,577.20	254,347	2,849.95	2,576.25	9,751,814	39.99	36.62	3,682,324
Nov-19	2,990.00	2,712.65	422,042	2,991.95	2,712.30	14,411,227	42.00	38.05	3,048,455
Dec-19	2,969.00	2,774.00	241,923	2,949.00	2,773.00	9,966,598	41.26	39.86	3,583,240
Jan-20	3,249.50	2,851.90	1,082,543	3,249.95	2,852.05	17,856,775	44.69	39.63	4,508,773
Feb-20	3,363.00	2,906.00	484,458	3,364.95	2,905.25	15,160,819	46.19	39.90	3,689,778
Mar-20	3,230.00	2,497.60	1,095,499	3,231.95	2,495.05	21,601,382	43.09	33.33	5,158,342

[1] *One ADR is equal to one equity share.*

TABLE 4 DISTRIBUTION OF SHAREHOLDING ON THE BASIS OF CATEGORY

CATEGORY	AS ON 31 MARCH 2020		AS ON 31 MARCH 2019		% CHANGE
	NO. OF SHARES	% OF TOTAL	NO. OF SHARES	% OF TOTAL	
Promoters' Holding[1]					
- Individuals	3,133,228	1.89	3,133,228	1.89	-
- Companies	41,325,300	24.87	41,325,300	24.88	(0.01)
Sub-total	**44,458,528**	**26.76**	**44,458,528**	**26.77**	**(0.01)**
Indian financial institutions	8,896,044	5.35	8,200,552	4.94	0.41
Banks	224,457	0.14	314,614	0.19	(0.05)
Mutual funds/UTI	14,539,166	8.75	15,132,031	9.11	(0.36)
Foreign holdings					
- Foreign institutional investors/ foreign portfolio investors	50,098,326	30.15	51,371,769	30.94	(0.79)
- Non resident Indians	1,653,054	0.99	1,751,508	1.05	(0.06)
- ADRs	23,429,546	14.10	23,437,729	14.11	(0.01)
- Foreign nationals	4,199	0.00	11,821	0.01	(0.01)
Sub-total	**98,844,792**	**59.48**	**100,220,024**	**60.35**	**(0.87)**
Indian public and corporates	22,868,762	13.76	21,387,396	12.88	0.88
Total	**166,172,082**	**100.00**	**166,065,948**	**100.00**	**-**

[1] *Change in percentage due to ESOP allotment.*

CHART 4 DIVIDEND HISTORY FY2010-20 (%)

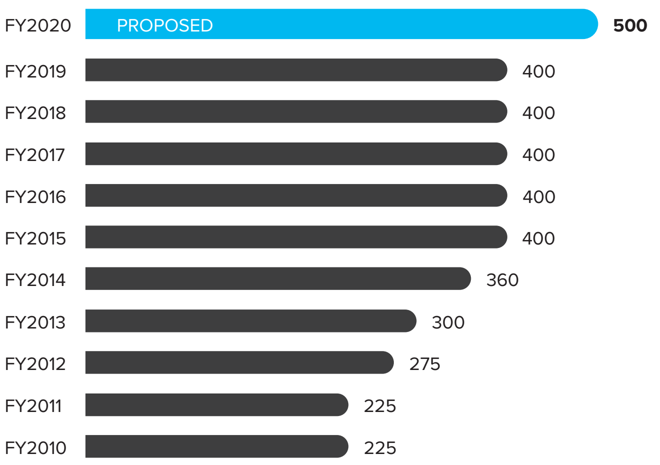
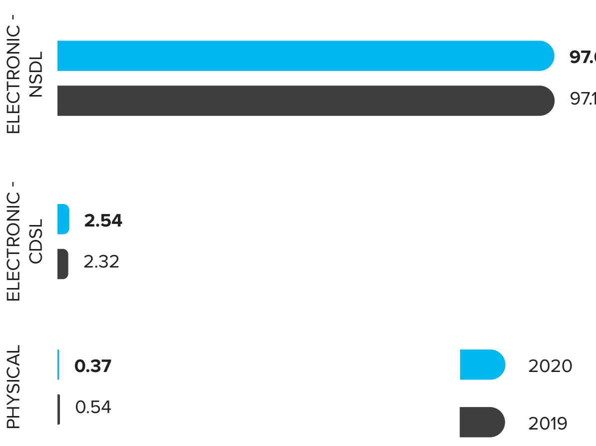


CHART 5 BREAK UP OF SHARES IN ELECTRONIC AND PHYSICAL FORM AS ON 31 MARCH 2020 AND 31 MARCH 2019 (%)



The shareholders who are still holding the share certificates of the above three companies or of ₹ 10/- face value, are requested to submit those share certificates along with their demat account details including client master list, either to the company or to the RTA. On receipt and verification of these share certificate(s), the shares will get credited to the demat account of the shareholders.

SHARE TRANSFER SYSTEM

All queries and requests relating to share transfers/transmissions may be addressed to our RTA.

To expedite the process of share transfers, the company secretary has been delegated with the power to attend to the share transfer formalities at regular intervals.

Pursuant to Regulation 40 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended vide Notification No. SEBI/LAD-NRO/GN/2018/24 dated 8 June 2018 and Press Release No: 49/2018 dated 3 December 2018, shareholders may please note that, with effect from 1 April 2019, transfer of shares (except transmission and transposition of shares) will be in dematerialised form only. However, transfer deeds which were lodged with the company on or before 31 March 2019, but were returned due to any deficiency, will be processed upon re-lodgement. Therefore, the shareholders are requested to dematerialize their shares for their own benefit.

Pursuant to the provisions of Section 46 of the Companies Act, 2013 read with Rule 6(2)(a) of the Companies (Share Capital and Debentures) Rules, 2014, duplicate share

TABLE 5 DISTRIBUTION OF EQUITY SHAREHOLDING ACCORDING TO OWNERSHIP AS ON 31 MARCH 2020

SHARES HELD	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHAREHOLDING
1 – 5,000	117,991	99.01	10,578,936	6.37
5,001 – 10,000	446	0.37	3,112,179	1.87
10,001 – 20,000	284	0.24	3,997,758	2.41
20,001 – 30,000	95	0.08	2,312,607	1.39
30,001 – 40,000	45	0.04	1,534,958	0.92
40,001 – 50,000	29	0.03	1,331,754	0.80
50,001 – 100,000	111	0.09	7,919,205	4.77
100,001 & above	166	0.14	111,955,139	67.37
Total (excluding ADRs)	**119,167**	**100.00**	**142,742,536**	**85.90**
Equity shares underlying ADRs[1]	1	0.00	23,429,546	14.10
Total	**119,168**	**100.00**	**166,172,082**	**100.00**

[1] *Held by beneficial owners outside India.*

certificates, in lieu of those that are lost or destroyed, should only be issued with the prior consent of the board. However, the Ministry of Corporate Affairs vide its general circular no. 19/2014, dated 12 June 2014, has clarified that the powers of the board with regard to the issue of duplicate share certificates can be exercised by a committee of directors. Therefore, the board of directors, at its meeting held on 12 May 2015, delegated the power to issue duplicate share certificates, to the stakeholders' relationship committee. The stakeholders' relationship committee attends to such requests at regular intervals.

We periodically review the operations of our RTA. The number of shares transferred/transmitted in physical form during the last two financial years are given in **Table 6**.

DEMATERIALIZATION OF SHARES

The company's scrip forms part of the compulsory dematerialization segment for all investors with effect from 15 February 1999. To facilitate easy access of the dematerialized system to the investors, we have signed up with both the depositories in India — the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and have established connectivity with the depositories through our RTA.

Chart 5 on page 73 gives the breakup of dematerialized shares and shares in physical form as on 31 March 2020 compared with 31 March 2019. Dematerialization of shares is done through RTA and the dematerialization process is generally completed within 10 days from the date of receipt of a valid dematerialization request along with the relevant documents.

SECRETARIAL AUDIT

Pursuant to Section 204 of the Companies Act, 2013 and corresponding Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a secretarial audit for FY2020 was carried out by Dr. K R Chandratre, a practicing company secretary having more than three decades of experience (membership no. FCS 1370 and certificate of practice no. 5144). The secretarial audit report forms a part of this annual report.

In accordance with the SEBI Circular dated 8 February 2019, the company has also obtained a Secretarial Compliance Report from Dr. K R Chandratre confirming compliances with all applicable SEBI Regulations, circulars and guidelines for the year ended 31 March 2020.

In addition to the above, for each quarter of FY2020, a qualified practicing company secretary carried out the reconciliation of share capital audit to reconcile the total admitted share capital held with NSDL and CDSL and the total issued and listed share capital. The reports confirm that the total issued/paid-up share capital is in agreement with total number of shares in physical form and dematerialized form held with NSDL and CDSL.

OUTSTANDING ADRs AND THEIR IMPACT ON EQUITY SHARES

Our ADRs are traded in the US on New York Stock Exchange, Inc. (NYSE) under the ticker symbol 'RDY'. Each ADR is represented by one equity share. As on 31 March 2020, there were approximately 58 registered holders and 15,561 beneficial shareholders of ADRs evidencing 23,429,546 ADRs.

QUERIES AND REQUESTS RECEIVED FROM SHAREHOLDERS IN FY2020

Table 7 gives details of the nature of shareholder queries received and replied to during FY2020. Pending queries and requests were either received during the last week of March 2020 or were pending due to non-receipt of information/documents from the shareholders.

DATE AND VENUE OF LAST THREE ANNUAL GENERAL MEETINGS

Table 8 gives the details of date, time, location and business transacted through special resolutions at the last three annual general meetings.

POSTAL BALLOT DETAILS

During the year, the company provided the facility to its shareholders to cast their votes through remote e-voting, postal ballot and voting conducted through physical ballot paper at the venue of the National Company Law Tribunal (NCLT) convened meeting of the shareholders for obtaining the approval by requisite majority for the Scheme of Amalgamation and Arrangement between Dr. Reddy's Holdings Limited (the 'Amalgamating Company') and Dr. Reddy's Laboratories Limited (the 'Amalgamated Company') and their respective shareholders.

Table 9 gives the consolidated voting results of the remote e-voting, postal ballot and voting conducted through physical ballot paper at the venue of the NCLT convened meeting in respect of the resolution for approving the aforesaid Scheme of Amalgamation and Arrangement.

PERSON WHO CONDUCTED THE POSTAL BALLOT PROCESS

As directed by Hon'ble NCLT, Mr. Amir Ali M. Bavani, Advocate, was appointed as the chairman and Ms. Ranjani Ramesh, Advocate, was appointed as the scrutinizer for the NCLT convened meeting of the equity shareholders for conducting the voting through remote e-voting, postal ballot forms and the voting conducted through physical ballot paper at the venue of the NCLT convened meeting, in a fair and transparent manner.

PROPOSAL TO CONDUCT POSTAL BALLOT FOR ANY MATTER IN THE ENSUING ANNUAL GENERAL MEETING

There is no proposal to conduct postal ballot for any matter in the ensuing annual general meeting.

PROCEDURE FOR POSTAL BALLOT

In compliance with the Listing Regulations and Sections 108, 110 and other applicable provisions of the Companies Act, 2013, read with applicable Rules, the company provides an e-voting facility to all its shareholders, to enable them to cast their votes electronically. The company engages the services of NSDL for the purpose of providing e-voting facility to all its shareholders. The shareholders have the option to vote either by physical ballot or e-voting.

The company dispatches the postal ballot notices and forms along with self-addressed business reply envelope to its shareholders whose names appear on the register of members/list of beneficiaries as on a cut-off date. The postal ballot notice is sent to the shareholders in electronic form to the e-mail IDs registered with the DPs/RTA.

Voting rights are reckoned on the paid-up value of the shares registered in the names of the shareholders as on the cut- off date. Shareholders desiring to exercise their votes by physical postal ballot forms are requested to return the forms duly completed and signed, to the scrutinizer on or before the closing of the voting period. Shareholders desiring to exercise their votes by electronic mode are requested to vote before close of business hours on the last day of e-voting. The last date specified by the company for receipt of duly completed postal ballot forms or e-voting is deemed to be the date of passing of the resolution.

The scrutinizer submits his report to the chairman of the board of directors or any person authorized by him, after the completion of scrutiny, and the consolidated results of the voting by postal ballot are then announced. The results are also displayed on the company's website: www.drreddys.com, besides being communicated to the stock exchanges, depository and RTA.

DISCLOSURE ON LEGAL PROCEEDINGS PERTAINING TO SHARES

There are three pending cases relating to disputes over title of the shares of the company, in which the company has been made a party. These cases, however, are not material in nature.

NATIONAL ELECTRONIC CLEARING SERVICE (NECS) FACILITY FOR REMITTANCE OF DIVIDEND ELECTRONICALLY

The company provides the facility for remittance of dividend to shareholders through NECS. Under this facility, shareholders can receive dividend electronically by way of direct credit to their bank account. With this service, problems such as loss of dividend warrants during postal transit/fraudulent encashment are avoided. This also expedites credit of dividend directly to the shareholder's account as compared to the payment through physical dividend warrant. Shareholders are advised to refer the Investor Handbook on the company's website: www.drreddys.com, for further details on how to avail this facility.

UNCLAIMED DIVIDENDS/ INTEREST

Pursuant to Section 125 of the Companies Act, 2013, unclaimed dividend amounts for the FY2012 of ₹ 7,260,158/- and debenture interest for the FY2013 ₹ 1,475,571/- has been transferred to the general revenue account of the Central Government/Investor Education and Protection Fund (IEPF).

The dividends for the FY2013 and bonus debentures redemption amount along with third and final year's interest on debentures for the FY2014 which are unclaimed for seven years will be transferred to IEPF. **Table 10** gives the transfer dates in this regard.

Bonus debentures, issued by the company in the year 2011, matured on 24 March 2014. These were redeemed for cash at face value of ₹ 5/- each along with third and final year's interest.

Shareholders/debenture holders who have not claimed the dividend(s)/interest/ redemption amount are, therefore, requested to do so before they are statutorily transferred to the IEPF.

The shareholders/debenture holders who have not cashed their dividend/interest warrants nor claimed the redemption amount on matured debentures are requested to immediately approach company's RTA, for making payment through electronic bank transfer.
In cases, where bank details for making electronic payment are not available, or electronic payment instructions have

TABLE 6 SHARES TRANSFERRED/TRANSMITTED IN PHYSICAL FORM

	FY2020	FY2019
Number of transfers*/transmissions	28	96
Number of shares	7,246	39,925

*Transfers processed during FY2020 were all lodged on or before 31 March 2019.

TABLE 7 SHAREHOLDER QUERIES AND REQUESTS RECEIVED AND REPLIED TO IN FY2020

SL. NO.	NATURE	OPENING BALANCE	RECEIVED	REPLIED	CLOSING BALANCE*
1	Change of address	-	3	3	-
2	Request for revalidation and issue of duplicate dividend warrants		212	212	
3	Request for sub-division of shares (exchange)	-	66	64	2
4	Share transfers	12	8	20	-
5	Transmission of shares	-	32	32	
6	Split/consolidation of shares	-	1	1	-
7	Stop transfer	-	26	26	-
8	Power of attorney registration	-	-	-	
9	Change of bank mandate	-	162	162	-
10	Correction of name	1	10	11	-
11	Dematerialization of shares	-	371	371	
12	Rematerialization of shares	-	2	2	-
13	Issue of duplicate share certificates	10	95	105	-
14	Requests received from shareholders	-	837	837	
15	Complaints received through stock exchanges/SEBI etc.	-	3	3	-
16	Claim of unclaimed share certificates	-	33	33	-

* *The company has since attended all the shareholders' requests and queries which were pending as on 31 March 2020.*
The above table does not include shareholders' disputes, which are pending in various courts.

failed, or rejected by the bank, duplicate warrant(s)/demand draft(s) may be issued in lieu of the original warrant(s)/demand draft(s).

The information on unclaimed dividend/interest is available on the company's website: www.drreddys.com

TRANSFER OF UNDERLYING SHARES TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to Section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred to IEPF.

During the year, company has transferred (transmitted) 98,627 equity shares held under 276 folios on which dividend has not been paid or claimed for seven consecutive years to IEPF.

The company has sent individual notices to the latest available addresses of the shareholders, whose dividends are lying unpaid/unclaimed for FY2013 along with subsequent seven consecutive years' dividend, advising them to claim the dividends on or before 18 August 2020. It has also published a notice in newspapers inviting the shareholders' attention.

Shareholders who have not claimed their dividends since 2012-13 can write to the company's RTA or at the registered office of the company on or before 18 August 2020 for making a valid claim for the unclaimed dividends. If the shareholders do not claim the unpaid or unclaimed dividends and provide the requisite documents on or before 18 August 2020, the shares held by them are liable to be transferred to IEPF.

Any person, whose shares and unpaid/ unclaimed dividends get transferred to the IEPF may claim the shares and unpaid/unclaimed dividends from the IEPF Authority in accordance with the prescribed procedure and submission of relevant documents procedure.

Details of equity shares liable to be transferred to IEPF are available on the company's website: www.drreddys.com

DEALING WITH SECURITIES WHICH HAVE REMAINED UNCLAIMED

Pursuant to Regulation 39(4) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 read with schedule VI of the said Regulations, the company has dematerialized shares which have been returned undelivered by postal

TABLE 8 LAST THREE ANNUAL GENERAL MEETINGS

YEAR	DATE AND TIME	LOCATION	SPECIAL RESOLUTION(S) PASSED
2016-17	28 July 2017 at 9.30 am	Kaveri Ball Room, Hotel Trident, HITEC City, Madhapur, Hyderabad 500 081	No special resolution proposed and passed.
2017-18	27 July 2018 at 9.30 am	The Ballroom, Hotel Park Hyatt, Road No.2, Banjara Hills, Hyderabad 500 034	• Approval for reappointment of Mr. Anupam Puri (DIN: 00209113) as an independent director for a second term of one year; • Approval for Dr. Reddy's Employees Stock Option Scheme, 2018 (2018 ESOS); • Grant of stock options to the employees of the subsidiary companies under 2018 ESOS; • Implementation of 2018 ESOS through Dr. Reddy's Employees ESOS Trust (Trust); and • Authorisation to the Trust for secondary acquisition of equity shares for the purpose of stock options.
2018-19	30 July 2019 at 9.30 am	The Ballroom, Hotel Park Hyatt, Road No.2, Banjara Hills, Hyderabad 500 034	• Approval for reappointment of Mr. Sridar Iyengar (DIN:00278512) as an independent director for a second term of four years; and • Approval for reappointment of Ms. Kalpana Morparia (DIN:00046081) as an independent director for a second term of five years.

TABLE 9 CONSOLIDATED VOTING RESULTS DETAILS OF THE REMOTE E-VOTING, POSTAL BALLOT AND VOTING CONDUCTED THROUGH PHYSICAL BALLOT PAPER AT THE VENUE OF THE NCLT CONVENED MEETING

RESOLUTION FOR APPROVAL OF SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN DR. REDDY'S HOLDINGS LIMITED AND DR. REDDY'S LABORATORIES LIMITED	VOTING DETAILS							DATE OF DECLARATION OF RESULTS
	NO. OF SHARES	NO. OF VOTES POLLED	% OF VOTES POLLED ON OUTSTANDING SHARES	VOTES CAST IN FAVOUR		VOTES CAST AGAINST		
				NO. OF VOTES	%	NO. OF VOTES	%	
By majority of persons representing three-fourth in value - including promoter and promoter group	166,145,748	131,119,328	78.92	131,098,302	99.98	21,026	0.02	3 January 2020
By majority of public shareholders - excluding promoter and promoter group	166,145,748	86,660,800	52.16	86,639,774	99.98	21,026	0.02	3 January 2020

Note: Postal ballot forms and physical ballot papers for 8,548 shares held by 44 equity shareholders were considered as invalid due to incompleteness and/or being defective.

authorities and shares lying unclaimed after sub-division. The dematerialized shares are held in an 'unclaimed suspense account' opened with a depositary participant associated with NSDL.

Any corporate benefits accruing on such shares, viz. bonus shares, split etc., shall also be credited to unclaimed suspense account, for a period of seven years and thereafter shall be transferred by the company to IEPF, in accordance with provisions of Section 124(5) and (6) of the Companies Act, 2013 and Rules made thereunder.

Table 11 gives the details of the unclaimed shares as on 31 March 2020 held by the company.

The voting rights on such unclaimed shares shall remain frozen till the rightful owner claims these shares.

NON-COMPLIANCE ON MATTERS RELATING TO CAPITAL MARKETS

There has been no instance of non-compliance by the company on matters relating to capital markets for the last three years.

FINANCIAL RESULTS ON THE COMPANY'S WEBSITE

The quarterly, half yearly and annual results of the company are displayed on its website: www.drreddys.com. Presentations to analysts, as and when made, are immediately placed on the website for the benefit of the shareholders and public at large.

Besides, the company also regularly provides relevant information to the stock exchanges as per the requirements of the Listing Regulations.

INFORMATION ON DIRECTOR PROPOSED FOR REAPPOINTMENT/ APPOINTMENT/CONTINUATION

The information is given in the chapter on *Corporate Governance* and *Notice* of 36th AGM.

QUERIES AT ANNUAL GENERAL MEETING

Shareholders desiring any information with regard to the accounts are requested to write to the company at e-mail ID: shares@drreddys.com at an early date so as to enable the management to keep the information ready. The queries relating to operational and financial performance may be raised at the AGM.

PROCEDURE FOR CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to the provisions of Section 100 of the Companies Act, 2013, Companies (Management and Administration) Rules, 2014 and Secretarial Standard on General Meeting (SS-2), an extraordinary general meeting (EGM) of the company may be called by a requisition made by shareholders, either in writing or through electronic mode, at least 21 clear days prior to the proposed date of such a meeting. Such a requisition, signed by the requisitionists, shall set out the matters of consideration for which the meeting is to be called and it shall be sent to the registered office of the company.

Shareholders entitled to make requisition for an EGM regarding any matter, shall be those who hold not less than one-tenth of the paid-up share capital of the company on the date of receipt of the requisition.

PROCEDURE FOR NOMINATING A DIRECTOR ON THE BOARD

Pursuant to Section 160 of the Companies Act, 2013, any person, or some shareholders intending to propose such person for appointment as a director of the company, shall deposit a signed notice

TABLE 10 DATES OF TRANSFER OF UNCLAIMED DIVIDEND ON SHARES/INTEREST AND REDEMPTION AMOUNT ON BONUS DEBENTURES

FINANCIAL YEAR	TYPE OF PAYMENT	DATE OF DECLARATION/ PAYMENT	AMOUNT OUTSTANDING AS ON 31 MARCH 2020	DUE FOR TRANSFER ON
2012-13	2nd year debenture interest*	23-Mar-13	1,475,571.67	22-Mar-20
2012-13	Final dividend	31-Jul-13	8,063,145.00	30-Aug-20
2013-14	Debenture redemption and 3rd & final year interest	24-Mar-14	23,158,598.99	23-Mar-21
2013-14	Final dividend	31-Jul-14	9,313,722.00	30-Aug-21
2014-15	Final dividend	31-Jul-15	9,853,220.00	30-Aug-22
2015-16	Final dividend	27-Jul-16	11,046,120.00	30-Aug-23
2016-17	Final dividend	28-Jul-17	16,924,580.00	31-Aug-24
2017-18	Final dividend	27-Jul-18	15,685,180.00	30-Aug-25
2018-19	Final dividend	30-Jul-19	15,219,220.00	5-Sep-26

* *The unpaid 2nd year debenture interest was transferred on 9 April 2020 to IEPF within a period of 30 days from the due date.*

TABLE 11 UNCLAIMED SHARES AS ON 31 MARCH 2020

SL. NO.	PARTICULARS	NO. OF FOLIOS	NO. OF SHARES
i.	No. of shareholders and the outstanding no. of unclaimed shares at the beginning of the year*	2,336	413,843
ii.	No. of shareholders who approached to claim the unclaimed shares during the year	132	42,141
iii.	No. of shareholders who claimed and were given the unclaimed shares during the year	106	40,930
iv.	Aggregate no. of shareholders and the outstanding no. of unclaimed shares at the end of the year	2,230	372,913

* *This includes 32,574 shares under 318 folios dematerialised in April 2019 in the unclaimed suspense account.*

signifying his/her candidature to the office of a director, at the registered office of the company, not less than 14 days before the shareholders' meeting.

All directors' nominations are considered by the nomination, governance and compensation committee of the company's board of directors, which entirely consists of independent directors.

INFORMATION ON MEMORANDUM AND ARTICLES OF ASSOCIATION

The company's memorandum and articles of association is available on its website: www.drreddys.com

INVESTOR HANDBOOK/ SHAREHOLDER SERVICES

Please refer to the Investor Handbook on the company's website: www.drreddys.com, for rights of shareholders, procedures related to transfer/dematerialization/ rematerialization/transmission of shares, nomination in respect of shareholding, change of address, unclaimed/unpaid dividend, shares underlying unpaid/unclaimed dividend, refund from IEPF, loss/misplacement of certificate(s), sub-division of shares, share certificates of amalgamated companies, power of attorney, registration of e-mail ID and registration of PAN/Bank details.

COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK

Appropriate disclosure on commodity price or foreign exchange risk and hedging activities is given in note 2.30 of the notes to the standalone financial statement.

CERTIFICATE FROM THE COMPANY SECRETARY

I, Sandeep Poddar, company secretary of Dr. Reddy's Laboratories Limited, hereby confirm that as on date of this certificate, the company has:

a) Complied with the provisions of applicable rules and regulations framed by the Securities and Exchange Board of India and the Companies Act, 2013, as amended, effective as on date, and applicable to the company;
b) Maintained all books of accounts and statutory registers prescribed under the Companies Act, 2013;
c) Filed all forms and returns and furnished all necessary particulars to the Registrar of Companies and/or authorities as required under the Companies Act, 2013;
d) Conducted the board meetings, shareholders' meeting and postal ballot as per the Companies Act, 2013 and the minutes thereof were properly recorded in the minutes books;
e) Effected share transfers and dispatched the certificates within the time limit prescribed by various authorities;
f) Not exceeded the borrowing or investment limits; and
g) Paid dividend to the shareholders, transferred the unpaid dividends and the underlying shares in respect of which dividend has remained unpaid or unclaimed for seven consecutive years to the Investor Education and Protection Fund (IEPF) within the time limit and has also complied with the provisions of the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended.

The certificate is given by the undersigned according to the best of his knowledge and belief and based on the available information and records, knowing that on the faith and strength of what is stated above, full reliance will be placed on it by the shareholders of the company.

Sandeep Poddar
Company Secretary

Place : Hyderabad
Date : 20 May 2020

PLANT FACILITY LOCATIONS OUTSIDE INDIA

ACTIVE PHARMACEUTICAL INGREDIENTS (API) FACILITIES

API CUERNAVACA PLANT

Industrias Quimicas Falcon De Mexico S.A. de C.V.,
Carretera Federal Cuernavaca-Cuautla KM 4.5 CIVAC, Jiutepec Morelos,
Mexico 62578

API MIRFIELD PLANT

Dr. Reddy's Laboratories (EU) Limited
Steanard Lane,
Mirfield, West Yorkshire, WF 14, 8HZ,
United Kingdom

API MIDDLEBURGH PLANT

Dr. Reddy's Laboratories New York Inc.
1974 Route 145, P.O. Box 500,
Middleburgh,
New York 12122, USA

FORMULATIONS MANUFACTURING FACILITIES

DR. REDDY'S LABORATORIES (UK) LIMITED

6, Riverview Road, Beverley,
East Yorkshire, HU 17 OLD,
United Kingdom

FORMULATIONS SHREVEPORT PLANT

Dr. Reddy's Laboratories Louisiana LLC
8800 Line Avenue, Shreveport,
Louisiana 7110-6717, USA

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO. LIMITED

No.258, Huang Pu Jiang (M) Road,
Kunshan Development Zone,
Jiangsu Province,
P. R. China,
Pin: 215 300

RESEARCH AND DEVELOPMENT FACILITIES

TECHNOLOGY DEVELOPMENT CENTRE, CAMBRIDGE

Dr. Reddy's Laboratories (EU) Limited
410 Cambridge Science Park,
Milton Road, Cambridge
CB4 0PE, United Kingdom

TECHNOLOGY DEVELOPMENT CENTRE, LEIDEN

Dr. Reddy's Research and Development B V,
Zernikedreef 12, 2333 CL Leiden,
The Netherlands

AURIGENE DISCOVERY TECHNOLOGIES, (MALAYSIA) SDN BHD

Level 2, Research Management & Innovation Complex,
University of Malaya, Lembah Pantai 50603
Kuala Lumpur, Malaysia

PLANT FACILITY LOCATIONS IN INDIA

ACTIVE PHARMACEUTICAL INGREDIENTS (API) FACILITIES

CTO 1 - API HYDERABAD PLANT
Plot No. 137, 138, 145 & 146,
S.V. Co-operative Industrial Estate,
IDA Bollaram, Jinnaram Mandal,
Sangareddy District, Telangana,
Pin: 502 325

CTO 2 - API HYDERABAD PLANT
Plot No. 75B, 105, 110, 111, 112 &
121/3, S.V. Co-operative Industrial Estate,
IDA Bollaram, Jinnaram Mandal,
Sangareddy District, Telangana,
Pin: 502 325

CTO 3 - API HYDERABAD PLANT
Plot No. 116,
S.V. Co-operative Industrial Estate,
IDA Bollaram, Jinnaram Mandal,
Sangareddy District, Telangana,
Pin: 502 325

CTO 5 - API NALGONDA PLANT
Peddadevulapally, Tripuraram Mandal,
Nalgonda District, Telangana,
Pin: 508 207

CTO 6 - API SRIKAKULAM PLANT
Sy No. 5 to 9 &
Plot No. 5/1, 5/2, 5/3 & 5/4, APIIC,
IDA Pydibheemavaram, Ransthalam Mandal,
Srikakulam District, Andhra Pradesh,
Pin: 532 409

CTO SEZ - API SRIKAKULAM PLANT
PU1 & Developer
Sector No. 28 & 34, Devunipalavalasa
Village, Ranastalam Mandal,
Srikakulam District, Andhra Pradesh,
Pin: 532 409

FORMULATIONS MANUFACTURING FACILITIES

FTO 1 - FORMULATIONS HYDERABAD PLANT
Plot No. 137, 138, 145 & 146,
S.V. Co-operative Industrial Estate,
IDA Bollaram, Jinnaram Mandal,
Sangareddy District, Telangana,
Pin: 502 320

FTO 2 - FORMULATIONS HYDERABAD PLANT
Sy No. 42, 43, 44P, 45, 46P, 53, 54 & 83,
Bachupally Village & Mandal,
Medchal-Malkajgiri District, Telangana,
Pin: 500 090

FTO 3 - FORMULATIONS HYDERABAD PLANT
Sy No. 41,
Bachupally Village & Mandal,
Medchal-Malkajgiri District, Telangana,
Pin: 500 090

FTO 6 - FORMULATIONS BADDI PLANT
Khol, Nalagarh, Nalagarh Road,
Solan District, Baddi, Himachal Pradesh,
Pin: 173 205

FTO 8 - FORMULATIONS BADDI PLANT
Village Mauja Thana, Nalagarh Baddi Road,
Solan District, Baddi, Himachal Pradesh,
Pin: 173 205

FTO 7 - FORMULATIONS DUVADDA PLANT
Plot No. P1-P9, Phase III, Duvvada, VSEZ,
Visakhapatnam, Andhra Pradesh,
Pin: 530 046

FTO 9 - FORMULATIONS DUVADDA PLANT
Plot No. Q1 to Q5, Phase III, Duvvada, VSEZ,
Visakhapatnam, Andhra Pradesh,
Pin: 530 046

FTO SEZ PU 1 - FORMULATIONS SRIKAKULAM PLANT
Sector No. 9-14 & 17-20, Devunipalavalasa
Village, Ranastalam Mandal,
Srikakulam District, Andhra Pradesh,
Pin: 532 409

FTO SEZ PU 2 - FORMULATIONS SRIKAKULAM PLANT
Sector No. 70, 71 & 73,
Devunipalavalasa Village,
Ranastalam Mandal,
Srikakulam District, Andhra Pradesh,
Pin: 532 409

FTO 11 - FORMULATIONS SRIKAKULAM PLANT
APIIC Industrial Estate, Pydibheemavaram
Village, Ranastalam Mandal,
Srikakulam District, Andhra Pradesh,
Pin: 532 409

BIOLOGICS
Survey No. 47, Bachupally Village & Mandal,
Medchal-Malkajgiri District, Telangana,
Pin: 500 090

RESEARCH AND DEVELOPMENT FACILITIES IN INDIA

INTEGRATED PRODUCT DEVELOPMENT ORGANISATION (IPDO)
Sy No. 42, 45, 46 & 54
Bachupally Village & Mandal,
Medchal-Malkajgiri District, Telangana,
Pin: 500 090

IPDO, BENGALURU
39-40, KIADB Industrial Area, Electronic City
Phase II, Hosur Road, Bengaluru, Karnataka,
Pin: 560 100

AURIGENE DISCOVERY TECHNOLOGIES LIMITED (ADTL), BENGALURU
39-40, KIADB Industrial Area, Electronic City
Phase II, Hosur Road, Bengaluru, Karnataka,
Pin: 560 100

ADTL, HYDERABAD
Bollaram Road, Miyapur, Hyderabad,
Telangana,
Pin: 500 049

TECHNOLOGY DEVELOPMENT CENTRE 1
Bollaram Road, Miyapur, Hyderabad,
Telangana,
Pin: 500 049

TECHNOLOGY DEVELOPMENT CENTRE 2
Plot 31A, IDA,
Jeedimetla, Hyderabad, Telangana,
Pin: 500 050

BOARD'S REPORT

Dear Member,

Your directors are pleased to present the 36th annual report for the year ended 31 March 2020.

FINANCIAL HIGHLIGHTS

Table 1 gives the consolidated and standalone financial highlights of the company based on Indian Accounting Standards (Ind AS) for FY2020 (i.e. from 1 April 2019 to 31 March 2020) compared to the previous financial year.

COMPANY AFFAIRS*

The company's consolidated total income for the year was ₹ 181.38 billion, which was up by 15% over the previous year. In US$ terms, this amounted to US$ 2.41 billion. Profit before taxes (PBT) was ₹ 18.86 billion, representing a decline of 19% over the previous year. In US$ terms, this translated to US$ 250 million.

The company's standalone total income for the year was ₹ 125.94 billion, which was up by 16% over the previous year. In US$, this amounted to US$ 1.67 billion. PBT was ₹ 27.76 billion, which was up by 63% over the previous year. In US$ terms, this translated to US$ 368 million.

Revenues from Global Generics were up by 12% and stood at ₹ 138.1 billion. There was growth across North America Generics, Emerging Markets and India, with a strong growth in Europe.

Revenues from North America stood at ₹ 64.7 billion, registering a year-on-year growth of 8%. This was largely on account of revenue contribution from new products launched, increase in volumes for some of our base products, and favourable foreign exchange movement, partly offset by high price erosions in some of our products.

During the year, the company filed eight abbreviated new drug applications (ANDAs) in the USA. As of 31 March 2020, there were 99 generic filings awaiting approval with the US Food and Drug Administration (USFDA), comprising 97 ANDAs and two NDAs filed under Section 505(b)(2). Of the 97 ANDAs, 54 are Para IV applications, and we believe 30 of these have 'First to File' status.

Revenues from Emerging Markets were ₹ 32.8 billion, registering a year-on-year growth of 14%. Revenues from India stood at ₹ 28.9 billion, registering a year-on-year growth of 11%. Revenues from Europe were ₹ 11.7 billion, registering a year-on-year growth of 49%.

Revenues from PSAI stood at ₹ 25.7 billion, registering a year-on-year growth of 7%. During the year, the company filed 10 drug master files (DMFs) in the US.

SCHEME OF AMALGAMATION

During the year, the board of directors approved the scheme of amalgamation of Dr. Reddy's Holdings Limited with the company ("the scheme") subject to the receipt of necessary approvals from statutory authorities, members, creditors and Hon'ble National Company Law Tribunal (NCLT), Hyderabad. The company has received no-observation letters on 11 October 2019, from the BSE Limited and National Stock Exchange of India Limited on the basis of no comments received from Securities and Exchange Board of India (SEBI). The members and unsecured creditors of the company at the Hon'ble NCLT convened meetings held on 2 January 2020, approved the said scheme with requisite majority. The petition for approval of the said scheme has been filed with the Hon'ble NCLT, Hyderabad Bench on 9 January 2020. The final hearing on the petition is pending.

DIVIDEND

Your directors are pleased to recommend a dividend of ₹ 25 (500%) for FY2020, on every equity share of ₹ 5/-. The recommended dividend is in line with the dividend distribution policy of the company. The dividend, if approved at the 36th annual general meeting (AGM), will be paid to those members whose names appear on the register of members of the company as of end of the day on 14 July 2020.

TABLE 1 FINANCIAL HIGHLIGHTS (₹ MILLION)

	CONSOLIDATED		STANDALONE	
	FY2020	**FY2019**	**FY2020**	**FY2019**
Total income	181,376	157,857	125,936	108,639
Profit before depreciation, amortization, impairment and tax	46,694	34,384	35,650	24,813
Depreciation and amortization	11,631	11,348	7,892	7,806
Impairment of non-current assets	16,767	116	-	-
Profit before tax and before share of equity accounted investees	18,296	22,920	27,758	17,007
Share of profit of equity accounted investees, net of tax	561	438	-	-
Profit before tax	18,857	23,358	27,758	17,007
Tax expense	(1,403)	3,858	(1,619)	4,234
Net profit for the year	**20,260**	**19,500**	**29,377**	**12,773**
Opening balance of retained earnings	112,000	96,247	99,511	90,740
Net profit for the year	20,260	19,500	29,377	12,773
Other comprehensive income/(loss)	5	255	5	-
Dividend paid during the year	(3,314)	(3,320)	(3,314)	(3,320)
Tax on dividend paid	(602)	(682)	(600)	(682)
Transfer to general reserve	-	-	-	-
Closing balance of retained earnings	**128,349**	**112,000**	**124,979**	**99,511**

**The conversion rate is considered as US$ 1 = 75.39*

Note: FY2020 represents fiscal year 2019-20, from 1 April 2019 to 31 March 2020, and analogously for FY2019 and other such labelled years.

In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the company's dividend distribution policy is attached as **Annexure I** to the board's report.

TRANSFER TO RESERVES

The company has not proposed to transfer any amount to the general reserve.

SHARE CAPITAL

The paid-up share capital of your company increased by ₹ 0.53 million to ₹ 830.86 million in FY2020 due to allotment of 106,134 equity shares, on exercise of stock options by eligible employees through the 'Dr. Reddy's Employees Stock Option Scheme, 2002' and 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007'.

FIXED DEPOSITS

The company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Accordingly, there is no disclosure or reporting required in respect of details relating to deposits.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

During the year, there was no change in the nature of business of the company or any of its subsidiaries.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been no such changes.

SUBSIDIARIES AND ASSOCIATES

The company had 50 subsidiaries and two joint venture companies as on 31 March 2020. During FY2020, Aurigene Pharmaceutical Services Limited was incorporated as a step-down subsidiary company. Dr. Reddy's Singapore Pte. Limited and Reddy Antilles N.V. were closed and ceased to be wholly-owned subsidiaries. Dr. Reddy's Laboratories International SA ceased to be a step-down subsidiary of the company consequent to its merger with Dr. Reddy's Laboratories SA.

Section 129(3) of the Companies Act, 2013 states that where the company has one or more subsidiaries or associate companies, it shall, in addition to its financial statements, prepare a consolidated financial statement of the company and of all subsidiaries in the same form and manner as that of its own and also attach along with its financial statement, a separate statement containing the salient features of the financial statements of its subsidiaries and associates.

Hence, the consolidated financial statements of the company and all its subsidiaries and joint ventures, prepared in accordance with Ind AS 110 and 111 as specified in the Companies (Indian Accounting Standards) Rules, 2015, form part of the annual report. Moreover, a statement containing the salient features of the financial statements of the company's subsidiaries and joint ventures in the prescribed Form AOC-1, is attached as **Annexure II** to the board's report.
This statement also provides details of the performance and financial position of each subsidiary and joint venture.

In accordance with Section 136 of the Companies Act, 2013, the audited financial statements and related information of the company and its subsidiaries, wherever applicable, are available on the company's website: www.drreddys.com.

These are also available for inspection during regular business hours at our registered office in Hyderabad, India.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The company makes investments or extends loans/guarantees to its wholly-owned subsidiaries for their business purposes. Details of loans, guarantees and investments covered under Section 186 of the Companies Act, 2013, along with the purpose for which such loan or guarantee was proposed to be utilized by the recipient, form part of the notes to the financial statements provided in this annual report.

CORPORATE GOVERNANCE AND ADDITIONAL SHAREHOLDERS' INFORMATION

A detailed report on the corporate governance systems and practices of the company is given in a separate chapter of this annual report. Similarly, other information for shareholders is provided in the chapter on *Additional Shareholders' Information*. A certificate from the statutory auditors of the company confirming compliance with the conditions of corporate governance is attached to the chapter on *Corporate Governance*.

MANAGEMENT DISCUSSION AND ANALYSIS

A detailed report on the *Management Discussion and Analysis* in terms of Regulation 34 of SEBI's Listing Regulations is provided as a separate chapter in the annual report.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

During FY2020, the members of the company approved reappointment of Mr. Sridar Iyengar (DIN: 00278512) and Ms. Kalpana Morparia (DIN: 00046081), independent directors, effective 31 July 2019 for a second term of four and five years respectively, under Section 149 of the Companies Act, 2013. Mr. Anupam Puri and Dr. Omkar Goswami ceased to be independent directors of the company with effect from 26 July 2019 and 30 July 2019 respectively on completion of their terms.

Mr. Prasad R Menon, independent director aged 74 years, was appointed as a non-executive independent director for a term of five years with effect from 30 October 2017. As per Regulation 17(1A) of the Listing Regulations, effective 1 April 2019, the company shall appoint a person or continue the directorship of any person as a non-executive director who has attained seventy five years of age only on approval of its members by way of a special resolution. Mr. Menon will be attaining the age of seventy five years during his present term of five years ending on 29 October 2022. The board recommends continuation of directorship of Mr. Menon as an independent director pursuant to Regulation 17(1A) of the Listing Regulations.

The board of directors appointed Mr. Erez Israeli as chief executive officer of the company and accordingly re-designated Mr. G V Prasad, as co-chairman and managing director of the company with effect from 1 August 2019.

Further, the term of appointment of Mr. G V Prasad ends on 29 January 2021. The board of directors at its meeting held on 20 May 2020, have reappointed Mr. G V Prasad as whole-time director designated as co-chairman and managing director of the company (or such other designation as the board may deem fit), for a further period of five years with effect from 30 January 2021 (including terms and conditions of the appointment), subject to approval of the members at the forthcoming 36th AGM scheduled on 30 July 2020.

Mr. K Satish Reddy, retires by rotation at the forthcoming 36th AGM and being eligible, seeks reappointment.

In accordance with Section 149(7) of the Companies Act, 2013, each independent director has confirmed to the company that he or she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013, is in compliance with Rule 6(3) of the Companies (Appointment and Qualifications of Directors) Rules, 2014 and Regulation 16(1)(b) of the Listing Regulations. Further, they have affirmed compliance to the code of conduct for independent directors as prescribed in Schedule IV of the Companies Act, 2013.

Brief profiles of Mr. Prasad R Menon, Mr. G V Prasad and Mr. K Satish Reddy, are given in the chapter on *Corporate Governance* and the *Notice* convening the 36th AGM for reference of the members.

There has been no other change in any other key managerial personnel during the year under review.

BOARD EVALUATION

As per provisions of the Companies Act, 2013 and Regulation 17(10) of the Listing Regulations, an evaluation of the performance of the board, its committees and members was undertaken. For details, please see the chapter on *Corporate Governance* in this annual report.

APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY

The assessment and appointment of members to the board is based on a combination of criterion that includes ethics, personal and professional stature, domain expertise, gender diversity and specific qualifications required for the position. A potential board member is also assessed on the basis of independence criteria defined in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations.

In accordance with Section 178(3) of the Companies Act, 2013, Regulation 19(4) of the Listing Regulations and on recommendation of the company's nomination, governance and compensation committee, the board adopted a remuneration policy for directors, KMP, senior management and other employees. The policy is attached in the Chapter on *Corporate Governance.*

NUMBER OF BOARD MEETINGS

The board of directors met five times during the year. In addition, an annual board retreat was held to discuss strategic matters. Details of board meetings and the board retreat are given in the chapter on *Corporate Governance*.

AUDIT COMMITTEE

The audit committee of the board of directors consists entirely of independent directors. Presently, the committee comprises Mr. Sridar Iyengar (chairman), Mr. Leo Puri, Mr. Bharat N Doshi and Ms. Shikha Sharma. Further details can be seen in the chapter on *Corporate Governance*. The board has accepted all recommendations made by the audit committee during the year.

BUSINESS RISK MANAGEMENT

The company has a risk management committee of the board, consisting entirely of independent directors, and chaired by Ms. Shikha Sharma. Details of the committee and its terms of reference are set out in the chapter on *Corporate Governance*.

The audit and risk management committees review key risk elements of the company's business, finance, operations and compliance, and respective mitigation strategies. The risk management committee reviews key strategic, business, compliance and operational risks, while issues around ethics and fraud, internal control over financial reporting (ICOFR), as well as process risks and their mitigation are reviewed by the audit committee.

The company's finance, investment and risk management council (FIRM council) and Compliance Council are management level committees which operate under a charter and focus on risks associated with the company's business and compliance. The FIRM council and the Compliance council periodically review matters pertaining to risk management, compliance and ethics respectively. Additionally, the enterprise wide risk management (ERM) function helps management and the board to periodically prioritize, review and measure business risks against a pre-determined risk appetite, and their suitable response, depending on whether such risks are internal, strategic or external.

During FY2020, focus areas of risk management committee included review and benchmarking of the ERM framework, progress on cyber security, data privacy, quality and regulatory, compliance, climate change risks and other operating risk exposures.

ADEQUACY OF INTERNAL FINANCIAL CONTROL SYSTEMS

The company has in place adequate internal financial controls with reference to its financial statements. These controls ensure the accuracy and completeness of the accounting records and the preparation of reliable financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134(5) of the Companies Act, 2013, your directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company at the end of the FY2020 and of the profit of the company for that period;
3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. annual accounts have been prepared on a going concern basis;
5. adequate internal financial controls for the company to follow have been laid down and these are operating effectively; and
6. proper and adequate systems have been devised to ensure compliance with the provisions of all applicable laws and these systems are operating effectively.

RELATED PARTY TRANSACTIONS

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of the contracts or arrangements entered into by the company with related parties referred to in Section 188(1) of the Companies Act, 2013 in Form AOC-2 is attached as **Annexure III** to the board's report. All contracts and arrangements with related parties were in the interest of the company. Details of related party disclosures form part of the notes to the financial statements provided in the annual report.

VIGIL MECHANISM/WHISTLE-BLOWER/OMBUDSPERSON POLICY

The company has an ombudsperson policy (whistle-blower/vigil mechanism) to report concerns. The vigil mechanism consists of a hotline comprising, a dedicated e-mail ID and a phone number. The ombudsperson policy also safeguards against retaliation of those who use this mechanism.
The audit committee chairperson is the chief ombudsperson. The policy also provides for raising concerns directly to the chief ombudsperson. Details of the policy are available on the company's website: www.drreddys.com/investors/governance/ombudsperson-policy

STATUTORY AUDITORS

M/s. S.R. Batliboi & Associates LLP, chartered accountants (firm registration no. 101049W/E300004) were appointed as statutory auditors of the company at the 32nd AGM held on 27 July 2016, for a period of five years commencing from the conclusion of 32nd AGM till the conclusion of the 37th AGM, subject to ratification by members every year, as may be applicable. However, the Ministry of Corporate Affairs (MCA) vide its notification dated 7 May 2018 has omitted the requirement under the first proviso to Section 139 of the Companies Act, 2013 and Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of statutory auditors by members at every subsequent AGM.

Consequently, M/s. S.R. Batliboi & Associates LLP, chartered accountants, continue to be the statutory auditors of the company till the conclusion of 37th AGM, as approved by members at 32nd AGM held on 27 July 2016.

SECRETARIAL AUDITOR

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Dr. K R Chandratre, practicing company secretary (membership no. FCS 1370 and certificate of practice no. 5144) was appointed to conduct the secretarial audit of the company for FY2020. The secretarial audit report for FY2020 is attached as **Annexure IV** to the boards reports.

Based on the consent received from Mr. Makarand Joshi, partner of M/s Makarand M Joshi & Co (MMJC), practising company secretaries, Mumbai, India (membership no. FCS 5533 and certificate of practice no. 3662) and on the recommendation of the audit committee, the board has approved appointment of Mr. Makarand Joshi as the secretarial auditor of the company for FY2021.

COST AUDITORS

Pursuant to Section 148(1) of the Companies Act, 2013 read with the relevant Rules made thereunder, the company maintains the cost records in respect of its 'pharmaceuticals' business.

On the recommendation of the audit committee, the board has appointed M/s. Sagar & Associates, cost accountants (firm registration no. 000118) as cost auditors of the company for the FY2021 at a remuneration of ₹ 7 lakh plus reimbursement of out-of-pocket expenses at actuals and applicable taxes. The provisions also require that the remuneration of the cost auditors be ratified by the members. As a matter of record, relevant cost audit reports for FY2019 were filed with the Central Government on 26 August 2019, within the stipulated timeline. The cost audit report for FY2020 will also be filed within the timeline.

SECRETARIAL STANDARDS

In terms of Section 118(10) of the Companies Act, 2013, the company complies with Secretarial Standards -1 and 2, relating to the 'Meetings of the Board of Directors' and 'General Meetings' respectively as specified by the Institute of Company Secretaries of India and approved by the Central Government. The company has also voluntarily adopted the recommendatory Secretarial Standard-3 on 'Dividend' and Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

BOARD'S RESPONSE ON AUDITORS' QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their report, or by the practicing company secretary in the secretarial audit report. During the year, there were no instances of frauds reported by auditors under Section 143(12) of the Companies Act, 2013.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE COURTS/REGULATORS/TRIBUNALS

On August 25, 2017, a securities class action lawsuit was filed against the company, its then chief executive officer (CEO) and its chief financial officer (CFO) in the United States District Court for the District of New Jersey. The company's co-chairman, its chief operating officer (COO) of that time (since retired), and Dr. Reddy's Laboratories, Inc., were subsequently named as defendants in the case. The operative complaint alleges that the company made false or misleading statements or omissions in its public filings, in violation of the US federal securities laws; that the company's share price dropped and its investors were affected.

On March 21, 2019, the District Court issued its decision (dated March 20, 2019) granting in part and denying in part the motion to dismiss. Pursuant to that decision, the Court dismissed the plaintiff's claims on 17 out of the 22 alleged misstatements/omissions.

On May 15, 2020, Dr. Reddy's Laboratories Limited, Dr. Reddy's Laboratories, Inc., and certain of the company's current or former directors and officers (collectively, the "Defendants"), have entered into a Stipulation and Agreement of Settlement (the "Stipulation") with Lead Plaintiff i.e. the Public Employees' Retirement System of Mississippi in the putative securities class action filed against the Defendants in the United States District Court for the District of New Jersey. As consideration for the settlement of the class action, the company has agreed to pay US$ 9 million. The settlement is subject to the approval of the court and may be terminated prior to court's approval pursuant to the grounds for termination set forth in the Stipulation. Subject to the terms of the Stipulation, in exchange for the settlement consideration, Lead Plaintiff and members of the settlement class who do not opt-out of this settlement would release, among other things, the claims that were asserted, or that they could have asserted, in this class action. In entering into the settlement, the Defendants do not admit, and explicitly deny, any liability or wrongdoing of any kind. Subject to the terms of the Stipulation, the settlement resolves the remainder of the litigation.

As the company is adequately insured with respect to the aforesaid liability, the settlement did not have any impact on the company's consolidated income statement for the year ended March 31, 2020.

INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The company has an apex complaints committee and an internal complaints committee which operate under a defined redressal system for complaints pertaining to sexual harassment of women at the workplace. Details are available in the principle 3 of the *Business Responsibility Report* forming a part of this annual report.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As per Section 135 of the Companies Act, 2013, the company has a board-level CSR committee consisting of Mr. Bharat N Doshi (chairman), Mr. G V Prasad and Mr. K Satish Reddy. The company's CSR policy provides a constructive framework to review and organize our social outreach programs in health, livelihood and education.
During the year, the committee monitored implementation and adherence to the CSR policy. Details of the CSR policy and initiatives taken by the company during the year are available on the company's website: www.drreddys.com. The report on CSR activities is attached as **Annexure V** to the board's report.

BUSINESS RESPONSIBILITY REPORT

A detailed *Business Responsibility Report* as required under Regulation 34 of the Listing Regulations, is given as a separate Section in this annual report.

TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the provisions of the Companies Act, 2013, read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, declared dividends and interest on debentures which remained unpaid or unclaimed for a period of seven years have been transferred by the company to the IEPF, which has been established by the Central Government.

The above-referred rules also mandate transfer of shares on which dividend are lying unpaid and unclaimed for a period of seven consecutive years to IEPF.
The company has issued individual notices to the members whose equity shares are liable to be transferred to IEPF, advising them to claim their dividend on or before 18 August 2020. Details of transfer of unpaid and unclaimed amounts to IEPF are given in the chapter on *Additional Shareholders Information*.

EMPLOYEES STOCK OPTION SCHEMES

During the year, there has been no material change in the 'Dr. Reddy's Employees Stock Option Scheme, 2002', the 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007'and Dr. Reddy's Employees Stock Option Scheme, 2018' (collectively referred as 'the schemes').

The schemes are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014.

Details are available on the company's website: https://www.drreddys.com/media/879298/esop-stock-incentive-note.pdf. The details also form part of note 2.24 of the notes to accounts of the standalone financial statements.

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as **Annexure VI** to the board's report

In terms of Section 197(12) of the Companies Act, 2013, read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of limits set out in said rules forms part of the annual report.

Considering the first proviso to Section 136(1) of the Companies Act, 2013, the annual report, excluding the aforesaid information, is being sent to the members of the company and others entitled thereto. The said information is available for inspection at the registered office of the company during business hours on working days up to the date of the forthcoming 36th AGM by members through electronic mode. Any members interested in obtaining a copy thereof may write to the company secretary in this regard.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are attached as **Annexure VII** to the board's report.

ANNUAL RETURN

Details forming part of the extract of the annual return in form MGT-9 are attached as **Annexure VIII** to the board's report.

ACKNOWLEDGMENT

Your directors place on record their sincere appreciation for the significant contribution made by its employees through their dedication, hard work and commitment, as also for the trust reposed in the company by the medical fraternity and patients. The board of directors also acknowledge the support extended by the analysts, bankers, government agencies, media, customers, suppliers, members and investors at large.

It looks forward to your continued support in the company's endeavour to accelerate access to innovative and affordable medicines because *Good Health Can't Wait*.

For and on behalf of the board of directors

K Satish Reddy
Chairman

Place : Hyderabad
Date : 20 May 2020

ANNEXURE-I

DIVIDEND DISTRIBUTION POLICY

(Originally approved on 18 May 2009 and modified by the Board of Directors at their meeting held on 25 October 2016)

KEY HIGHLIGHTS

- Dividend payout would be subject to profitability under Standalone Financials Statements prepared under Indian Accounting Standard (IND-AS)
- Special dividend, if any, to be outside the scope of this policy but would be governed by the provisions under the Companies Act, 2013
- Applicable to Dr. Reddy's Laboratories Limited, India only and not its subsidiaries

INTRODUCTION

The board of directors of Dr. Reddy's Laboratories Limited (Dr. Reddy's or the company), aims to grow the business lines of the company and enhance the rate of return on investments of the shareholders. They present the dividend distribution policy, considering:

a) Preservation of a balance between the expectations of its shareholders and company's own need to grow, and
b) The profitability of the company.

The policy is intended to ensure a regular dividend payout for maximizing the shareholder's wealth with an objective to distribute a regular dividend through an interim or final dividend or a combination of both.

The annual dividend rate would be recommended by the board of directors and could vary in order to reflect the underlying growth of the company and to maintain a regular dividend payment.

APPLICABILITY

This policy is a guiding principle for Dr. Reddy's Laboratories Limited, India.

STATUTORY PROVISIONS

Under the Companies Act, 2013 and Rules made there under, a company shall declare or pay dividend, for any financial year, only out of the profits of the company for that financial year. The following points set out the statutory obligations of a company/requirements under the Companies Act, 2013 with respect to declaration/payment of dividend (Section 123).

- The dividend shall be declared/paid only out of the profits of the company after providing for depreciation in accordance with the provisions of the law.
- The company before declaration of any dividend in any financial year, may transfer such percentage of its profit for that financial year to the general reserve.

However, in case of inadequacy or absence of profits in any year, a maximum of 10% of paid-up capital can be declared as dividend, subject to other provisions contained in the Companies (Declaration and Payment of Dividend) Rules, 2014.

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, requires a company to disclose its dividend distribution policy in its Annual Report and on its website.

I. DECLARATION

The declaration of dividend would be subject to compliance with applicable provisions of the Companies Act, 2013 and Rules made there under, if any.

II. LOSSES

Before declaring any dividend, the losses, if any, of any previous year(s) must be set off against the profits of the company for the current year or previous years.

III. DECLARATION OF DIVIDEND OUT OF RESERVES

The declaration of dividend out of reserves or accumulated profit & loss account may be as per the provisions of the Companies Act, 2013 and Rules made there under, if any.

IV. AMOUNT OF DIVIDEND

The board may endeavor to recommend dividends considering:

a. Company's need for Capital for its growth/expansion plans; and
b. Positive Cash Flow

The amount of **maximum dividend payout** (including interim dividend) is expected to be up to 20% of the cash profit under Consolidated Financial Statement prepared under Indian Accounting Standards (IND-AS).

Subject to per share amount rounding off to nearest 25 paise and further subject to percentage being adjusted to nearest multiple of 5.

V. PARAMETERS TO BE CONSIDERED BEFORE DECLARING DIVIDEND

The major internal and external factors for deciding on dividend payment are:

1) Current year's earnings
2 Past dividend pattern
3) Liquidity – Cash flow
4) Repayment/Pre-payment of borrowing
5) Expected Future Earnings
6) Capital Expenditure Requirements (Retained earnings) requiring ploughing back of profits i.e. future capital expenditure program including
    a) New projects
    b) Expansion of capacities of existing units
    c) Renovation/Modernizations
    d) Acquisition of brands/businesses
    e) Major Repairs & Maintenance
7) Likelihood of crystallization of contingent liabilities, if any
8) Contingency Fund
9) Sale of brands/businesses
10) Social/Geo-political factors/risks
11) Regulatory or proposed regulatory requirements
12) Currency risk

Prior to declaration/recommendation of any dividend as per this policy, the company may consider any applicable covenants/conditions or restrictions imposed by any lenders, JV partners of the company or its subsidiaries. The company may decide to retain earnings in entirety for a particular year(s) for its growth/expansion, consequently resulting in shareholders' wealth creation.

VI) TIMING

1) **INTERIM DIVIDEND**

The board may declare the interim dividend, based on review of profits earned during the current year - to date.

The interim dividend may be declared during the tenure of the financial year i.e. normally at the time of reviewing and approving the quarterly/half-yearly financial results.

2) **FINAL DIVIDEND**

The board may recommend the final dividend, subject to the approval of the members of the company, based on profitability of the company as per the annual audited financial statements. The final dividend may be recommended once in a year and shall be subject to the approval of the members of the company at their meeting held for the purpose.

In addition to the above, the board of directors of the company may also consider declaration of any special dividend, on special occasions, as and when they may deem fit, subject to provisions of the Companies Act, 2013 Rules made there under and other relevant requirements, if any.

VII) CLASSES OF SHARES

At present, the issued and paid-up share capital of the company comprises only of equity shares. As and when the company issues any other class(es) of shares, the board of directors may suitably declare dividend on such class(es) in accordance with the provisions of the Companies Act, 2013.

VIII) TAXATION

The company shall be responsible for payment of Dividend Distribution Tax as per the provisions of Income Tax Act, 1961 or such other amendments from time to time.

However, the Income Tax liability, if such is applicable, on the dividend earned by the shareholders under the Income Tax Act, 1961 or such other amendment from time to time shall be borne by the respective shareholders and if required under the then prevalent Income Tax laws, the payment shall also be subject to deduction of tax at source.

IX) PERIODIC REVIEW OF THIS POLICY; AMENDMENTS

The board may amend, modify, repeal or waive any of the stipulations of this Policy at any time, as it determines necessary or appropriate, in the exercise of its judgment or fiduciary duties and as per the provisions of the Companies Act.

K Satish Reddy
Chairman

Place : Hyderabad
Date : 20 May 2020

ANNEXURE-II

FORM AOC-1

(Statement pursuant to first proviso to sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014)
(Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures)

Part "A" : Subsidiaries

All amounts in Indian Rupees millions, except share data and where otherwise stated

		AS AT 31 MARCH 2020											FOR THE YEAR ENDED 31 MARCH 2020					
SL. NO.	NAME OF THE SUBSIDIARY	REPORTING PERIOD FOR THE SUBSIDIARY	DATE OF INCORPORATION/ ACQUISITION	% OF SHAREHOLDING	REPORTING CURRENCY	EXCHANGE RATE	SHARE CAPITAL	RESERVES & SURPLUS	OTHER LIABILITIES	TOTAL EQUITY AND LIABILITIES	TOTAL ASSETS	INVESTMENTS*	TURNOVER	NET EXPENSE (TOTAL EXPENSE NET OF OTHER INCOME)	PROFIT/(LOSS) BEFORE TAXATION	PROVISION FOR TAXATION	PROFIT/(LOSS) AFTER TAXATION	PROPOSED DIVIDEND
1	Aurigene Discovery Technologies (Malaysia) Sdn. Bhd.	31-03-20	26-09-07	100%	MYR	17.52	16	22	3	41	41	18	26	24	2	-	2	-
2	Aurigene Discovery Technologies, Inc.	31-03-20	29-04-02	100%	USD	75.67	257	(256)	-	1	1	-	-	-	-	-	-	-
3	Aurigene Discovery Technologies Limited	31-03-20	10-08-01	100%	INR	1.00	905	(79)	3,138	3,964	3,964	2,442	2,801	1,584	1,217	305	912	-
4	Aurigene Pharmaceutical Services Limited	31-03-20	16-09-19	100%	INR	1.00	1	(4)	5	2	2	-	-	5	(5)	(1)	(4)	-
5	beta Institut gemeinnützige GmbH[4]	31-03-20	15-02-06	100%	EUR	82.77	5	2	3	10	10	-	-	-	-	-	-	-
6	betapharm Arzneimittel GmbH[4]	31-03-20	15-02-06	100%	EUR	82.77	60	18	9,775	9,853	9,853	-	8,396	8,425	(29)	-	(29)	-
7	Cheminor Investments Limited	31-03-20	23-01-90	100%	INR	1.00	1	-	-	1	1	-	-	-	-	-	-	-
8	Chirotech Technology Limited	31-03-20	30-04-08	100%	GBP	93.50	1,060	106	160	1,326	1,326	-	-	(15)	15	3	12	-
9	DRL Impex Limited	31-03-20	18-08-86	100%	INR	1.00	760	(762)	13	11	11	-	-	-	-	-	-	-

All amounts in Indian Rupees millions, except share data and where otherwise stated

		AS AT 31 MARCH 2020											FOR THE YEAR ENDED 31 MARCH 2020					
SL. NO.	NAME OF THE SUBSIDIARY	REPORTING PERIOD FOR THE SUBSIDIARY	DATE OF INCORPORATION/ ACQUISTION	% OF SHAREHOLDING	REPORTING CURRENCY	EXCHANGE RATE	SHARE CAPITAL	RESERVES & SURPLUS	OTHER LIABILITIES	TOTAL EQUITY AND LIABILITIES	TOTAL ASSETS	INVESTMENTS*	TURNOVER	NET EXPENSE (TOTAL EXPENSE NET OF OTHER INCOME)	PROFIT/(LOSS) BEFORE TAXATION	PROVISION FOR TAXATION	PROFIT/(LOSS) AFTER TAXATION	PROPOSED DIVIDEND
10	Dr. Reddy's Bio-Sciences Limited	31-03-20	09-07-03	100%	INR	1.00	589	(328)	71	332	332	-	-	44	(44)	-	(44)	-
11	Dr. Reddy's Farmaceutica Do Brasil Ltda.	31-03-20	06-07-00	100%	BRL	14.55	818	(978)	1,259	1,099	1,099	-	1,709	1,673	36	(74)	110	-
12	Dr. Reddy's Laboratories (Australia) Pty. Limited	31-03-20	07-06-06	100%	AUD	46.08	35	(300)	627	362	362	-	744	700	44	12	32	-
13	Dr. Reddy's Laboratories (Canada), Inc.	31-03-20	29-08-13	100%	CAD	53.08	-	350	183	533	533	-	1,529	1,467	62	14	48	-
14	Dr. Reddy's Laboratories Chile SPA.	31-03-20	16-06-17	100%	CLP	0.09	65	(117)	290	238	238	-	219	261	(42)	-	(42)	-
15	Dr. Reddy's Laboratories (EU) Limited	31-03-20	17-04-02	100%	GBP	93.50	723	1,871	1,792	4,386	4,386	-	2,195	1,643	552	128	424	-
16	Dr. Reddy's Laboratories, Inc.[1]	31-03-20	13-05-92	100%	USD	75.67	580	13,091	36,437	50,108	50,108	24	63,130	59,557	3,573	84	3,489	-
17	Dr. Reddy's Laboratories International SA[5]	24-06-19	24-03-10	100%	CHF	78.29	-	-	-	-	-	-	-	(1)	1	-	1	-
18	Dr. Reddy's Laboratories Japan KK	31-03-20	14-04-15	100%	JPY	0.70	34	(22)	2	14	14	-	22	24	(2)	-	(2)	-
19	Dr Reddy's Laboratories Kazakhstan LLP	31-03-20	30-11-16	100%	KZT	0.17	81	9	885	975	975	-	1,812	1,903	(91)	(10)	(81)	-
20	Dr. Reddy's Laboratories LLC	31-03-20	11-05-11	100%	UAH	2.70	71	(11)	1,747	1,807	1,807	-	3,341	3,382	(41)	-	(41)	-
21	Dr. Reddy's Laboratories Louisiana, LLC[1]	31-03-20	30-04-08	100%	USD	75.67	-	(2,135)	6,404	4,269	4,269	-	1,788	3,335	(1,547)	-	(1,547)	-
22	Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	31-03-20	10-07-17	100%	MYR	17.52	49	(12)	90	127	127	-	159	151	8	-	8	-
23	Dr. Reddy's Laboratories New York, Inc.	31-03-20	24-05-11	100%	USD	75.67	-	(2,174)	2,991	817	817	-	-	442	(442)	-	(442)	-
24	Dr. Reddy's Laboratories Philippines Inc.	31-03-20	09-05-18	100%	PHP	1.49	13	(13)	2	2	2	-	-	9	(9)	-	(9)	-
25	Dr. Reddy's Laboratories (Proprietary) Limited	31-03-20	13-06-02	100%	ZAR	4.23	-	270	524	794	794	-	1,806	1,750	56	23	33	-
26	Dr. Reddy's Laboratories Romania SRL	31-03-20	07-06-10	100%	RON	17.16	24	297	776	1,097	1,097	-	1,047	982	65	14	51	-
27	Dr. Reddy's Laboratories SA	31-03-20	16-04-07	100%	USD	75.67	20,685	25,671	12,971	59,327	59,327	-	20,395	36,339	(15,944)	(1,448)	(14,496)	-
28	Dr. Reddy's Laboratories SAS	31-03-20	04-11-14	100%	COP	0.02	104	(34)	289	359	359	-	499	514	(15)	(5)	(10)	-
29	Dr. Reddy's Laboratories Taiwan Limited	31-03-20	23-02-18	100%	TWD	2.50	27	(20)	3	10	10	-	-	10	(10)	-	(10)	-
30	Dr. Reddy's Laboratories (Thailand) Limited	31-03-20	13-06-18	100%	TWD	2.50	35	(79)	113	69	69	-	51	109	(58)	-	(58)	-
31	Dr. Reddy's Laboratories (UK) Limited	31-03-20	29-11-02	100%	GBP	93.50	-	3,033	1,167	4,200	4,200	-	3,274	2,982	292	71	221	-
32	Dr. Reddy's Research and Development B.V. (formerly Octoplus BV)	31-03-20	15-02-13	100%	EUR	82.77	460	(1,038)	3,837	3,259	3,259	-	963	829	134	5	129	-
33	Dr. Reddy's Singapore Pte.Ltd.[2] (Till 4 June 2019)	04-06-19	22-10-13	100%	SGD	53.03	-	-	-	-	-	-	-	-	-	-	-	-
34	Dr. Reddy's S.R.L.	31-03-20	05-08-08	100%	EUR	82.77	6	(733)	1,282	555	555	-	580	622	(42)	-	(42)	-
35	Dr. Reddy's New Zealand Limited	31-03-20	01-02-08	100%	NZD	44.89	-	72	39	111	111	-	163	153	10	-	10	-
36	Dr. Reddy's (WUXI) Pharmaceutical Co. Limited	31-03-20	02-06-17	100%	RMB	10.63	65	(25)	76	116	116	-	121	112	9	-	9	-
37	Dr. Reddy's Venezuela, C.A.	31-03-20	20-10-10	100%	VES	0.00	58	(4,851)	4,806	13	13	-	-	425	(425)	-	(425)	-

All amounts in Indian Rupees millions, except share data and where otherwise stated

SL. NO.	NAME OF THE SUBSIDIARY	AS AT 31 MARCH 2020											FOR THE YEAR ENDED 31 MARCH 2020					
		REPORTING PERIOD FOR THE SUBSIDIARY	DATE OF INCORPORATION/ ACQUISTION	% OF SHAREHOLDING	REPORTING CURRENCY	EXCHANGE RATE	SHARE CAPITAL	RESERVES & SURPLUS	OTHER LIABILITIES	TOTAL EQUITY AND LIABILITIES	TOTAL ASSETS	INVESTMENTS*	TURNOVER	NET EXPENSE (TOTAL EXPENSE NET OF OTHER INCOME)	PROFIT/(LOSS) BEFORE TAXATION	PROVISION FOR TAXATION	PROFIT/(LOSS) AFTER TAXATION	PROPOSED DIVIDEND
38	Dr. Reddy's Laboratories B.V.	31-03-20	11-09-07	100%	EUR	82.77	37	113	2,416	2,566	2,566	-	-	126	(126)	-	(126)	-
39	Idea2Enterprises (India) Private Limited	31-03-20	22-05-10	100%	INR	1.00	25	1,511	4	1,540	1,540	1	-	-	-	-	-	-
40	Imperial Credit Private Limited	31-03-20	22-02-17	100%	INR	1.00	12	3	-	15	15	24	-	(1)	1	-	1	-
41	Industrias Quimicas Falcon de Mexico, S.A. de CV	31-03-20	30-12-05	100%	MXN	3.22	594	164	4,258	5,016	5,016	-	5,814	5,456	358	139	219	-
42	Kunshan Rotam Reddy Pharmaceutical Company Limited[3]	31-03-20	15-08-01	51.33%	RMB	10.63	-	-	-	-	-	-	-	-	-	-	577	-
43	Lacock Holdings Limited	31-03-20	15-12-05	100%	EUR	82.77	1	344	1	346	346	-	-	3	(3)	1	(4)	-
44	OOO Dr. Reddy's Laboratories Limited	31-03-20	05-04-03	100%	RUB	0.96	738	1,755	9,760	12,253	12,253	-	19,902	19,365	537	130	407	-
45	OOO DRS LLC	31-03-20	11-09-07	100%	RUB	0.96	30	23	84	137	137	-	-	(14)	14	-	14	-
46	Promius Pharma, LLC[1]	31-03-20	14-02-03	100%	USD	75.67	13,908	(13,901)	519	526	526	-	329	804	(475)	-	(475)	-
47	Reddy Antilles N.V.[2] (Till 2 November 2019)	02-11-19	30-01-97	100%	USD	75.67	-	-	-	-	-	-	-	40	(40)	-	(40)	-
48	Reddy Holding GmbH[4]	31-03-20	15-02-06	100%	EUR	82.77	1	21,978	5,003	26,982	26,982	-	-	(2,227)	2,227	719	1,508	-
49	Reddy Netherlands B.V.	31-03-20	20-02-97	100%	EUR	82.77	7	2,885	-	2,892	2,892	-	-	(29)	29	-	29	-
50	Reddy Pharma Iberia S.A.U.	31-03-20	18-05-06	100%	EUR	82.77	(147)	301	169	323	323	-	342	357	(15)	-	(15)	-
51	Reddy Pharma Italia S.R.L.	31-03-20	13-10-06	100%	EUR	82.77	257	(49)	1,244	1,452	1,452	-	-	1	(1)	-	(1)	-
52	Reddy Pharma SAS	31-03-20	29-10-15	100%	EUR	82.77	386	(272)	255	369	369	-	606	641	(35)	-	(35)	-
53	Regkinetics Services Limited	31-03-20	08-07-09	100%	INR	1.00	1	7	-	8	8	7	-	(4)	4	1	3	-

* *Includes all investments excluding investment in subsidiaries*

[1] *Tax expense for these entities is computed together as per the tax laws of United States. The total tax expense is presented in Sl. No. 16 - Dr. Reddy's Laboratories, Inc.*

[2] *Liquidated during the year*

[3] *The investment has been accounted using equity method. Refer note 2.5 of consolidated financial statements.*

[4] *Tax expense for these entities is computed together as per the tax laws of Germany. The total tax expense is presented in Sl. No. 48 - Reddy Holding GmbH.*

[5] *Merged with Dr. Reddy's Laboratories SA with effect from 24 June 2019.*

Part "B": Associates and joint ventures

SL. NO.	NAME OF THE ASSOCIATE/JOINT VENTURE	LATEST AUDITED BALANCE SHEET DATE	SHARES OF ASSOCIATE/JOINT VENTURES HELD BY THE COMPANY ON THE YEAR END			NET WORTH ATTRIBUTABLE TO SHAREHOLDING AS PER LATEST AUDITED BALANCE SHEET	PROFIT/LOSS FOR THE YEAR		DESCRIPTION OF HOW THERE IS A SIGNIFICANT INFLUENCE	REASON WHY THE ASSOCIATE/ JOINT VENTURE IS NOT CONSOLIDATED
			NO.	AMOUNT OF INVESTMENT IN ASSOCIATES/JOINT VENTURE	EXTEND OF HOLDING %		CONSIDERED IN CONSOLIDATION	NOT CONSIDERED IN CONSOLIDATION		
1	DRANU LLC, USA	NA	NA	360	50%	-	-		NA	NA
2	DRES Energy Private Limited India	31-March-20	8,580,000	86	26%	-	(16)	(46)	NA	NA

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

	K Satish Reddy	Chairman
	G V Prasad	Co-Chairman & Managing Director
	Erez Israeli	Chief Executive Officer
Place : Hyderabad	**Saumen Chakraborty**	Chief Financial Officer
Date : 20 May 2020	**Sandeep Poddar**	Company Secretary

ANNEXURE-III

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-Section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/transactions	
(d)	Salient terms of the contracts/arrangements/transactions including the value, if any	
(e)	Justification for entering into such contracts/arrangements or transactions	
(f)	Date(s) of approval by the board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis

(a)	Names(s) of the related party and nature of relationship	Dr. Reddy's Laboratories Inc., USA, wholly-owned subsidiary	OOO Dr. Reddy's Laboratories Limited, Russia, wholly-owned subsidiary
(b)	Nature of contracts/arrangements/transactions	Transfer or receipt of products, goods, materials or services	
(c)	Duration of the contracts/arrangements/transactions	Ongoing	
(d)	Salient terms of the contracts/arrangements/ transactions including the value, if any	Transfer or receipt of products, goods, materials or services on arm's length basis for ₹ 31,613 million	Transfer or receipt of products, goods, materials or services on arm's length basis for ₹ 17,594 million
(e)	Date(s) of approval by the Board, if any	NA. However, the transactions were approved by the audit committee	
(f)	Amount paid as advances, if any	-	

K Satish Reddy
Chairman

ANNEXURE-IV

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To:
The Members,
Dr. Reddy's Laboratories Limited,
8-2-337, Road No.3, Banjara Hills,
Hyderabad – 500 034, Telangana, India.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Dr. Reddy's Laboratories Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March, 2020 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2020 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): —

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (Not applicable to the Company during the Audit Period);
   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
   (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
   (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit Period); and
   (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (Not applicable to the Company during the Audit Period).

(vi) **I further report that**, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof on test-check basis, the Company has complied with the following laws applicable specifically to the Company:

   (a) The Drugs and Cosmetics Act, 1940 and Rules made thereunder, and
   (b) Drugs (Prices Control) Order, 2013 and Notifications made thereunder.
   (c) The Narcotic Drugs and Psychotropic Substances Act, 1985

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards (SS-1 and SS-2) issued by The Institute of Company Secretaries of India; and

(ii) Listing Agreements entered into by the Company with BSE Limited and the National Stock Exchange of India Limited read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors and Independent Directors.
The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were generally sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, pursuant to provisions of sections 230-232 read with section 66 and other applicable provisions of the Companies Act, 2013, the Board of Directors of the Company, approved the scheme of amalgamation and arrangement among Dr. Reddy's Holdings Limited and the Company and their respective shareholders ("the Scheme"); subject to obtaining other requisite approvals from the statutory authorities and shareholders. In furtherance thereof, the Company has received necessary approvals from the BSE Limited and National Stock Exchange of India Limited. Further, at the Hon'ble National Company Law Tribunal (NCLT) convened separate meetings, held on 2 January, 2020, the shareholders and unsecured creditors of the Company have approved the said scheme with requisite majority. Thereafter, the petition for approval of the said scheme has been filed by the Company with the Hon'ble NCLT on 9 January, 2020 and the final hearing on the petition is pending.

Dr. K. R. Chandratre
FCS No.: 1370
C. P. No.: 5144
UDIN: F001370B000259980
Place : Pune
Date : 20 May, 2020

ANNEXURE-V

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs: **The board has approved the CSR Policy of the company. It can be viewed at https://www.drreddys.com/media/527942/corporate-social-responsibility-policy_2017.pdf**
2. The composition of the CSR committee: **The CSR committee was constituted by the board of directors at its meeting held on 31 October 2013. As on date, the committee comprises of Mr. Bharat N Doshi (independent director) as chairman, Mr. G V Prasad and Mr. K Satish Reddy.**
3. Average net profit of the company for last three financial years: ₹ **12,247,028,586/-**
4. Prescribed CSR expenditure (two per cent of the amount as in item no. 3 above): ₹ **244,940,572/-**
5. Details of CSR spent during the financial year:
   (a) Total amount to be spent for the financial year: ₹ **244,940,572/-**
   (b) Amount unspent, if any: **NA**
   (c) Manner in which the amount spent during FY2020 is detailed below:

(₹)

(A) SL. NO.	(B) CSR PROJECT OR ACTIVITIES IDENTIFIED	(C) SECTOR IN WHICH THE PROJECT IS COVERED	(D) PROJECTS OR PROGRAMS (1) LOCAL AREA OR OTHER (2) SPECIFY THE STATE & DISTRICTS WHERE PROJECTS OR PROGRAMS WAS UNDERTAKEN	(E) AMOUNT OUTLAY (BUDGET) PROJECT OR PROGRAM WISE FOR THE FY2020	(F) AMOUNT SPENT ON THE PROJECTS OR PROGRAMS DIRECT EXPENDITURE ON PROJECTS AND OVERHEADS	(G) CUMULATIVE EXPENDITURE UP TO THE REPORTING PERIOD	(H) AMOUNT SPENT: DIRECT OR THROUGH IMPLEMENTING AGENCY
1	DRF education programs	Education	Telangana	30,000,000	30,000,000	30,000,000	Dr. Reddy's Foundation
2	Supporting and subsidizing quality education in low income schools	Education	Telangana	15,000,000	15,000,000	15,000,000	Pudami Educational Society
3	Quality education program in Government Schools -SIP	Education	Telangana and Andhra Pradesh	50,754,000	50,754,000	50,754,000	Dr. Reddy's Foundation
4	Quality education in science	Education	Andhra Pradesh	687,325	687,325	687,325	Agastya International Foundation
5	Chair in chemical science	Education	Telangana	5,000,000	5,000,000	5,000,000	University of Hyderabad
6	Capacity building of social sector professionals	Education	Telangana	840,000	840,000	840,000	Centre for Social Initiative and Management - Hyderabad
7	Livelihood programmes for youth & People with Disability (PwD) programs	Livelihood enhancement projects	Across India	130,000,000	130,000,000	130,000,000	Dr. Reddy's Foundation
8	MITRA - Agricultural program	Livelihood enhancement projects	Telangana and Andhra Pradesh	6,752,176	63,61,510	6,361,510	Dr. Reddy's Foundation
9	Farmer field school project	Livelihood enhancement projects	Andhra Pradesh	11,341,000	10,554,491	10,554,491	Naandi Foundation
10	Psychological health support	Healthcare	Telangana	1,220,000	1,220,000	1,220,000	Roshni Trust
11	Community Health Intervention Programme for maternal and child health	Healthcare	Andhra Pradesh	12,700,000	12,582,184	12,582,184	NICE Foundation
12	Food support to community during COVID-19 outbreak	Healthcare	Telangana and Himachal Pradesh	-	189,474	189,474	Direct
13	Rural development and infrastructure	Rural development projects	Telangana and Andhra Pradesh	2,400,000	1,945,000	1,945,000	Direct
14	Community initiatives	Rural development projects	Karnataka and Tamil Nadu	12,500,000	5,200,000	5,200,000	Isha Outreach and Vivekananda Educational Trust
15	Programme management cost	Capacity Building	-	-	4,974,559	4,974,559	NA
	Grand Total			**279,194,501**	**275,308,543**	**275,308,543**	

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its board report: **NA**
7. A responsibility statement of the CSR committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the company: **The implementation and monitoring of CSR policy is in compliance with the CSR objectives and policy of the company.**

G V Prasad
Co-Chairman and Managing Director

Bharat N Doshi
Chairman of CSR Committee

ANNEXURE-VI

Information in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the company and the percentage increase in remuneration of each director, CEO, CFO and CS for FY2020:

NAME	DESIGNATION	RATIO OF REMUNERATION OF EACH DIRECTOR TO THE MEDIAN REMUNERATION OF EMPLOYEES	% INCREASE/(DECREASE) IN REMUNERATION DURING/FOR FY2020
Mr. K Satish Reddy[(1)]	Chairman	183	8
Mr. G V Prasad[(1) (2)]	Co-Chairman and Managing Director	283	16
Mr. Anupam Puri[(3)]	Independent director	10	-
Mr. Allan Oberman[(4)]	Independent director	23	-
Mr. Bharat N Doshi	Independent director	25	13
Dr. Bruce L A Carter	Independent director	24	20
Ms. Kalpana Morparia	Independent director	22	17
Mr. Leo Puri[(4)]	Independent director	23	-
Dr. Omkar Goswami[(3)]	Independent director	10	-
Mr. Prasad R Menon	Independent director	26	42
Ms. Shikha Sharma[(4)]	Independent director	22	-
Mr. Sridar Iyengar	Independent director	26	25
Mr. Erez Israeli[(5)(6)]	Chief Executive Director (CEO)	NA	66
Mr. Saumen Chakraborty[(6)]	Chief Financial Officer (CFO)	NA	42
Mr. Sandeep Poddar[(6)]	Company Secretary (CS)	NA	34

(1) *Includes commission, salary and perquisites. They do not receive any amount as remuneration from any subsidiary company.*

(2) *Was also chief executive officer (CEO) up to 31 July 2019*

(3) *Remuneration in FY2020 was paid for part of the year, not comparable.*

(4) *Remuneration in FY2019 was paid for part of the year, not comparable.*

(5) *Was appointed chief executive officer (CEO) with effect from 1 August 2019.*

(6) *Includes fixed pay, actual variable pay, fuel & maintenance on actuals and does not include value of stock options.*

(ii) The median remuneration of employees increased by 12.1% in FY2020.

(iii) The number of permanent employees on the rolls of the company as on 31 March 2020 is 21,650.

(iv) Average percentage increase in the salaries of employees other than KMP for FY2020 was 8.4% as compared to FY2019. There was an increase of 29% in the total remuneration of executive directors and KMP for FY2020 on account of computation of remuneration, on accrual basis to executive directors and on actual basis for CEO, CFO and CS.

(v) It is hereby affirmed that the remuneration for FY2020 is as per the remuneration policy of the company.

K Satish Reddy
Chairman

ANNEXURE-VII

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

(A) CONSERVATION OF ENERGY:

During the year, the company has implemented energy conservation projects across its various business units and accrued savings of approximately ₹ 187 million against an investment of ₹ 105 million.

Major categories of energy projects are:

1. **Installation of innovative technology:** Scale ban technology adopted to use RO rejects for cooling tower make-up, which reduced the load on multiple effect evaporator. Implemented Artic Maser in most of the HVAC systems to regulate the flow of refrigerant and to reduce the power consumption. Horizontal deployment of Phase-III, replacement of conventional belt driven blower motor assembly with electronically commutated (EC) motor technology in HVAC systems across FTO sites. Phase-IV, horizontal deployment of automatic tube cleaning system in refrigeration chillers and heat pumps. Phase-IV zero purge loss air dryers/HOC drier for compressed air. Replacement of Existing conversional lights with LED lights, installation of occupancy sensors to have energy efficient lighting system. Scale and Bio removal system for cooling tower water in place of normal chemical treatment.

2. **Optimization of designs and operational efficiencies:** Optimization of Compressed air pressure and integration of piping of compressed air, arresting the air leakages & reduction of the unloading hours of air compressor units. Integration of chillers to increase the efficiency and to stop multiple chillers running. Replaced existing pumps with energy efficient pumps, replaced existing chillers with energy efficient chillers, and electric heaters by steam coils for AHUs and compressors to enhance energy efficiency. Optimization of HVAC usage by shut down/sleep mode operations based on working requirements of plants. Installed VFD for AHU's to minimize power losses, installed capacitor banks to maintain power factor close to unity, optimization of chilled water temperature based on environmental temperature changes. Steam usage reduction by installing heat pumps, effectively reduced FO consumption by improving hot condensate recovery, Integrated Chillers and DG cooling towers to have better power saving. Integrated Compressor system to meet variable load demand. Optimization of RH % when no production activity. Enhancing the efficiencies of refrigerant compressors by adopting artic master and ECO plug technologies. Boiler efficiency improvement by better condensate recovery. Consolidation & optimized utilization of Chilled water/brine/air/nitrogen compressors based on load for CTO sites.

3. **Identifying renewable power sources at low cost:** Solar power supply started from 15MW joint venture plants to CTO-1, CTO-2, CTO-3, CTO-5, FTO-2, FTO-3 and Biologics plants. 3MW Roof top solar power plants installation works in progress at FTO-2, FTO-7, FTO-9, FTO-PU1 and FTO-11 plants and 350 KW is already commissioned.

(B) TECHNOLOGY ABSORPTION

i.	Efforts made towards technology absorption	The company has a full-fledged R&D division continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. As a part of technology absorption and adoption, once technology is developed for a product, it is tested in a pilot plant and thereafter commercial production is performed. Innovation is embarked by an incremental approach towards cost, time, quality and complex product development by adopting cutting edge technology and our philosophy is to continuously upgrade the technology.
ii.	Benefits derived like product improvement, cost reduction, product development or import substitution.	Successful development of complex generics products accomplished through Innovation and science. Improved quality by adopting quality by design concept. Technology adoption yielded improvement in robustness and cost.
iii.	In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) – a) Details of technology imported b) Year of import c) Whether the technology been fully absorbed d) If not fully absorbed, areas where absorption has not taken place, and the reasons therefore	No imported technology

		FY2020	FY2019
iv	Expenditure incurred on R&D		
	a) Capital (₹ million)	654	699
	b) Recurring* (₹ million)	11,343	11,295
	c) Total (₹ million)	11,997	11,994
	Total R&D expenditure as a percentage of total turnover	**10.12%**	**11.29%**

* Excluding depreciation and amortization

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned in terms of actual inflows and foreign exchange outgo in terms of actual outflows during the year:

(₹ MILLIONS)

Particulars	FY2020
Foreign exchange earned in terms of actual inflows	84,193
Foreign exchange outgo in terms of actual outflows	39,616

K Satish Reddy
Chairman

ANNEXURE-VIII

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March 2020

(Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014)

I. REGISTRATION AND OTHER DETAILS:

SL. NO.	PARTICULARS	DETAILS
i)	CIN	L85195TG1984PLC004507
ii)	Registration date	24 February 1984
iii)	Name of the company	Dr. Reddy's Laboratories Limited
iv)	Category/sub-category of the company	Public company limited by shares/Non-Government company
v)	Address of the registered office and contact details	8-2-337, Road No. 3, Banjara Hills, Hyderabad - 500 034, Telangana. Tel: +91-40-4900 2900 Fax: +91-40-4900 2999 Email ID: shares@drreddys.com
vi)	Whether listed company Yes/No	Yes
vii)	Name, address and contact details of registrar and transfer agent, if any	Bigshare Services Private Limited 306, Right wing, 3rd floor, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road, Hyderabad - 500 082 Tel: +91-40-2337 4967 Fax: +91-40-2337 0295 E-mail ID: bsshyd@bigshareonline.com

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

SL. NO.	NAME AND DESCRIPTION OF MAIN PRODUCTS/SERVICES	NIC CODE OF THE PRODUCT/ SERVICE	% TO TOTAL TURNOVER OF THE COMPANY
1	Pharmaceuticals	210	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
1	Dr. Reddy's New Zealand Limited	82, Totara Crescent, Woburn, Lower Hutt, 5011, New Zealand	NA	Subsidiary	100	2(87)(ii)
2	Dr. Reddy’s Laboratories (Australia) Pty. Limited	Suite 3.03 Level 3, 390 St Kilda Road, Melbourne, Victoria- 3004, Australia	NA	Subsidiary	100	2(87)(ii)
3	Dr. Reddy’s Laboratories (Proprietary) Limited	The Place, 1 Sandton Drive, Sandton 2196, South Africa	NA	Subsidiary	100	2(87)(ii)
4	Dr. Reddy's Venezuela, C.A.	Av. Orinoco, Edif Centro Empresarial Premium, Piso 3, Office 3-A Urb. Las Mercedes Caracas, Venezuela	NA	Subsidiary	100	2(87)(ii)
5	Dr. Reddy’s Laboratories, Inc.	107 College Road East, Princeton, New Jersey, 08540, USA	NA	Subsidiary	100	2(87)(ii)
6	Promius Pharma, LLC	107 College Road East, Princeton, New Jersey, 08540, USA	NA	Subsidiary	100	2(87)(ii)
7	Dr. Reddy’s Laboratories Louisiana, LLC	8800 Line Avenue, Shreveport, LA 71106-6717, USA	NA	Subsidiary	100	2(87)(ii)
8	Reddy Pharma Italia S.R.L.	Milano, Piazza Santa Maria Beltrade 1, Italy	NA	Subsidiary	100	2(87)(ii)
9	Dr. Reddy’s S.R.L.	Milano, Piazza Santa Maria Beltrade 1, Italy	NA	Subsidiary	100	2(87)(ii)
10	Reddy Pharma Iberia S.A.U.	Avenida Josep Tarradellas, n°38 – 08029, Barcelona, Spain	NA	Subsidiary	100	2(87)(ii)
11	Dr. Reddy’s Farmaceutica Do Brasil Ltda.	1985, Guido Caloi Avenue Jd., Sao Luis, Sao Paulo- 05802-140, Brazil	NA	Subsidiary	100	2(87)(ii)
12	Dr. Reddy’s Laboratories (UK) Limited	Unit 6 Riverview Road, Beverley, East Yorkshire, HU17 0ld, UK	NA	Subsidiary	100	2(87)(ii)
13	Dr. Reddy’s Laboratories (EU) Limited	Unit 6 Riverview Road, Beverley, East Yorkshire, HU17 0ld, UK	NA	Subsidiary	100	2(87)(ii)

SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
14	Chirotech Technology Limited	410 Cambridge Science Park, Milton Road, Cambridge, CB4 0PE, UK	NA	Subsidiary	100	2(87)(ii)
15	Kunshan Rotam Reddy Pharmaceutical Co. Limited	258, Huang Pu Jiang Zhong Lu, Kunshan, Jiangsu, P.R. China - 215300	NA	Subsidiary	51.33	2(87)(ii)
16	OOO Dr. Reddy's Laboratories Limited	20, Ovchinnikovskaya Naberezhnaya, Moscow, Russia	NA	Subsidiary	100	2(87)(ii)
17	Dr. Reddy's Laboratories Romania S.R.L.	71, Nicolae Caramfil, Floor 5, Space 10, 014142 Bucharest 1, Romania	NA	Subsidiary	100	2(87)(ii)
18	Reddy Holding GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
19	beta Institut gemeinnützige GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
20	betapharm Arzneimittel GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
21	Lacock Holdings Limited	10, Diomidious Street, Alphamega Akropolis Bldg, 3rd floor, Office 401, 2024 Nicosia, Cyprus	NA	Subsidiary	100	2(87)(ii)
22	Reddy Netherlands B.V.	Zernikedreef 12, 23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
23	Dr. Reddy's Laboratories SA	Elisabethenanlage 11, CH-4051, Basel, Switzerland	NA	Subsidiary	100	2(87)(ii)
24	Industrias Quimicas Falcon de Mexico, S.A.	Carr. Federal Cuernavaca - Cuautla Km. 4.5, Civac, Jiutepec, Mor, Mexico 62578	NA	Subsidiary	100	2(87)(ii)
25	Aurigene Discovery Technologies (Malaysia) Sdn. Bhd.	Wisma Adiss, Udarmana Complex, 1-3A Jalan, 1/64A, Kuala Lumpur 50530, Malaysia	NA	Subsidiary	100	2(87)(ii)
26	Dr. Reddy's Laboratories New York, Inc.	1974, State Route, 145 Middleburgh, NY 12122, USA	NA	Subsidiary	100	2(87)(ii)
27	Dr. Reddy's Laboratories LLC	121 A, Kyivskiy Shlaykh str., v. Velika, Oleksandrivka, Borispil region, Kyiv oblast, Ukraine	NA	Subsidiary	100	2(87)(ii)
28	Dr. Reddy's Research and Development B.V.	Zernikedreef 12, 23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
29	Dr. Reddy's Laboratories Canada Inc.	5580 Explorer Drive, Suite 204, Mississauga, ON L4W 4Y1, Canada	NA	Subsidiary	100	2(87)(ii)
30	Dr. Reddy's Laboratories S.A.S.	Av Cra 7 No 155C - 30 Oficina 2805 North Point Torres E, Bagota D.C., Colombia	NA	Subsidiary	100	2(87)(ii)
31	Aurigene Discovery Technologies, Inc.	107, College Road East, Princeton, New Jersey - 08540, USA	NA	Subsidiary	100	2(87)(ii)
32	Dr. Reddy's Laboratories B.V.	Zernikedreef 12, 23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
33	OOO DRS LLC	20, Ovchinnikovskaya Emb, Moscow, Russia	NA	Subsidiary	100	2(87)(ii)
34	Dr. Reddy's Laboratories Japan KK	Kabutocho, 1st Heiwa Building, 3F, 5-1 Nihonbashi Kabutocho, Chuo-Ku, Tokyo 103-0026, Japan	NA	Subsidiary	100	2(87)(ii)
35	Reddy Pharma SAS	Avenue Edouard Belin 9, 92500 Rueil-Malmaison, France	NA	Subsidiary	100	2(87)(ii)
36	Dr. Reddy's Laboratories Kazakhstan LLP	Business Centre Alatau Grand, Office No. 905, Street Timiryazeva 28B, Almaty, 050040, Kazakhstan	NA	Subsidiary	100	2(87)(ii)
37	Dr. Reddy's (WUXI) Pharmaceutical Co. Limited	E2-518, No. 200 Linghu Revenue, Xinwu District, Wuxi, Jiangsu, China	NA	Subsidiary	100	2(87)(ii)
38	Dr. Reddy's Laboratories Chile SPA	Badajoz 130, Oficina 402, Las Condes County, Chile	NA	Subsidiary	100	2(87)(ii)
39	Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	10th Floor, Menara Hap Seng, No. 1 and 3, Jalan P Ramlee, 50250, Kuala Lumpur, W P, Malaysia	NA	Subsidiary	100	2(87)(ii)
40	Dr. Reddy's Laboratories Taiwan Limited	Level 57, Taipei 101 Tower, No. 7, Sec. 5, Xinyi Road, Xinyi Dist., Taipei, 110, Taiwan	NA	Subsidiary	100	2(87)(ii)

SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
41	Dr. Reddy's Laboratories Philippines Inc.	25/F, Philam Life Tower, 8767 Paseo De Roxas, Bel-Air, City of Makati, NCR, Fourth District, Philippines	NA	Subsidiary	100	2(87)(ii)
42	Dr. Reddy's Laboratories (Thailand) Limited	No. 1 Empire Tower Building, 16th Floor, Unit 1607, South Sathorn Road, Yannawa, Sathorn District, Bangkok - 10120, Thailand	NA	Subsidiary	100	2(87)(ii)
43	Aurigene Discovery Technologies Limited	39-40, KIADB Industrial Area, Electronic City Phase II, Bengaluru – 560100, Karnataka, India	U24239KA2001PLC029391	Subsidiary	100	2(87)(ii)
44	Aurigene Pharmaceutical Services Limited (incorporated on 16 September 2019)	39-40, KIADB Industrial Area, Electronic City Phase II, Bengaluru – 560100, Karnataka, India	U74999KA2019PLC127964	Subsidiary	100	2(87)(ii)
45	DRL Impex Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500034, Telangana, India	U65990TG1986PLC006695	Subsidiary	100	2(87)(ii)
46	Dr. Reddy's Bio-Sciences Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500034, Telangana, India	U72200TG2000PLC034765	Subsidiary	100	2(87)(ii)
47	Idea2Enterprises (India) Private Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500034, Telangana, India	U72200TG2000PTC034473	Subsidiary	100	2(87)(ii)
48	Cheminor Investments Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500034, Telangana, India	U67120TG1990PLC010931	Subsidiary	100	2(87)(ii)
49	Regkinetics Services Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500034, Telangana, India	U24233TG2009PLC064271	Subsidiary	100	2(87)(ii)
50	Imperial Credit Private Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500034, Telangana, India	U06519TG1991PTC126383	Subsidiary	100	2(87)(ii)
51	DRES Energy Private Limited	No.55, Solar Tower, 6th Main, 11th Cross, Lakshmaiah Block, Ganganagar, Bengaluru – 560024, Karnataka, India	U40104KA2015PTC083148	Joint Venture	26	2(6)
52	DRANU, LLC	C/o. Emerging Enterprise Centre, 1000 Winter Street, Suite 4000, Waltham, MA 02451, USA	NA	Joint Venture	50	2(6)

* *Represents aggregate % of shares held by the company and/or its subsidiaries.*

IV. SHAREHOLDING PATTERN (equity share capital breakup as a percentage of total equity)

I) CATEGORY-WISE SHAREHOLDING

CATEGORY OF SHAREHOLDERS	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR				NO. OF SHARES HELD AT THE END OF THE YEAR				% CHANGE DURING THE YEAR
	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	3,133,228	-	3,133,228	1.89	3,133,228	-	3,133,228	1.88	(0.01)
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt(s).	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	41,325,300	-	41,325,300	24.88	41,325,300	-	41,325,300	24.87	(0.01)
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)	**44,458,528**	**-**	**44,458,528**	**26.77**	**44,458,528**	**-**	**44,458,528**	**26.75**	**(0.02)**
(2) Foreign									
a) NRIs-individuals	-	-	-	-	-	-	-	-	-
b) Other-individuals	-	-	-	-	-	-	-	-	-
c) Bodies corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total shareholding of promoters (A)=(A)(1)+(A)(2)	**44,458,528**	**-**	**44,458,528**	**26.77**	**44,458,528**	**-**	**44,458,528**	**26.75**	**(0.02)**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	15,129,141	2,890	15,132,031	9.11	14,539,076	90	14,539,166	8.75	(0.36)
b) Banks/FI	337,528	3,586	341,114	0.21	240,771	186	240,957	0.15	(0.06)
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s).	-	-	-	-	-	-	-	-	-
e) Venture capital funds	-	-	-	-	-	-	-	-	-
f) Insurance companies	8,173,652	400	8,174,052	4.92	8,879,144	400	8,879,544	5.34	0.42
g) FIIs/FPIs	51,360,769	11,000	51,371,769	30.94	50,098,326	-	50,098,326	30.15	(0.79)
h) Foreign venture capital funds	-	-	-	-	-	-	-	-	-
i) Others-Alternate investment funds	470,455	-	470,455	0.28	189,499	-	189,499	0.11	(0.17)
Sub-total (B)(1)	**75,471,545**	**17,876**	**75,489,421**	**45.46**	**73,946,816**	**676**	**73,947,492**	**44.50**	**(0.96)**
(2) Non-Institutions									
a) Bodies corp.									
i) Indian	5,716,047	9,176	5,725,223	3.45	7,316,763	2,544	7,319,307	4.40	0.95
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh	11,555,069	661,749	12,216,818	7.36	11,164,143	495,454	11,659,597	7.02	(0.34)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	789,245	26,890	816,135	0.49	671,719	-	671,719	0.40	(0.09)
c) Others (specify)									
i) Trust	1,166,310	-	1,166,310	0.70	1,354,700	-	1,354,700	0.82	0.12
ii) Clearing member	270,440	-	270,440	0.16	682,554	-	682,554	0.41	0.25
iii) NRIs	1,568,760	182,748	1,751,508	1.06	1,533,714	119,340	1,653,054	1.00	(0.06)
iv) Foreign nationals	11,821	-	11,821	0.01	4,199	-	4,199	0.00	(0.01)
v) Unclaimed suspense escrow account	381,269	-	381,269	0.23	372,913	2,040	374,953	0.23	-
vi) IEPF	122,770	-	122,770	0.07	220,483	-	220,483	0.13	0.06
vii) ESOS Trust*	217,976	-	217,976	0.13	395,950	-	395,950	0.24	0.11
Sub-total (B)(2)	**21,799,707**	**880,563**	**22,680,270**	**13.66**	**23,717,138**	**619,378**	**24,336,516**	**14.65**	**0.99**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**97,271,252**	**898,439**	**98,169,691**	**59.12**	**97,663,954**	**620,054**	**98,284,008**	**59.15**	**0.03**
C. SHARES HELD BY CUSTODIAN FOR ADRs	23,437,729	-	23,437,729	14.11	23,429,546	-	23,429,546	14.10	(0.01)
Grand total (A+B+C)	**165,167,509**	**898,439**	**166,065,948**	**100.00**	**165,552,028**	**620,054**	**166,172,082**	**100.00**	**-**

* *Dr. Reddy's Employees ESOS Trust was formed for Implementation of Dr. Reddy's Employees Stock Option Scheme, 2018 (2018 ESOS). Shares held by this Trust are classified as non-promoter non-public shareholding as per the provisons of SEBI (Share Based Employee Benefit) Regulations, 2014.*

II) SHAREHOLDING OF PROMOTERS

SL. NO.	SHAREHOLDER'S NAME	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR			NO. OF SHARES HELD AT THE END OF THE YEAR			% CHANGE DURING THE YEAR
		NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	% OF SHARES PLEDGED/ ENCUMBERED TO TOTAL SHARES*	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	% OF SHARES PLEDGED/ ENCUMBERED TO TOTAL SHARES*	
1	Dr. Reddy's Holdings Limited	41,325,300	24.88	-	41,325,300	24.87	-	(0.01)
2	Mr. K Satish Reddy	898,432	0.54	-	898,432	0.54	-	-
3	Mrs. K Samrajyam	1,115,360	0.67	-	1,115,360	0.67	-	-
4	Mr. G V Prasad	1,117,940	0.68	-	1,117,940	0.67	-	(0.01)
5	Mrs. G Anuradha	1,496	0.00	-	1,496	0.00	-	-
6	Mrs. K Deepti Reddy	0	-	-	0	-	-	-
7	APS Trust	0	-	-	0	-	-	-
8	VSD Holdings & Advisory LLP	0	-	-	0	-	-	-
9	K Satish Reddy (HUF)	0	-	-	0	-	-	-
10	Ms. G Vani Sanjana Reddy	0	-	-	0	-	-	-
11	Ms. G Mallika Reddy	0	-	-	0	-	-	-
12	G V Prasad (HUF)	0	-	-	0	-	-	-
13	Mr. G Sharath Chandra Reddy	0	-	-	0	-	-	-
14	Ms. K Shravya Reddy	0	-	-	0	-	-	-
15	Mr. K Vishal Reddy	0	-	-	0	-	-	-
		44,458,528	**26.77**	**-**	**44,458,528**	**26.75**	**-**	**(0.02)**

* *The term 'encumbrance' has the same meaning as assigned to it in Regulation 28(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Shareholders listed under sl. no. 1 to 15 are disclosed as promoters and promoters group under Regulation 30(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as on 31 March 2020.*

III) CHANGE IN PROMOTERS' SHAREHOLDING

CATEGORY OF SHAREHOLDERS	SHAREHOLDING AT THE BEGINNING OF THE YEAR		CUMULATIVE SHAREHOLDING DURING THE YEAR	
	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
At the beginning of the year	44,458,828	26.77		
Date wise increase/(decrease) in promoters' shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	-	-	44,458,528	26.75*
At the end of the year	**44,458,528**	**26.75**		

* *During the year, the company has allotted 106,134 shares through exercise of stock options. This increased the number of outstanding equity shares and thereby reduced the percentages of promoters' shareholding by ~0.02%.*

IV) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS AND HOLDERS OF ADRs)

SL. NO.	NAME	SHAREHOLDING AT THE BEGINNING OF THE YEAR		** NET INCREASE/ (DECREASE) IN NO. OF SHARES DURING THE YEAR	SHAREHOLDING AT THE END OF THE YEAR	
		NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY		NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
1	First State Investments ICVC – Stewart Investors Asia Pacific Leaders Fund	4,806,479	2.89	(214,870)	4,591,609	2.76
2	Life Insurance Corporation of India	4,132,738	2.49	785,810	4,918,548	2.96
3	First State Investments ICVC – Stewart Investors Global Emerging Markets Leaders Fund#	2,344,636	1.41	(1,708,422)	636,214	0.38
4	Life Insurance Corporation of India P & GS Fund	1,682,747	1.01	972,800	2,655,547	1.60
5	Aditya Birla Sun Life Trustee Private Limited A/c Aditya Birla Sun Life Equity Fund#	1,619,000	0.97	(427,065)	1,191,935	0.72
6	ICICI Prudential Life Insurance Company Limited	1,440,884	0.87	594,880	2,035,764	1.23
7	Stewart Investors Global Emerging Markets Leaders Fund#	1,428,617	0.86	(1,264,111)	164,506	0.10
8	Government Pension Fund Global	1,371,918	0.83	(18,128)	1,353,790	0.81
9	Stichting Depositary APG Emerging Markets Equity Pool	1,339,600	0.81	74,130	1,413,730	0.85
10	SBI-ETF NIFTY 50	1,331,350	0.80	461,089	1,792,439	1.08
11	Government of Singapore*	1,167,443	0.70	314,009	1,481,452	0.89
12	Vanguard Total International Stock Index Fund*	1,075,373	0.65	160,575	1,235,948	0.74
13	United Nations for and on behalf of the United Nations Joint Staff Pension Fund*	801,927	0.48	1,032,173	1,834,100	1.10

 # Ceased to be in the list of top 10 shareholders as on 31 March 2020 but was one of the top 10 shareholders as on 1 April 2019.
** Not in the list of top 10 shareholders as on 1 April 2019 but was one of the top 10 shareholders as on 31 March 2020.*
*** Shares of the company are traded on stock exchanges on a daily basis and hence the date wise increase/decrease in the shareholding is not indicated.*

V) SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

SL. NO.	NAME	DATE	SHAREHOLDING AT THE BEGINNING OF THE YEAR		INCREASE - (DECREASE) IN SHARE-HOLDING, IF ANY	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
A.	**DIRECTORS**							
1	Mr. K Satish Reddy Chairman	01-04-2019	898,432	0.54				
		31-03-2020	898,432	0.54			898,432	0.54
2	Mr. G V Prasad Co-Chairman & Managing Director	01-04-2019	1,117,940	0.68				
		31-03-2020	1,117,940	0.67			1,117,940	0.67
3	Dr. Omkar Goswami(1) Independent director	01-04-2019	22,800	0.01				
		30-07-2019	22,800	0.01			22,800	0.01
4	Ms. Kalpana Morparia Independent director	01-04-2019	10,800	0.01				
		31-03-2020	10,800	0.01			10,800	0.01
5	Mr. Prasad R Menon Independent director	01-04-2019	0	0.00				
		31-03-2020	0	0.00			0	0.00
6	Mr. Sridar Iyengar Independent director	01-04-2019	0	0.00				
		31-03-2020	0	0.00			0	0.00
7	Dr. Bruce L A Carter* Independent director	01-04-2019	7,800	0.00				
		31-03-2020	7,800	0.00			7,800	0.00
8	Mr. Anupam Puri*(2) Independent director	01-04-2019	13,500	0.01				
		26-07-2019	13,500	0.01			13,500	0.01
9	Mr. Bharat N Doshi Independent director	01-04-2019	1,000	0.00				
		31-03-2020	1,000	0.00			1,000	0.00
10	Mr. Leo Puri Independent director	01-04-2019	0	0.00				
		31-03-2020	0	0.00			0	0.00
11	Ms. Shikha Sharma Independent director	01-04-2019	0	0.00				
		31-03-2020	0	0.00			0	0.00

SL. NO.	NAME	DATE	SHAREHOLDING AT THE BEGINNING OF THE YEAR		INCREASE - (DECREASE) IN SHARE-HOLDING, IF ANY	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
12	Mr. Allan Oberman Independent director	01-04-2019	0	0.00				
		31-03-2020	0	0.00			0	0.00
B.	**KEY MANAGERIAL PERSONNEL (KMP)**							
13	Mr. Saumen Chakraborty President & CFO	01-04-2019	42,875	0.03				
		10-06-2019			2,250	ESOP	45,125	0.03
		31-03-2020	45,125	0.03			45,125	0.03
14	Mr. Erez Israeli CEO[(3)]	01-08-2019	0	0.00				
		31-03-2020	0	0.00			0	0.00
15	Mr. Sandeep Poddar Company Secretary	01-04-2019	2,500	0.00				
		10-06-2019			229	ESOP	2,729	0.00
		20-08-2019			(32)	Sale	2,697	0.00
		05-09-2019			203	ESOP	2,900	0.00
		20-09-2019			(100)	Sale	2,800	0.00
		31-12-2019			(100)	Sale	2,700	0.00
		26-03-2020			(100)	Sale	2,600	0.00
		31-03-2020			(100)	Sale	2,500	0.00
		31-03-2020	2,500	0.00			2,500	0.00

* *Holding ADRs*
(1) *Term ended on 30 July 2019 as an independent director.*
(2) *Term ended on 26 July 2019 as an independent director.*
(3) *Appointed as CEO with effect from 1 August 2019.*

V. INDEBTEDNESS

Indebtedness of the company including interest outstanding/accrued but not due for payment

(₹ MILLION)

	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
Indebtedness at the beginning of the financial year (1 April 2019)				
i) Principal amount	-	10,646	-	10,646
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	2	-	2
Total (i+ii+iii)	**-**	**10,648**	**-**	**10,648**
Change in Indebtedness during the financial year				
Addition, net	-	3,573	-	3,573
Reduction, net	-	-	-	-
Reduction in interest accrued but not due on loan, net	-	-	-	-
Net change	**-**	**3,573**	**-**	**3,573**
Indebtedness at the end of the financial year (31 March 2020)				
i) Principal amount	-	14,219	-	14,219
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	2	-	2
Total (i+ii+iii)	**-**	**14,221**	**-**	**14,221**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration to managing director, whole-time director and/or manager

(₹ MILLION)

SL. NO.	PARTICULARS OF REMUNERATION	NAME OF MD/WTD/MANAGER		TOTAL AMOUNT
		K SATISH REDDY	G V PRASAD	
1	**Gross Salary**			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	18.35	18.35	36.70
	(b) Value of perquisites u/s. 17(2) of the Income-tax Act, 1961	2.80	2.80	5.60
	(c) Profits in lieu of salary u/s. 17(3) of the Income- tax Act, 1961	-	-	-
2	**Stock option**	-	-	-
3	**Sweat equity**	-	-	-
4	**Commission**			
	- as a % of profit*	70.00	120.00	190.00
	- others	-	-	-
5	**Others**			
	- Company provided car	0.00	1.17	1.17
	- Company's contribution to PF	1.44	1.44	2.88
	Total (A)	**92.59**	**143.76**	**236.35**
	Ceiling as per the Act ₹ 1,804 million (being 10% of the net profits of the company calculated as per Section 198 of the Companies Act, 2013)			

** Commission for FY2020 will be paid in FY2021.*

B) Remuneration to other directors

(₹ MILLION)

SL. NO.	PARTICULARS OF REMUNERATION	NAME OF DIRECTORS										TOTAL AMOUNT
		DR. OMKAR GOSWAMI[(1)]	KALPANA MORPARIA	PRASAD R MENON	SRIDAR IYENGAR	DR. BRUCE L A CARTER	ANUPAM PURI[(2)]	BHARAT N DOSHI	LEO PURI	SHIKHA SHARMA	ALLAN OBERMAN	
1	**Independent directors**											
	- Fee for attending board and committee meetings	-	-	-	-	-	-	-	-	-	-	-
	- Commission*	5.30	11.35	13.24	13.01	12.26	5.14	12.49	11.88	11.35	11.88	107.90
	- Others	-	-	-	-	-	-	-	-	-	-	-
	Total (1)	**5.30**	**11.35**	**13.24**	**13.01**	**12.26**	**5.14**	**12.49**	**11.88**	**11.35**	**11.88**	**107.90**
2	**Other non-executive directors**											
	- Fee for attending board and committee meetings	-	-	-	-	-	-	-	-	-	-	-
	- Commission	-	-	-	-	-	-	-	-	-	-	-
	- Others	-	-	-	-	-	-	-	-	-	-	-
	Total (2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total (B)=(1+2)	**5.30**	**11.35**	**13.24**	**13.01**	**12.26**	**5.14**	**12.49**	**11.88**	**11.35**	**11.88**	**107.90**
	Overall ceiling as per Act	₹ 180.4 million (being 1% of the net profits of the company calculated as per Section 198 of the Companies Act, 2013)										
Total managerial remuneration (total of A and B)												**344.25**

* *Commission for FY2020 will be paid in FY2021.*
(1) *Term ended on 30 July 2019 as an independent director.*
(2) *Term ended on 26 July 2019 as an independent director.*

C) Remuneration to key managerial personnel other than MD/WTD/Manager

(₹ MILLION)

SL. NO.	PARTICULARS OF REMUNERATION	KEY MANAGERIAL PERSONNEL			TOTAL AMOUNT
		CEO	CFO	COMPANY SECRETARY	
		EREZ ISRAELI#	SAUMEN CHAKRABORTY	SANDEEP PODDAR	
1	**Gross Salary**				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	107.41	74.17	10.88	192.46
	(b) Value of perquisites u/s. 17(2) of the Income-tax Act, 1961	-	1.24	0.20	1.44
	(c) Profits in lieu of salary u/s. 17(3) of the Income-tax Act, 1961				
2	**Stock option***	83.07*	11.19*	2.43*	96.69*
3	**Sweat equity**	-	-	-	-
4	**Commission**				
	- as a % of profit	-	-	-	-
	- others	-	-	-	-
5	**Others**				
	- Company's contribution to PF	4.84	2.25	0.40	7.49
	Total	**195.32**	**88.85**	**13.91**	**298.08**

* *Represent grant date fair value of stock options granted during FY2020. These options vest in 4 years (@25% each year) subject to continued service.*

\# *Remuneration of Mr. Erez Israeli for FY2020. However, he was appointed as CEO with effect from 1 August 2019.*

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

TYPE	SECTION OF THE COMPANIES ACT	BRIEF DESCRIPTION	DETAILS OF PENALTY/ PUNISHMENT/ COMPOUNDING FEES IMPOSED	AUTHORITY (RD/NCLT/ COURT)	APPEAL MADE, IF ANY (GIVE DETAILS)
COMPANY/DIRECTORS/OTHER OFFICERS IN DEFAULT					
Penalty			NIL		
Punishment					
Compounding					

K Satish Reddy
Chairman

STANDALONE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the members of Dr. Reddy's Laboratories Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Dr. Reddy's Laboratories Limited ("the Company"), which comprise the Balance sheet as at 31 March 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, its profit including other comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended 31 March 2020. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Carrying value of intangible assets, intangible assets under development and goodwill *(as described in note 1.3(f) and 1.3 (i) of the significant accounting policies, and note 2.2, 2.3 and 2.4 for details and movement in goodwill, other intangible assets and intangible assets under development respectively in the standalone Ind AS financial statements)*	
As at 31 March 2020, the Company has ₹ 6,318 million of intangible assets, ₹ 277 million of intangible assets under development and ₹ 323 million of goodwill. The carrying value of these intangible assets are based on future cash flows and there is a risk that the assets may be impaired if cash flows are not in line with projections. Valuation of goodwill and intangible assets is subject to management's assessment of recoverable amount, being the higher of the value in use and fair value less costs to sell, involving significant judgment and are based on number of variables and estimates including projection of future sales, operating costs and profit margins; appropriate discount rate and terminal value growth rate; and probability of technical and regulatory success factors in applying discounted cash flow valuation methodology.	**Our audit procedures included the following:** • We evaluated the design and tested the operating effectiveness of management's controls in assessing the carrying value of goodwill and intangible assets. • We assessed the Company's methodology applied in determining the CGUs to which goodwill is allocated. • We assessed the Company's valuation methodology applied in deriving the recoverable value. • We evaluated the assumptions applied to key inputs such as discount rates, sales volume and prices, long term growth rates and terminal values, which included comparing these inputs with assumptions made by the management in prior years. • We discussed potential changes in key drivers as compared to previous year / actual performance with management to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable. • We tested the arithmetical accuracy of the models. • We also assessed the recoverable value headroom by performing sensitivity testing of key assumptions used.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matter
Contingencies, including litigations and tax *(as described in note 1.3(k) of the significant accounting policies, and note 2.31(A) containing details of contingencies in the standalone Ind AS financial statements)*	
The Company is involved in disputes, lawsuits, claims, anti-trust, governmental and / or regulatory inspections, inquiries, investigations and proceedings, including patent, tax and commercial matters that arise from time to time in the ordinary course of business. Most of the claims involve complex issues. The Company, assisted by their external legal counsel assesses the need to make provision or disclose a contingency on a case-to-case basis considering the underlying facts of each litigation. The aforesaid assessment may result in an incorrect disclosure or provision in the books of account. This area is significant to our audit, since the accounting and disclosure for contingent legal and tax liabilities is complex and judgmental (due to the difficulty in predicting the outcome of the matter and estimating the potential impact if the outcome is unfavourable), and the amounts involved are, or can be, material to the standalone Ind AS financial statements.	**Our audit procedures included the following:** • We evaluated the design and tested the operating effectiveness of controls relating to identification and evaluation of claims, proceedings and investigations at different levels in the Company, and the measurement of provisions for disputes, potential claims and litigation, contingent liabilities and disclosures. • We obtained a list of ongoing litigations from the Company's in-house legal counsel. We selected a sample of litigations based on materiality and performed inquiries with the said counsel on the legal evaluation of these litigations. We have compared the said evaluation with the provision or disclosure in the standalone Ind AS financial statements. We have tested the underlying computation of the management in relation to the measurement of provision or the contingency. • We solicited legal letters from the Company's external legal advisors with respect to the matters included in the summary. Where appropriate we examined correspondences connected with the cases. • We obtained the details of uncertain tax positions as at the year ended 31 March 2020. We inspected relevant communication with tax authorities. We involved tax experts in assessing the nature and amount of material tax positions and assessed the technical merits of the Company's tax positions based on the correspondence, assessments and settlements from the relevant tax authorities. • We also evaluated the disclosures in the standalone Ind AS financial statements.
Rebates, discounts, returns etc in Revenue *(as described in note 1.3(l) of the significant accounting policies of standalone Ind AS financial statements and note 2.12 of the standalone Ind AS financial statements)*	
Revenue is recognised net of accrual for sales returns, rebates & discounts, etc. The estimates relating to the accruals are important given the significance of revenue and considering the distinctive terms of arrangement with customers. These estimates are complex and requires significant judgement and estimation by the Company for establishing an appropriate accrual. Accuracy of revenues may deviate because change in judgements and estimates. Accordingly, the same has been considered as a key audit matter.	**Our audit procedures included the following:** • We assessed and performed test of controls over the completeness, recognition and measurement of accruals. • We obtained Management's calculations for accruals and assessed the assumptions used by reference to the company's stated commercial policies, the terms of the applicable contracts. • We assessed management analysis of the historical pattern of accruals to validate management's assumption for creation of such provisions. • We compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns, where relevant and to current payment trends. We also considered the historical accuracy of the management's estimates in prior years. • We have also performed procedures to test recording of revenue in appropriate period which includes: o Performing trend analysis over sales levels as compared to previous periods; o Verifying sample sales transactions near period-end.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the Statutory reports, Management discussion and analysis, corporate governance and Board's report included in the Annual report, which we obtained prior to the date of this auditor's report, and Corporate Overview and letter from Chairman and Co-Chairman included in the Annual report, which is expected to be made available to us after that date. The other information does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended 31 March 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   g) In our opinion, the managerial remuneration for the year ended 31 March 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

   h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 2.31(A) to the standalone Ind AS financial statements;

      (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 2.29 to the standalone Ind AS financial statements;

      (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per S Balasubrahmanyam
Partner
Membership Number: 53315
UDIN : 20053315AAAABA4154
Place : Chennai
Date : 20 May 2020

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at 31 March 2020 and no material discrepancies were noticed in respect of such confirmations.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which the Director is interested to which provisions of section 185 of the Companies Act, 2013 apply and hence not commented upon. In our opinion and according to the information and explanations given to us, the Company has made investments and given guarantees/provided security which is in compliance with the provisions of section 186 of the Companies Act, 2013.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as set out in Appendix 1.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to banks or government. There are no dues which are payable to financial institutions. The Company did not have any debenture holders during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the standalone Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3 (xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the standalone Ind AS financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED (CONTINUED)

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per S Balasubrahmanyam
Partner
Membership Number: 53315
UDIN : 20053315AAAABA4154
Place : Chennai
Date : 20 May 2020

Appendix 1 as referred to in paragraph vii(c) of Annexure 1 to Independent Auditors' Report

Name of the statute	Nature of the dues	Disputed amount in ₹ million	Amount paid under protest in ₹ million	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty, Interest and Penalty	1,773	85	2001-2019	Appellate Authority – upto Commissioners
		418		2003-2017	CESTAT
		54		2002-2008	High Court
Customs Act, 1962	Customs Duty	38	6	2010-2011	Appellate Authority – upto Commissioners
		6		2004-2005	High Court
CGST Act, 2017	Goods and Service Tax	337	-	2017-2018	Appellate Authority – upto Commissioners
Finance Act, 1994	Cenvat Credit of Service Tax, Interest and Penalty	114	145	2006- 2016	CESTAT
		522		2005- 2016	Appellate Authority – upto Commissioners
	Service Tax and Penalty	325		2010-2015	CESTAT
Central Sales Tax Act and Sales Tax Acts of various States	Sales Tax and Penalty	114	209	2002-2015	Sales Tax Appellate Tribunal.
		91		2003-2018	Appellate Tribunal - Upto Commissioner.
		75		2007-2014	High Court.
Income Tax Act, 1961	Income Tax	2	-	2002-2003	High Court.

ANNEXURE 2 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Dr. Reddy's Laboratories Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the standalone Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ANNEXURE 2 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED (CONTINUED)

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these standalone Ind AS financial statements were operating effectively as at 31 March 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per S Balasubrahmanyam
Partner
Membership Number: 53315
UDIN : 20053315AAAABA4154
Place : Chennai
Date : 20 May 2020

BALANCE SHEET

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
Assets			
Non-current assets			
Property, plant and equipment	2.1	37,698	39,504
Capital work-in-progress		3,841	4,001
Goodwill	2.2	323	323
Other intangible assets	2.3	6,318	7,000
Intangible assets under development	2.4	277	-
Financial assets			
Investments	2.5 A	33,671	18,191
Trade receivables	2.5 B	1,737	113
Loans	2.5 C	12	332
Other financial assets	2.5 D	474	447
Deferred tax assets, net	2.26	6,129	-
Tax assets, net		3,073	3,106
Other non-current assets	2.6 A	138	126
		93,691	73,143
Current assets			
Inventories	2.7	21,904	20,156
Financial assets			
Investments	2.5 A	21,184	21,144
Trade receivables	2.5 B	46,387	37,177
Derivative instruments	2.29	783	335
Cash and cash equivalents	2.5 E	392	1,132
Other financial assets	2.5 D	1,888	692
Other current assets	2.6 B	8,529	8,696
		101,067	89,332
Total assets		**194,758**	**162,475**
Equity and liabilities			
Equity			
Equity share capital	2.8	831	830
Other equity		151,088	126,011
		151,919	126,841
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	2.9 A	193	3,454
Provisions	2.10 A	545	547
Deferred tax liabilities, net	2.26	-	555
Other non-current liabilities	2.11 A	296	285
		1,034	4,841
Current liabilities			
Financial liabilities			
Borrowings	2.9 B	10,436	5,463
Trade payables	2.9 C		
Total outstanding dues of micro enterprises and small enterprises		55	77
Total outstanding dues of creditors other than micro enterprises and small enterprises		10,629	10,239
Derivative instruments	2.29	1,524	45
Other financial liabilities	2.9 D	13,928	10,160
Provisions	2.10 B	2,073	1,847
Other current liabilities	2.11 B	3,160	2,962
		41,805	30,793
Total equity and liabilities		**194,758**	**162,475**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy Chairman, DIN: 00129701
G V Prasad Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli Chief Executive Officer
Saumen Chakraborty Chief Financial Officer
Sandeep Poddar Company Secretary

STATEMENT OF PROFIT AND LOSS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Income			
Sales	2.12	109,925	104,667
Service income and License fees	2.12	8,105	1,062
Other operating income	2.13	474	526
Total revenue from operations		118,504	106,255
Other income	2.14	7,432	2,384
Total income		125,936	108,639
Expenses			
Cost of materials consumed		25,565	21,032
Purchase of stock-in-trade		11,172	8,686
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.15	(999)	660
Employee benefits expense	2.16	20,302	19,319
Depreciation and amortisation expense	2.17	7,892	7,806
Finance costs	2.18	478	568
Selling and other expenses	2.19	33,768	33,561
Total expenses		98,178	91,632
Profit before tax		**27,758**	**17,007**
Tax expense/(benefit)	2.26		
Current tax		4,839	2,818
Deferred tax		(6,458)	1,416
Profit for the year		**29,377**	**12,773**
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss		88	(1)
Income tax on items that will not be reclassified subsequently to profit or loss		(33)	3
		55	2
Items that will be reclassified subsequently to profit or loss		(750)	209
Income tax on items that will be reclassified subsequently to profit or loss		259	(73)
		(491)	136
Total other comprehensive income/(loss) for the year, net of tax		(436)	138
Total comprehensive income for the year		**28,941**	**12,911**
Earnings per share:	2.22		
Basic earnings per share of ₹ 5/- each		177.23	76.98
Diluted earnings per share of ₹ 5/- each		176.88	76.85

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy Chairman, DIN: 00129701
G V Prasad Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli Chief Executive Officer
Saumen Chakraborty Chief Financial Officer
Sandeep Poddar Company Secretary

STATEMENT OF CHANGES IN EQUITY

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	Equity share capital	Other components of equity										Total equity
		Reserves and surplus							Other comprehensive income			
		Treasury shares[1]	Securities premium[2]	Share-based payment reserve[3]	Capital reserve[4]	Capital redemption reserve[5]	General reserve[6]	Retained earnings	Cash flow hedge reserve[7]	FVTOCI** reserve[8]	Remeasurements of the net defined benefits plan[9]	
Balance as at 1 April 2019 (A)	830	(535)	5,631	795	267	25	20,302	99,511	131	6	(122)	**126,841**
Profit for the year	-	-	-	-	-	-	-	29,377	-	-	-	29,377
Net change in fair value of FVTOCI** equity instruments, net of tax benefit of ₹ Nil	-	-	-	-	-	-	-	-	-	(14)	-	(14)
Transfer on disposal of equity instruments classified as FVTOCI instruments	-	-	-	-	-	-	-	5	-	(5)	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of ₹ 259 (Refer note 2.29)	-	-	-	-	-	-	-	-	(484)	-	-	(484)
Actuarial gain/(loss) on post-employment benefit obligations, net of tax expense of ₹ 33 (Refer note 2.25)	-	-	-	-	-	-	-	-	-	-	62	62
Total comprehensive income (B)	-	-	-	-	-	-	-	29,382	(484)	(19)	62	28,941
Transactions with owners of the Company												
Contributions and distributions												
Issue of equity shares on exercise of options (Refer note 2.8)	1	-	278	(278)	-	-	-	-	-	-	-	1
Share-based payment expense (Refer note 2.24)	-	-	-	521	-	-	-	-	-	-	-	521
Purchase of treasury shares, net	-	(471)	-	-	-	-	-	-	-	-	-	(471)
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	-	(3,914)	-	-	-	(3,914)
Total contributions and distributions	1	(471)	278	243	-	-	-	(3,914)	-	-	-	(3,863)
Changes in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company (C)	1	(471)	278	243	-	-	-	(3,914)	-	-	-	(3,863)
Balance as at 31 March 2020 [(A)+(B)+(C)]	**831**	**(1,006)**	**5,909**	**1,038**	**267**	**25**	**20,302**	**124,979**	**(353)**	**(13)**	**(60)**	**151,919**

Particulars	Equity share capital	Other components of equity										Total equity
		Reserves and surplus							Other comprehensive income			
		Treasury shares[1]	Securities premium[2]	Share-based payment reserve[3]	Capital reserve[4]	Capital redemption reserve[5]	General reserve[6]	Retained earnings	Cash flow hedge reserve[7]	FVTOCI** equity instruments[8]	Remeasurements of the net defined benefits plan[9]	
Balance as at 1 April 2018 (A)	830	-	5,211	826	267	25	20,302	90,740	(5)	(2)	(116)	**118,078**
Profit for the year	-	-	-	-	-	-	-	12,773	-	-	-	12,773
Net change in fair value of FVTOCI** equity instruments, net of tax benefit of ₹ Nil	-	-	-	-	-	-	-	-	-	8	-	8
Effective portion of changes in fair value of cash flow hedges, net of tax expense of ₹ 73 (Refer note 2.29)	-	-	-	-	-	-	-	-	136	-	-	136
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of ₹ 3 (Refer note 2.25)	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Total comprehensive income (B)	-	-	-	-	-	-	-	12,773	136	8	(6)	12,911
Transactions with owners of the Company												
Contributions and distributions												
Issue of equity shares on exercise of options (Refer note 2.8)	-*	-	420	(420)	-	-	-	-	-	-	-	-
Share-based payment expense (Refer note 2.24)	-	-	-	389	-	-	-	-	-	-	-	389
Purchase of treasury shares	-	(535)	-	-	-	-	-	-	-	-	-	(535)
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	-	(4,002)	-	-	-	(4,002)
Total contributions and distributions	-	(535)	420	(31)	-	-	-	(4,002)	-	-	-	(4,148)
Changes in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company (C)	-	(535)	420	(31)	-	-	-	(4,002)	-	-	-	(4,148)
Balance as at 31 March 2019 [(A)+(B)+(C)]	**830**	**(535)**	**5,631**	**795**	**267**	**25**	**20,302**	**99,511**	**131**	**6**	**(122)**	**126,841**

*Rounded off to millions.

**FVTOCI represents fair value through other comprehensive income

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

(1) Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2018, the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") was formed to support the Dr. Reddy's Employees Stock Option Scheme, 2018 by acquiring, including through secondary market acquisitions, equity shares which are used for issuance to eligible employees upon exercise of stock options thereunder. Refer note 2.24 of these financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.

(2) Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013.

(3) Share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees as part of their remuneration. Refer note 2.24 for further details of these plans.

(4) The Company recognises profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments to capital reserve.

(5) As per Companies Act, 2013, capital redemption reserve is created when company purchases its own shares out of free reserves or securities premium. A sum equal to the nominal value of the shares so purchased is transferred to capital redemption reserve. The reserve is utilised in accordance with the provisions of Section 69 of the Companies Act, 2013.

(6) The general reserve is a free reserve which is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to statement of profit and loss.

(7) The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to statement of profit and loss in the period in which the hedged transaction occurs.

(8) This reserve represents mark to market gain or loss on financial assets classified as FVTOCI. Depending on the category and type of the financial asset, the mark to market gain or loss is either reclassified to statement of profit and loss or retained earnings upon disposal of the investment.

(9) Remeasurements of the net defined benefits plan reserve comprises the cumulative net gains/ losses on actuarial valuation of post-employment obligations. Refer note 2.25 for further details.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy	Chairman, DIN: 00129701
G V Prasad	Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli	Chief Executive Officer
Saumen Chakraborty	Chief Financial Officer
Sandeep Poddar	Company Secretary

STATEMENT OF CASH FLOWS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flows from/(used in) operating activities		
Profit before tax	**27,758**	**17,007**
Adjustments:		
Depreciation and amortisation expense	7,892	7,806
Impairment loss on other intangible assets	-	24
Equity settled share-based payment expense	521	389
Fair value gain on financial instruments at fair value through profit or loss	(821)	(669)
Foreign exchange loss / (gain), net	(229)	2,455
(Profit)/Loss on sale/disposal of property, plant and equipment and other intangible assets, net	135	(400)
Interest income	(856)	(812)
Finance costs	478	568
Allowances for credit losses, net	93	212
Allowances for doubtful advances, net	2	(351)
Dividend from subsidiary, joint ventures and other entities	(397)	-
Provision/(reversal of provision) relating to non-current investments	-	359
Changes in operating assets and liabilities:		
Trade receivables	(10,927)	4,547
Inventories	(1,748)	(1,588)
Trade payables	368	(201)
Other assets and other liabilities, net	892	663
Cash generated from operations	23,161	30,009
Income taxes paid, net	(4,769)	(2,388)
Net cash from operating activities	**18,392**	**27,621**
Cash flows from/(used in) investing activities		
Proceeds from sale of property, plant and equipment	58	879
Expenditures on property, plant and equipment	(4,262)	(5,775)
Expenditures on other intangible assets	(476)	(753)
Purchase of investments	(122,726)	(77,267)
Proceeds from sale of investments	109,186	74,786
Loans and advances repaid by subsidiaries	343	1,800
Dividend income received	397	-
Interest income received	588	821
Net cash used in investing activities	**(16,892)**	**(5,509)**
Cash flows from/(used in) financing activities		
Proceeds from issuance of equity shares (including treasury shares)	4	-*
Proceeds from/(repayment of) short-term loans and borrowings, net (Refer note 2.9 (d))	4,630	(17,049)
Repayment of long-term loans and borrowings, net (Refer note 2.9 (d))	(1,805)	-
Payment of principal portion of lease liabilities (Refer note 2.9 (d))	(155)	-
Dividends paid (including corporate dividend tax)	(3,914)	(4,002)
Purchases of treasury shares	(474)	(535)
Interest paid	(527)	(645)
Net cash used in financing activities	**(2,241)**	**(22,231)**
Net increase / (decrease) in cash and cash equivalents	(741)	(119)
Effect of exchange rate changes on cash and cash equivalents	-	44
Cash and cash equivalents at the beginning of the year (Refer note 2.5 E)	1,132	1,207
Cash and cash equivalents at the end of the year (Refer note 2.5 E)	**391**	**1,132**

* Rounded off to millions.

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy Chairman, DIN: 00129701
G V Prasad Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli Chief Executive Officer
Saumen Chakraborty Chief Financial Officer
Sandeep Poddar Company Secretary

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

NOTE 1 DESCRIPTION OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

1.1 DESCRIPTION OF THE COMPANY

Dr. Reddy's Laboratories Limited ("Dr. Reddy's" or "the Company") is a leading India-based pharmaceutical company headquartered and having its registered office in Hyderabad, Telangana, India. Through its three businesses - Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products – the Company offers a portfolio of products and services, including Active Pharmaceutical Ingredients ("APIs"), Custom Pharmaceutical Services ("CPS"), generics, biosimilars and differentiated formulations.

The Company's principal research and development facilities are located in the states of Telangana and Andhra Pradesh in India; its principal manufacturing facilities are located in the states of Telangana, Andhra Pradesh and Himachal Pradesh in India; and its principal markets are in India, Russia, the United States, the United Kingdom and Germany. The Company's shares trade on the Bombay Stock Exchange and the National Stock Exchange in India and on the New York Stock Exchange in the United States.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Statement of compliance

These financial statements as at and for the year ended 31 March 2020 comply in all material aspects with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

These financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective or elected for early adoption at the Company's annual reporting date, 31 March 2020. These financial statements were authorised for issuance by the Company's Board of Directors on 20 May 2020.

b) Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- derivative financial instruments are measured at fair value;
- financial assets are measured either at fair value or at amortised cost depending on the classification;
- employee defined benefit assets/(liabilities) are recognised as the net total of the fair value of plan assets, adjusted for actuarial gains/ (losses) and the present value of the defined benefit obligation;
- long-term borrowings are measured at amortised cost using the effective interest rate method;
- assets held for sale are measured at fair value less costs to sell;
- share-based payments are measured at fair value; and
- right-of-use the assets are recognised at the present value of lease payments that are not paid at that date. This amount is adjusted for any lease payments made at or before the commencement date, lease incentives received and initial direct costs, incurred, if any.

c) Functional and presentation currency

These financial statements are presented in Indian rupees, which is the functional currency of the parent company. All financial information presented in Indian rupees has been rounded to the nearest million.

d) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2 (c) — Assessment of functional currency;
- Note 1.3 (c) — Financial instruments;
- Note 1.3 (d) — Business combinations;

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

- Notes 1.3 (e) and 1.3 (f) — Useful lives of property, plant and equipment and intangible assets;
- Notes 1.3(g) – determination of cost for right-of-use assets and lease term;
- Note 1.3 (h) — Valuation of inventories;
- Note 1.3 (i) — Measurement of recoverable amounts of cash-generating units;
- Note 1.3 (j) — Assets and obligations relating to employee benefits;
- Note 1.3 (j) — Share-based payments;
- Note 1.3 (k) — Provisions and other accruals;
- Note 1.3 (l) —Measurement of transaction price in a revenue transaction (Sales returns, rebates and chargeback provisions)
- Note 1.3 (n) — Evaluation of recoverability of deferred tax assets, and estimation of income tax payable and income tax expense in relation to an uncertain tax position; and
- Note 1.3 (k) — Contingencies

e) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, *Presentation of Financial Statements*.

Assets:
An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:
A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities include the current portion of non-current assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

f) Prior period

Prior period amounts have been reclassified to conform to the current year classification.

1.3 SIGNIFICANT ACCOUNTING POLICIES

a) New Standards adopted by the Company

Ind AS 116, "*Leases*"

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, *Leases* as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces the existing standard on leases i.e. Ind AS 17, *Leases* effective for accounting periods beginning on or after 1 April 2019.

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Impact of the implementation of Ind AS 116 on the Company:

The Company adopted Ind AS 116 effective as of 1 April 2019. Ind AS 116, "*Leases*" changed the financial statements of the Company as the majority of leases for which the Company is the lessee became on-balance sheet liabilities with corresponding right-of-use assets also recognised on the Balance sheet. The lease liability reflects the net present value of the remaining lease payments adjusted for payments made before the commencement date, lease incentives and other items related to the lease agreement, and the right-of-use asset corresponds to the lease liability.

Upon adoption of the new standard, a portion of the annual operating lease costs, which was previously fully recognised as a rental / lease expense, is recorded as interest expense. In addition, the portion of the lease payments which represents the reduction of the lease liability is recognised in the cash flow statement as an outflow from financing activities, which was previously fully recognised as an outflow from operating activities.

The Company implemented the new standard on 1 April 2019, and applied the modified retrospective method, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognised in the balance sheet immediately before the date of initial application and will not restate prior years.

The Company elected to use the transition practical expedient that allows the standard to be applied only to contracts previously identified under Ind AS 17, "*Leases*" and the contracts assessed using the guidance available under Appendix – C to Ind AS 17, "Determining Whether an Arrangement Contains a Lease".

The Company also elected to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases") and lease contracts for which the underlying asset is of low value ("low value assets").

On 1 April 2019, the Company recognised lease liabilities of ₹ 332 (presented as part of borrowings) and right-of-use assets of ₹ 332 (presented as part of Property, plant and equipment).

Consequently, the Company has recognised an amount of ₹ 173 in depreciation expense and ₹ 60 in finance costs for the year ended 31 March 2020.

Adoption of the new standard had no impact upon leases for which the Company is a lessor.

Appendix C to Ind AS 12, "Uncertainty over Income Tax Treatments"

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Appendix C explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously Ind AS 12 was silent. Appendix C applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Company applied the interpretation effective 1 April 2019 using the modified retrospective approach. The adoption of Appendix C did not have any material impact on the financial statements of the Company.

b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income ("OCI"):

- certain debt instruments classified as measured at fair value through other comprehensive income;
- certain equity instruments where the Company had made an irrevocable election to present in other comprehensive income subsequent changes in the fair value;
- a financial liability designated as a hedge of the net investment in a foreign operation, to the extent that the hedge is effective; and
- qualifying cash flow hedges, to the extent that the hedges are effective.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (e.g., regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under Ind AS 115.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVTOCI);
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL); and
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

b) contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of profit and loss and presented in other income. The losses arising from impairment are recognised in the statement of profit and loss.

This category generally applies to trade and other receivables.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses and reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest earned while holding a FVTOCI debt instrument is reported as interest income using the effective interest rate method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Equity investments

All equity investments within the scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made upon initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Investments in subsidiaries and joint venture:

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries and joint ventures at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- Both (1) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and (2) either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of trade receivables and other financial assets

In accordance with Ind AS 109, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains or losses attributable to changes in own credit risk are recognised in OCI. These gains or losses are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Derivative financial instruments

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in US dollars, UK pounds sterling, Russian roubles Brazilian reals, Swiss francs, South African rands, Kazakhstan tenges, Romanian new leus and Euros, and foreign currency debt in US dollars, Russian roubles, Ukrainian hryvnias and Euros.

The Company uses derivative financial instruments such as foreign exchange forward contracts, option contracts and swap contracts to mitigate its risk of changes in foreign currency exchange rates. The Company also uses non-derivative financial instruments as part of its foreign currency exposure risk mitigation strategy. Derivatives are classified as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Hedges of highly probable forecasted transactions

The Company classifies its derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Company's hedging reserve as a component of equity and re-classified to the statement of profit and loss as part of the hedged item in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the statement of profit and loss as finance costs immediately.

The Company also designates certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions. Accordingly, the Company applies cash flow hedge accounting to such relationships. Remeasurement gain or loss on such non-derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and reclassified to the statement of profit and loss as part of the hedged item in the period corresponding to the occurrence of the forecasted transactions.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the statement of profit and loss.

Hedges of recognised assets and liabilities

Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the statement of profit and loss. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognised in the statement of profit and loss. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit and loss.

Hedges of changes in the interest rates

Consistent with its risk management policy, the Company uses interest rate swaps to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

d) Business combinations

In accordance with the provisions of Ind AS 101, *First time adoption of Indian Accounting Standards*, the Company has elected to apply accounting for business combinations prospectively from transition date i.e., 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward.

The Company uses the acquisition method of accounting to account for business combinations, that occurred on or after 1 April 2009. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognised immediately in the OCI and accumulates the same in equity as capital reserve where there exists clear evidence of the underlying reasons for classifying the business combination as a bargain purchase else the gain is directly recognised in equity as capital reserve. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the statement of profit and loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “Other income or “Selling and other expense, net” in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated but subject to impairment.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any changes are considered prospectively.

The estimated useful lives are as follows:

Particulars	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 10
Plant and machinery	5 to 10
Furniture, fixtures and office equipment	3 to 8
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalised as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalised costs are amortised over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed as such under other non-current assets. Assets not ready for use are not depreciated but are tested for impairment.

f) Goodwill and other intangible assets

Recognition and measurement

Goodwill	Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.
Other intangible assets	Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.
Research and development	Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognised in the statement of profit and loss when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if • development costs can be measured reliably; • the product or process is technically and commercially feasible; • future economic benefits are probable and • the Company intends to, and has sufficient resources to complete development and to use or sell the asset. The expenditures to be capitalised include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognised in the statement of profit and loss as incurred. As of 31 March 2020, none of the development expenditure amounts has met the aforesaid recognition criteria.
Separate acquisition of intangible assets	Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised. The Company's criteria for capitalisation of such assets are consistent with the guidance given in paragraph 25 of Indian Accounting Standard 38 ("Ind AS 38") (i.e., the receipt of economic benefits embodied in each intangible asset separately purchased or licensed in the transaction is considered to be probable).
In-Process Research and Development assets ("IPR&D") or Intangible assets under development	Acquired research and development intangible assets that are under development are recognised as In-Process Research and Development assets ("IPR&D") or Intangible assets under development. IPR&D assets are not amortised, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the statement of profit and loss under "impairment of non-current assets".

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Subsequent expenditure

Other intangible assets	Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, is recognised in the statement of profit and loss as incurred.
In-Process Research and Development assets ("IPR&D") or Intangible assets under development	Subsequent expenditure on an IPR&D project acquired separately or in a business combination and recognised as an intangible asset is: a) recognised as an expense when incurred, if it is a research expenditure; b) recognised as an expense when incurred, if it is a development expenditure that does not satisfy the criteria for recognition as an intangible asset in paragraph 57 of Ind AS 38; and c) added to the carrying amount of the acquired in-process research or development project, if it is a development expenditure that satisfies the recognition criteria in paragraph 57 of Ind AS 38.

Amortisation

Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets. The amortisation expense is recognised in the statement of profit and loss account in the expense category that is consistent with the function of the intangible asset. Intangible assets that are not available for use are amortised from the date they are available for use.

The estimated useful lives are as follows:

Particulars	**Years**
Product related intangibles	3 to 15
Customer related intangibles	2 to 5
Other intangibles	3 to 5

The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at each reporting date.

Goodwill, intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the statement of profit and loss.

De-recognition of intangible assets

Intangible assets are de-recognised either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the statement of profit and loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as at the date of de-recognition.

g) Leases

As explained in the introduction to this note 1.3(a) above, (see New standards adopted by the Company, Ind AS 116, *Leases*), the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below. Refer to such introduction to this note 1.3(a) for the impact of the change in accounting policy.

Accounting policies relating to leases for periods ending on or after 1 April 2019

The Company's accounting policies relating to leases for periods ending on or after 1 April 2019 are as follows:

The Company assesses at contract inception whether a contract is or contains a lease, which applies if the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset at the commencement date of the lease, i.e. the date the underlying asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments to be made over the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

NOTES TO FINANCIAL STATEMENTS

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The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, then the lessee's incremental borrowing rate is used. Such borrowing rate is calculated as the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company's lease liabilities are included in borrowings.

Lease payments are allocated between principal and interest cost. The interest cost is charged to statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment comprised of following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit and loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The right-of-use assets are initially recognised on the balance sheet at cost, which is calculated as the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received and any initial direct costs incurred by the Company.

Accounting policies relating to leases for periods ending on or prior to 31 March 2019
The Company's accounting policies relating to leases for periods ending on or prior to 31 March 2019 are as follows:

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Finance leases
A finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalised and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases
Other leases are operating leases, and the leased assets are not recognised on the Company's balance sheet. Payments made under operating leases are recognised in the statement of profit and loss on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognised as a reduction of rental expense on a straight line basis over the lease term.

h) Inventories
Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the provision for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

i) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at 31 March.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised in the statement of profit and loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

j) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market interest rates on government bonds are used. The current service cost of the defined benefit plan, recognised in the statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised immediately in the statement of profit and loss.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions for defined benefit obligation and plan assets are recognised in OCI in the period in which they arise.

When the benefits under a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of profit and loss. The Company recognises gains or losses on the settlement of a defined benefit plan obligation when the settlement occurs.

Termination benefits

Termination benefits are recognised as an expense in the statement of profit and loss when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense in the statement of profit and loss if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Other long-term employee benefits

The Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognised in the statement of profit and loss in the period in which they arise.

Compensated absences

The Company's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Company measures the expected cost of accumulating compensated absences as the additional amount that the Company incurs as a result of the unused entitlement that has accumulated at the reporting date. Such measurement is based on actuarial valuation as at the reporting date carried out by a qualified actuary.

Equity settled share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, in the statement of profit and loss, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and performance conditions at the vesting date. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognised in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

Cash settled share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognised as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognised in the statement of profit and loss

k) Provisions

A provision is recognised in the statement of profit and loss if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised in the statement of profit and loss when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Onerous contracts

A provision for onerous contracts is recognised in the statement of profit and loss when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised in the statement of profit and loss only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

l) Revenue

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods. The Company has generally concluded that it is the principal in its revenue arrangements.

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates.

Any amount of variable consideration is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method.

Presented below are the points of recognition of revenue with respect to the Company's sale of goods:

Particulars	Point of recognition of revenue
Sales of generic products in India	Upon delivery of products to distributors by clearing and forwarding agents of the Company. Control over the generic products is transferred by the Company when the goods are delivered to distributors from clearing and forwarding agents.
Sales of active pharmaceutical ingredients and intermediates in India	Upon delivery of products to customers (generally formulation manufacturers), from the factories of the Company.
Export sales and other sales outside of India	Upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

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Profit share revenues

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base sale price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Out licensing arrangements, milestone payments and royalties

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue upon delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognised over the balance period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognised as revenues either on achievement of such milestones, over the performance period depending on the terms of the contract. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Royalty income earned through a license is recognised when the underlying sales have occurred.

Provision for chargeback, rebates and discounts

Provisions for chargeback, rebates, discounts and Medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Provisions for such chargebacks are accrued and estimated based on historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers/other customers and estimated inventory holding by the wholesaler.

Shelf stock adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by the Company, and are accrued when the prices of certain products decline as a result of increased competition or otherwise. These credits are customary in the pharmaceutical industry, and are intended to reduce the customer inventory cost to better reflect the current market prices. The determination to grant a shelf stock adjustment to a customer is based on the terms of the applicable contract, which may or may not specifically limit the age of the stock on which a credit would be offered.

Sales Returns

The Company accounts for sales returns accrual by recording refund liability concurrent with the recognition of revenue at the time of a product sale. This liability is based on the Company's estimate of expected sales returns. The Company deals in various products and operates in various markets. Accordingly, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors. At the time of recognising the refund liability the Company also recognises an asset (i.e., right to the returned goods), which is included in inventories for the products expected to be returned. The Company initially measures this asset at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

Along with re-measuring the refund liability at the end of each reporting period, the Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Services

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

m) Other income and finance cost

Other income consists of interest income on funds invested, dividend income and gains on the disposal of assets. Interest income is recognised in the statement of profit and loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of profit and loss on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognised in the statement of profit and loss using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within other income and / or selling and other expenses. These primarily include: exchange differences arising on the settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

n) Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealised inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognised using the tax rate of the jurisdiction in which such inventories are held. Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

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Current and deferred tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Accruals for uncertain tax positions require management to make judgments of potential exposures. Accruals for uncertain tax positions are measured using either the most likely amount or the expected value amount depending on which method the entity expects to better predict the resolution of the uncertainty. Tax benefits are not recognised unless the tax positions will probably be accepted by the tax authorities. This is based upon management's interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter. Once considered probable of not being accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable amounts.

o) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

p) Government grants

The Company recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to income are deducted in reporting the related expense in the statement of profit and loss.

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

q) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in statement of profit and loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the securities premium.

r) Rounding of amounts

All amounts in Indian Rupees disclosed in the financial statements and notes have been rounded off to the nearest million unless otherwise stated.

1.4 DETERMINATION OF FAIR VALUES

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

b) Intangible assets

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method. Under this method, value is estimated as the present value of the benefits anticipated from ownership of the intangible assets in excess of the returns required or the investment in the contributory assets necessary to realise those benefits.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

d) Investments in equity and debt securities and units of mutual funds

The fair value of marketable equity and debt securities is determined by reference to their quoted market price at the reporting date. For debt securities where quoted market prices are not available, fair value is determined using pricing techniques such as discounted cash flow analysis.

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

e) Derivatives

The fair value of foreign exchange forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of foreign currency option and swap contracts and interest rate swap contracts is determined based on the appropriate valuation techniques, considering the terms of the contract.

f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

g) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

NOTE 2 NOTES TO FINANCIAL STATEMENTS

2.1 Property, plant and equipment

Particulars	Land	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
Gross carrying value						
Balance as at 1 April 2018	1,670	17,208	56,981	4,097	128	80,084
Additions	3	1,372	5,233	535	30	7,173
Disposals[1]	(3)	(147)	(1,774)	(250)	(4)	(2,178)
Balance as at 31 March 2019	**1,670**	**18,433**	**60,440**	**4,382**	**154**	**85,079**
Balance as at 1 April 2019	1,670	18,433	60,440	4,382	154	85,079
Recognition of right-of-use asset on initial application of Ind AS 116[2]	-	93	-	28	211	332
Adjusted balance as at 1 April 2019	1,670	18,526	60,440	4,410	365	85,411
Additions	4	889	3,570	387	142	4,992
Disposals		(47)	(480)	(210)	(49)	(786)
Balance as at 31 March 2020	**1,674**	**19,368**	**63,530**	**4,587**	**458**	**89,617**
Accumulated Depreciation						
Balance as at 1 April 2018	-	4,133	32,838	3,238	85	40,294
Depreciation for the year	-	770	5,726	498	23	7,017
Disposals[1]	-	(68)	(1,421)	(244)	(3)	(1,736)
Balance as at 31 March 2019	**-**	**4,835**	**37,143**	**3,492**	**105**	**45,575**
Balance as at 1 April 2019	-	4,835	37,143	3,492	105	45,575
Depreciation for the year	-	852	5,617	457	143	7,069
Disposals	-	(30)	(452)	(209)	(34)	(725)
Balance as at 31 March 2020	**-**	**5,657**	**42,308**	**3,740**	**214**	**51,919**
Net carrying value						
As at 31 March 2019	1,670	13,598	23,297	890	49	39,504
As at 31 March 2020	**1,674**	**13,711**	**21,222**	**847**	**244**	**37,698**

[1] During the year ended 31 March 2019, the Company sold one of its API manufacturing business units located in Jeedimetla, Hyderabad to Therapiva Private Limited. This sale was done by way of slump sale (as defined under section 2(42C) of Indian Income Tax Act, 1961) including all related property, plant and equipment, current assets, current liabilities, and transfer of employees. An amount of ₹ 423 representing the profit on sale of such business unit was included under the heading "other income".

[2] Leases

The Company implemented the new standard on 1 April 2019, and applied the modified retrospective method, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognised in the balance sheet immediately before the date of initial application and will not restate prior years. The Company has lease contracts for various items of plant and equipment, vehicles and other equipment used in its operations. Below are the carrying amounts of right-of-use assets recognised and the movements during the year.

Particulars	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
Gross carrying value					
Balance as at 1 April 2019	-	-	-	-	-
Recognition of right-of-use asset on initial application of Ind AS 116	93	-	28	211	332
Adjusted balance as at 1 April 2019	93	-	28	211	332
Additions	38	3	17	130	188
Disposals	-	-	-	(29)	(29)
Balance as at 31 March 2020	**131**	**3**	**45**	**312**	**491**
Accumulated depreciation					
Balance as at 1 April 2019	-	-	-	-	-
Depreciation for the year	37	1	13	122	173
Disposals	-	-	-	(14)	(14)
Balance as at 31 March 2020	**37**	**1**	**13**	**108**	**159**
Net carrying value					
As at 31 March 2020	**94**	**2**	**32**	**204**	**332**

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.1 Property, plant and equipment (continued)

The following are the amounts recognised in the statement of profit and loss

Particulars	For the year ended 31 March 2020
Depreciation expense of right-of-use assets	173
Interest expense on lease liabilities	60
	233

The Company had total cash outflows for leases of ₹ 347 during the year ended 31 March 2020. The maturity analysis of lease liabilities are disclosed in note 2.9 of these financial statements.

Capital commitments

As of 31 March 2020 and 31 March 2019, the Company was committed to spend ₹ 4,485 and ₹ 2,423, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchase commitments.

Interest capitalisation

During the years ended 31 March 2020 and 31 March 2019, the Company capitalised interest cost of ₹ 52 and ₹ 74, respectively, with respect to qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2020 and 31 March 2019 was approximately 4.22% and 3.21% respectively.

Depreciation for the year includes an amount of ₹ 617 (31 March 2019: ₹ 634) pertaining to assets used for research and development. During the year, the Company incurred ₹ 628 (31 March 2019: ₹ 677) towards capital expenditure for research and development. (Refer note 2.41)

2.2 Goodwill

Goodwill arising upon business combinations is not amortised but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired.

Particulars	As at 31 March 2020	As at 31 March 2019
Gross carrying value		
Opening balance	323	323
Additions	-	-
Disposals	-	-
Closing balance	**323**	**323**
Impairment loss		
Opening balance	-	-
Impairment loss	-	-
Disposals	-	-
Closing balance	-	-
Net carrying value	**323**	**323**

For the purpose of impairment testing, goodwill is allocated to a cash generating unit, representing the lowest level within the Company at which goodwill is monitored for internal management purposes and which is not higher than the Company's operating segment.

The carrying amount of goodwill was allocated to the cash generating units as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Global Generics-Branded Formulations	**323**	**323**

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Value-in-use is generally calculated as the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially, a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. Key assumptions upon which the Company has based its determinations of value-in-use include:

a) Estimated cash flows for five years, based on management's projections.

b) A terminal value arrived at by extrapolating the last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.2 Goodwill (continued)

c) The after tax discount rates used are based on the Company's weighted average cost of capital.

d) The after tax discount rates used is 10.7% for the cash generating unit. The pre-tax discount rate is 16.2%.

The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

2.3 Other intangible assets

Particulars	Product related intangibles	Customer related intangibles	Others	Total
Gross carrying value				
Balance as at 1 April 2018	10,658	243	928	11,829
Additions	226	-	527	753
Disposals/ De- recognitions	-	(243)	-	(243)
Balance as at 31 March 2019	**10,884**	**-**	**1,455**	**12,339**
Balance as at 1 April 2019	10,884	-	1,455	12,339
Additions	39	-	158	197
Disposals/ De- recognitions	(317)	-	-	(317)
Balance as at 31 March 2020	**10,606**	**-**	**1,613**	**12,219**
Amortisation/impairment loss				
Balance as at 1 April 2018	3,952	243	574	4,769
Amortisation for the year	543	-	246	789
Impairment loss [1]	24	-	-	24
Disposals/ De- recognitions	-	(243)	-	(243)
Balance as at 31 March 2019	**4,519**	**-**	**820**	**5,339**
Balance as at 1 April 2019	4,519	-	820	5,339
Amortisation for the year	595	-	228	823
Disposals/ De- recognitions	(261)	-	-	(261)
Balance as at 31 March 2020	**4,853**	**-**	**1,048**	**5,901**
Net carrying value				
As at 31 March 2019	6,365	-	635	7,000
As at 31 March 2020	**5,753**	**-**	**565**	**6,318**

(1) As a result of the Company's decision to discontinue a few products pertaining to its Global Generics segment, product related intangibles of ₹ 24 was recorded as impairment loss for the year 31 March 2019, under "Selling and other expenses" in the statement of profit and loss.

Amortisation for the year includes an amount of ₹ 31 (31 March 2019: ₹ 44) pertaining to assets used for research and development. During the year, the Company incurred ₹ 27 (31 March 2019: ₹ 22) towards capital expenditure for research and development. (Refer note 2.41)

Details of significant intangible assets as at 31 March 2020:

Particulars	Acquired from	Carrying Cost
Select portfolio of dermatology, respiratory and pediatric assets	UCB India Private Limited and affiliates	5,072
ANDAs	Gland Pharma Limited	284

2.4 Intangible assets under development

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening balance	-	-
Add: Additions during the year	277	-
Less: Capitalisations during the year	-	-
Less: Impairments during the year	-	-
Closing balance	**277**	**-**

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.5 Financial assets

2.5 A. Investments

Investments consist of investments in units of equity securities, mutual funds, market linked debentures, preference shares, bonds, commercial paper, and term deposits with banks (i.e., certificates of deposit having an original maturity period exceeding 3 months).

Particulars	As at 31 March 2020	As at 31 March 2019
Investments at FVTOCI		
Quoted equity shares (fully paid-up)		
58,000 (31 March 2019: 120,000) equity shares of ₹ 1/- each of State Bank of India, India	11	38
Quoted equity shares (fully paid-up) (I)	11	38
Investments in market linked debentures (II)	1,993	-
Total investments at FVTOCI (I + II) (A)	**2,004**	**38**
Investments carried at cost		
Unquoted equity shares (fully paid-up)		
I. In subsidiary companies		
105,640,410 (31 March 2019: 105,640,410) equity shares of CHF 1 each of Dr. Reddy's Laboratories SA, Switzerland	13,515	13,515
2,499,726 (31 March 2019: 2,499,726) equity shares of ₹ 10/- each of Idea2Enterprises (India) Private Limited, India	1,537	1,537
90,544,104 (31 March 2019: 90,544,104) equity shares of ₹ 10/- each of Aurigene Discovery Technologies Limited, India	974	974
36,249,230 (31 March 2019: 36,249,230) shares of Real $ 1 each of Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	825	825
140,526,270 (31 March 2019: 140,526,270) Series "A" shares of Peso 1 each of Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	709	709
58,932,070 (31 March 2019: 54,022,070) equity shares of ₹ 10/- each of Dr. Reddy's Bio-sciences Limited, India	515	466
123,000 (31 March 2019: 123,000) equity shares of ₹ 100/- each of Imperial Credit Private Limited, India	31	31
50,000 (31 March 2019: 20,050,000) equity shares of ₹ 10/- each of Regkinetics Services Limited, India	1	201
134,513 (31 March 2019: 134,513) equity shares of ₹ 10/- each of Cheminor Investments Limited, India	1	1
6,342,047 (31 March 2019: 6,342,047) equity shares of US$ 1 each of Reddy Antilles N.V., Netherlands[1]	-	411
	18,108	18,670
Less: Impairment		
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	(622)	(622)
Reddy Antilles N.V., Netherlands[1]	-	(411)
Total unquoted investments in equity shares of subsidiary companies, net (I)	17,486	17,637
II. In joint ventures		
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China[2]	429	429
8,580,000 (31 March 2019: 8,580,000) equity shares of ₹ 10/- each of DRES Energy Private Limited, India	86	86
Total unquoted investments in equity shares of joint ventures, net (II)	515	515
Total investments carried at cost (I+II)(B)	**18,001**	**18,152**

(1) Liquidated during the year ended 31 March 2020

(2) Shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China are not denominated in number of shares as per the laws of the country.

Investments at FVTPL		
I. Investment in unquoted equity shares		
8,859 (31 March 2019: 8,859) equity shares of ₹ 100/- each of Jeedimetla Effluent Treatment Limited, India	1	1
Ordinary shares of Biomed Russia Limited, Russia[1]	-	-
200,000 (31 March 2019: 200,000) equity shares of ₹ 10/- each of Altek Engineering Limited, India	-	-
24,000 (31 March 2019: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	-	-
20,250 (31 March 2019: 20,250) equity shares of ₹ 10/- each of Shivalik Solid Waste Management Limited, India[2]	-	-
Total unquoted trade investments in equity shares of other companies, net (I)	**1**	**1**

(1) Shares held in Biomed Russia Limited are not denominated in number of shares as per the laws of the country.

(2) Rounded off to millions in the note above.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.5 A. Investments (continued)

Particulars	As at 31 March 2020	As at 31 March 2019
II. Investment in unquoted mutual funds	11,370	14,900
Total investments at FVTPL (I + II) (C)	**11,371**	**14,901**
Investments carried at amortised cost		
I. Investments in 2,000,000 (31 March 2019: Nil) preference shares of CHF 100 each of Dr. Reddy's Laboratories SA, Switzerland	15,658	-
II. Investments in term deposit accounts with banks (original maturity more than 3 months)	5,003	513
III. Investments in bonds	1,851	5,272
IV. Investments in commercial paper	967	459
Total investments carried at amortised cost (D)	**23,479**	**6,244**
Total investments (A+B+C+D)	**54,855**	**39,335**
Current	21,184	21,144
Non-current	33,671	18,191
	54,855	**39,335**
Aggregate book value of quoted investments	11	38
Aggregate market value of quoted investments	11	38
Aggregate value of unquoted investments	55,466	40,330
Aggregate amount of impairment in the value of investments in the unquoted equity shares	622	1,033

2.5 B. Trade receivables

Particulars	As at 31 March 2020	As at 31 March 2019
Trade receivables from other parties	11,532	8,999
Receivables from subsidiaries and joint ventures(Refer note 2.23)	36,592	28,291
	48,124	**37,290**
Details of security		
Considered good, unsecured	48,256	37,368
Credit impaired	314	389
	48,570	**37,757**
Less: Allowance for credit losses	(446)	(467)
	48,124	**37,290**
Current	46,387	37,177
Non-current [(1)]	1,737	113
	48,124	**37,290**

[(1)] Represents amounts receivable pursuant to an out-licensing arrangement with a customer. As these amounts are not expected to be realised within twelve months from the end of the reporting date, they are disclosed as non-current.

In accordance with Ind AS 109, the Company uses the expected credit loss ("ECL") model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers. The details of changes in allowance for credit losses during the year ended 31 March 2020 and 31 March 2019 are as follows:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance at the beginning of the year	467	3,943
Provision made during the year, net of reversals	93	212
Trade receivables written off during the year	(114)	(3,933)
Effect of changes in the foreign exchange rates	-	245
Balance at the end of the year	**446**	**467**

The amount of credit loss at the beginning of the year ended 31 March 2019 includes provision for doubtful debts from Venezuela operations which has been written off during the year ended 31 March 2019.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.5 C. Loans

Particulars	As at 31 March 2020	As at 31 March 2019
Considered good, unsecured		
Loans and advances to wholly owned subsidiaries[(1)]	12	332
	12	**332**

[(1)] Loans and advances to wholly owned subsidiaries comprise:

	Balance as at		Maximum amount outstanding at any time during the year ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Wholly owned subsidiaries				
DRL Impex Limited, India	11	11	11	11
Dr. Reddy's Bio-sciences Limited, India[(2)]	1	1	1	1
Cheminor Investments Limited, India[(2)]	-	-	-	-
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	-	320	343	365
Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	-	-	-	1,798
Reddy Antilles N.V., Netherlands	-	-	-	386
	12	**332**		

[(2)] Rounded off to millions in the note above.

Loans and advances to wholly owned subsidiaries are given for the purpose of working capital and other business requirements, settlement of which is neither planned nor likely to occur in the next twelve months. Loans given to DRL Impex Limited, India and Cheminor Investments Limited, India are interest free.

The details of changes in allowance for doubtful loans and advances during the year ended 31 March 2020 and 31 March 2019 are as follows:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance at the beginning of the year	-	346
Provision made/(reversed) during the year, net	-	(359)
Loans and advances written off during the year	-	(8)
Effect of changes in the foreign exchange rates	-	21
Balance at the end of the year	**-**	**-**

2.5 D. Other financial assets

Particulars	As at 31 March 2020	As at 31 March 2019
I. Non-current assets		
Considered good, unsecured		
Security deposits	474	447
	474	**447**
II. Current assets		
Considered good, unsecured		
Claims receivable	1,045	91
Interest accrued but not due on investments	523	292
Receivables from subsidiary companies including step down subsidiaries:		
Dr. Reddy's Bio-sciences Limited, India	55	54
Aurigene Discovery Technologies Limited, India	17	16
Dr. Reddy's Laboratories SA, Switzerland	-	44
Others	6	25
Other assets	242	170
Unsecured, considered doubtful		
Receivables from subsidiary companies including step down subsidiaries:		
Reddy Antilles N.V., Netherlands	-	2
	1,888	**694**
Less: Allowance for doubtful advances	-	(2)
	1,888	**692**

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.5 E. Cash and cash equivalents

Particulars	As at 31 March 2020	As at 31 March 2019
Balances with banks		
In current accounts	248	981
In EEFC accounts	19	26
Cash on hand	1	1
Other bank balances (restricted)		
In unclaimed dividend accounts	86	84
In unclaimed fractional share pay order accounts	1	1
In unclaimed debentures and debenture interest account	25	27
LC and Bank guarantee margin money	12	12
Cash and cash equivalents in the balance sheet	**392**	**1,132**
Less: Bank overdraft used for cash manangement purposes	(1)	-
Cash and cash equivalents in the statement of cash flow (including restricted cash)	**391**	**1,132**

2.6 Other assets

Particulars	As at 31 March 2020	As at 31 March 2019
A. Non-current assets		
Considered good, unsecured		
Capital advances	124	72
Dues from joint ventures and other related parties	14	54
	138	**126**
B. Current assets		
Considered good, unsecured		
Balances and receivables from statutory authorities[(1)]	3,733	3,857
Export benefits receivable[(2)]	2,652	2,363
Advances to material suppliers	544	596
Prepaid expenses	530	482
Dues from joint ventures and other related parties	49	41
Others	1,021	1,357
Considered doubtful, unsecured		
Other advances	104	92
	8,633	**8,788**
Less: Allowance for doubtful advances	(104)	(92)
	8,529	**8,696**

(1) Balances and receivables from statutory authorities primarily consist of amounts receivable towards the goods and service tax ("GST"), excise duty, value added tax from customs authorities of India.

(2) Export benefits receivables primarily consist of amounts receivable from various government authorities of India towards incentives on export sales made by the Company.

2.7 Inventories

Particulars	As at 31 March 2020	As at 31 March 2019
Raw materials (includes in transit ₹ 82 ; 31 March 2019: ₹ 43)	8,562	7,829
Work-in-progress	5,960	5,630
Finished goods	3,477	3,070
Stock-in-trade	1,619	1,357
Packing materials, stores and spares	2,286	2,270
	21,904	**20,156**

During the year ended 31 March 2020, the Company recorded inventory write-down of ₹ 1,586 (31 March 2019: ₹ 2,085) in the statement of profit and loss.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.8 Share capital

Particulars	As at 31 March 2020	As at 31 March 2019
Authorised share capital		
240,000,000 equity shares of ₹ 5/- each (31 March 2019: 240,000,000)	1,200	1,200
Issued equity capital		
166,172,282 equity shares of ₹ 5/- each fully paid-up (31 March 2019: 166,066,148)	831	830
Subscribed and fully paid-up		
166,172,082 equity shares of ₹ 5/- each fully paid-up (31 March 2019: 166,065,948)	831	830
Add: Forfeited share capital (e)	-	-
	831	**830**

a) Reconciliation of the equity shares outstanding is set out below:

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares/share capital	166,065,948	830	165,910,907	830
Add: Equity shares issued pursuant to employee stock option plan(1)	106,134	1	155,041	-*
Closing number of equity shares/share capital	**166,172,082**	**831**	**166,065,948**	**830**
Treasury shares(2)	**395,950**	**1,006**	**217,976**	**535**

* Rounded off to millions.

(1) During the years ended 31 March 2020 and 31 March 2019, equity shares were issued as a result of the exercise of vested options granted to employees pursuant to the Dr. Reddy's Employees Stock Option Plan, 2002 and Dr. Reddy's Employees Stock Option Plan, 2007. All of the options exercised had an exercise price of ₹ 5, being equal to the par value of the underlying shares. Upon the exercise of such options, the amount of compensation cost (computed using the grant date fair value) previously recognised in the "share-based payment reserve"was transferred to"securities premium" in the statement of changes in equity.

(2) Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2018, the Dr. Reddy's Employees ESOS Trust (the"ESOS Trust") was formed to support the Dr. Reddy's Employees Stock Option Scheme, 2018 by acquiring, from the Company or through secondary market acquisitions, equity shares which are used for issuance to eligible employees upon exercise of stock options thereunder. During the year ended 31 March 2020, an aggregate of 1,150 equity shares were issued as a result of the exercise of vested options granted to employees pursuant to the Dr. Reddy's Employees Stock Option Scheme, 2018. All of the options exercised had an exercise price of ₹ 2,607 per share. Upon the exercise of such options, the amount of compensation cost (computed using the grant date fair value) previously recognised in the "share-based payment reserve" was transferred to "share premium" in the statements of changes in equity. In addition, any difference between the carrying amount of treasury shares and the consideration received was recognised in the "share premium". As at 31 March 2020 and 31 March 2019, the ESOS Trust had outstanding 395,950 and 217,976 shares, respectively, which it purchased from the secondary market for an aggregate consideration of ₹ 1,006 and ₹ 535, respectively. Refer note 2.24 of these financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.

b) Terms / rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company as on the record date set for the shareholders meeting, shall have one vote in respect of each share held.Should the Company declare and pay any dividends, such dividends will be paid in Indian rupees to each holder of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. Indian law on foreign exchange governs the remittance of dividends outside India. In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. Final dividends on equity shares (including dividend tax on distribution of such dividends, if any) are recorded as a liability on the date of their approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The details of dividends paid by the Company are as follows:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Dividend per share (in absolute ₹)	20	20
Dividend distribution tax on the dividend paid	600	682
Dividend paid during the year	3,314	3,320

At the Company's Board of Directors' meeting held on 20 May 2020, the Board proposed a dividend of ₹ 25 per share and aggregating to ₹ 4,154, which is subject to the approval of the Company's shareholders.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.8 Share capital (continued)

c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
Dr. Reddy's Holdings Limited	41,325,300	24.87	41,325,300	24.88
Life Insurance Corporation of India and their associates	8,468,983	5.10	6,486,864	3.91
Mitsubishi Stewart and their Associates* (formerly First State Investments Management (UK) Limited, Commonwealth Bank of Australia, Stewart Investors and their associates)	7,540,098	4.54	11,838,598	7.13

* Does not include ADR holding.

d) 232,837 (31 March 2019: 270,141) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Plan, 2002", 354,343 (31 March 2019: 261,215) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees ADR Stock Option Plan, 2007" and 375,775 (31 March 2019 :229,600) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Scheme, 2018". (Refer note 2.24)

e) Represents 200 equity shares of ₹ 5/- each, amount paid-up ₹ 500/- (rounded off to millions in the note above) forfeited due to non-payment of allotment money.

f) During the year ended 31 March 2017, the Company bought-back and extinguished 5,077,504 equity shares under the buy-back of equity shares plan approved by the shareholders on 1 April 2016.

Aggregate number of shares bought-back during the period of five years immediately preceeding the reporting date:

Particulars	Year ended 31 March				
	2020	2019	2018	2017	2016
Ordinary shares of ₹ 5 each	-	-	-	5,077,504	-

2.9 Financial liabilities

2.9 A. Non-current borrowings

Particulars	As at 31 March 2020	As at 31 March 2019
Unsecured		
Long-term loans from banks(a)	-	3,454
Secured		
Long-term maturities of lease obligation	193	-
	193	**3,454**

2.9 B. Current borrowings

Particulars	As at 31 March 2020	As at 31 March 2019
From Banks		
Unsecured		
Pre-shipment credit (b)	10,432	5,463
Bank overdraft	1	-
Others	3	-
	10,436	**5,463**

a) Represents External Commercial Borrowing for the year ended 31 March 2019, carrying interest rate of 1 Month LIBOR plus 82.7 bps and is repayable in three equal installments in the years ending 31 March 2020 and 31 March 2021. Current maturity of the same is shown under note 2.9 D of the financial statements.

As per the loan arrangement, the Company is required to comply with certain financial covenants and the Company was in compliance with such covenants as at 31 March 2020.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.9 A & B Borrowings (continued)

The aggregate maturities of long-term loans and borrowings, based on contractual maturities, as of 31 March 2020 were as follows:

Particulars	As at 31 March 2020		
	Foreign currency loan	Obligations under leases	Total
Maturing in the year ending 31 March[1]			
2021	3,783	157	3,940
2022	-	105	105
2023	-	42	42
2024	-	28	28
2025	-	18	18
Thereafter	-	-	-
	3,783	**350**	**4,133**

The aggregate maturities of long-term loans and borrowings, based on contractual maturities, as of 31 March 2019 were as follows:

Particulars	As at 31 March 2019		
	Foreign currency loan	Obligations under leases	Total
Maturing in the year ending 31 March[1]			
2020	1,729	-	1,729
2021	3,458	-	3,458
2022	-	-	-
2023	-	-	-
2024	-	-	-
Thereafter	-	-	-
	5,187	**-**	**5,187**

[1] Long-term debt obligations disclosed in the above table does not reflect any netting of transaction costs amounting to ₹ 0 and ₹ 4 as at 31 March 2020 and 31 March 2019, respectively.

b) Packing credit loans for the year ended 31 March 2020, comprised of US$ denominated loans carrying interest rates of 1 Month LIBOR plus 12.5 to 16 bps and INR denominated loans carrying rates of Treasury Bill plus 60 bps and are repayable within 6 to 12 months from the date of drawdown. Packing credit loans for the year ended 31 March 2019, comprised of US$ denominated loans carrying interest rates of 1 Month LIBOR plus 25 to 40 bps and are repayable within 6 to 12 months from the date of drawdown.

c) The Company had uncommitted lines of credit of ₹ 20,743 and ₹ 33,327 as of 31 March 2020 and 31 March 2019, respectively, from its banks for working capital requirements. The Company has the right to draw upon these lines of credit based on its working capital requirements.

d) Reconciliation of liabilities arising from financing activities

Particulars	Non-current borrowings[1]	Current borrowings	Total
Opening balance at the beginning of the year	5,183	5,463	10,646
Recognition of right-of-use liability on initial application of Ind AS 116	332	-	332
Recognition of right-of-use liability during the year	173	-	173
Borrowings (repaid)/made during the year	(1,805)	13,741	11,936
Borrowings repaid during the year	-	(9,111)	(9,111)
Payment of principal portion of lease liabilities	(155)	-	(155)
Effect of changes in foreign exchange rates	401	342	743
Others	4	-	4
Closing balance at the end of the year	**4,133**	**10,435**	**14,568**

[1] Does not include movement in bank overdraft and includes current portion.

2.9 C Trade payables

Particulars	As at 31 March 2020	As at 31 March 2019
Trade payables to third parties		
Due to micro, small and medium enterprises[1]	55	77
Other parties	9,809	9,716
Trade payables to subsidiaries including step down subsidiaries (Refer note 2.23)	820	523
	10,684	**10,316**

[1] (a) The principal amount remaining unpaid as at 31 March 2020 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMED) is ₹ 55 (31 March 2019: ₹ 77). The interest amount computed based on the provisions under Section 16 of the MSMED is ₹ 0.00 (31 March 2019: ₹ 0.00) is remaining unpaid as of 31 March 2020. The interest amount of ₹ 0.00 that remained unpaid as at 31 March 2019 was paid fully during the current year.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.9 C Trade payables (continued)

(b) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act is ₹ Nil (31 March 2019: Nil).

(c) The list of undertakings covered under MSMED was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.

For details regarding the Company's exposure to currency and liquidity risks, see note 2.30 of the financial statements under "Liquidity risk".

2.9 D Other financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
Accrued expenses	5,710	5,058
Payable to subsidiary companies including step down subsidiaries (Refer note 2.23)	2,113	2,116
Current maturity of long-term borrowings[1]	3,783	1,729
Due to capital creditors	1,186	778
Unclaimed dividends, debentures and debenture interest[2]	111	111
Trade and security deposits received	60	72
Interest accrued but not due on loans	2	2
Current maturity of lease obligations	157	-
Others	806	294
	13,928	**10,160**

(1) Represents current outstanding amount of External Commercial Borrowing, carrying interest rate of 1 Month LIBOR plus 82.7 bps and is repayable in two equal installments in the year 31 March 2021.
As per the loan arrangement, the Company is required to comply with certain financial covenants and the Company was in compliance with such covenants as at 31 March 2020.

(2) Unclaimed amounts are transferred to Investor Protection and Education Fund after seven years from the due date.

2.10 Provisions

Particulars	As at 31 March 2020	As at 31 March 2019
A. Non-current provisions		
Provision for employee benefits (Refer note 2.25)		
Compensated absences	493	498
Long service award benefit plan	52	49
	545	**547**
B. Current provisions		
Provision for employee benefits (Refer note 2.25)		
Compensated absences	409	323
Gratuity	189	26
Long service award benefit plan	14	14
Other provisions (a)		
Refund liability	914	899
Others	547	585
	2,073	**1,847**

a) Details of changes in other provisions during the year ended 31 March 2020 are as follows:

Particulars	Refund liability[1]	Others[2]
Balance as at beginning of the year	899	585
Provision made during the year, net of reversals	1,041	(38)
Provision used during the year	(1,026)	-
Balance as at end of the year	**914**	**547**

(1) Refund liablity is accounted for by recording a provision based on the Company's estimate of expected sales returns. See note 1.3(l) of these financial statements for the Company's accounting policy on refund liabilty.

(2) Primarily consists of provision recorded towards the potential liability arising out of a litigation relating to cardiovascular and anti-diabetic formulations. Refer note 2.31 of these financial statements under "Product and patent related matters - Matters relating to National Pharmaceutical Pricing Authority - Litigation relating to Cardiovascular and Anti-diabetic formulations" for further details.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.11 Other liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
A. Non-current liabilities		
Deferred revenue	294	283
Others	2	2
	296	**285**
B. Current liabilities		
Salary and bonus payable	1,921	1,907
Due to statutory authorities	633	433
Advance from customers	487	517
Deferred revenue	119	105
	3,160	**2,962**

2.12 Revenue from contracts with customers and trade receivables

Revenue from contracts with customers:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Sales	109,925	104,667
Service income	416	503
License fees[(1)]	7,689	559
	118,030	**105,729**

(1) During the year ended 31 March 2020, the Company entered into a definitive agreement with Upsher-Smith Laboratories, LLC (Upsher-Smith) for sale of US and select territory rights for ZEMBRACE® SYMTOUCH® (sumatriptan injection) 3 mg and TOSYMRATM® (sumatriptan nasal spray) 10 mg, (formerly referred to as “DFN-02”) forming part of its Proprietary Products segment. License fees includes an amount of ₹ 7,486 (US$108.7 millions) towards the aforesaid sale transaction. Refer note 2.36 of these financial statements for further details.

Analysis of revenues by segments:

The following table shows the analysis of revenues (excluding other operating income) by segments:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Global Generics	89,683	85,853
Pharmaceutical Services and Active Ingredients	20,703	19,574
Proprietary Products	7,644	302
	118,030	**105,729**

Details of refund liabilities:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance at the beginning of the year	899	837
Provision made during the year, net of reversals	1,041	1,090
Provision used during the year	(1,026)	(1,028)
Balance at the end of the year	**914**	**899**
Current	914	899
Non-current	-	-
	914	**899**

Details of contract asset:

As mentioned in the accounting policies for refund liability, the Company recognises an asset i.e., right to the returned goods (included in inventories) for the products expected to be returned. The Company initially measures this asset at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. Along with remeasuring the refund liability at the end of each reporting period, the Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

As on 31 March 2020 and 31 March 2019, the Company has ₹ 23 and ₹ 16, respectively as contract asset representing the right to the returned goods.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.12 Revenue from contracts with customers and trade receivables (continued)

Details of deferred revenue:

Tabulated below is the reconciliation of deferred revenue for the years ended 31 March 2020 and 31 March 2019:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance at the beginning of the year	388	422
Revenue recognised during the year	(109)	(122)
Milestone payment received during the year	134	88
Balance at the end of the year	**413**	**388**
Current	119	105
Non-current	294	283
	413	**388**

Details of contract liabilities :

Particulars	As at 31 March 2020	As at 31 March 2019
Advance from customers	487	517
	487	**517**

2.13 Other operating income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Sale of spent chemicals	306	356
Scrap sales	137	161
Miscellaneous income	31	9
	474	**526**

2.14 Other income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income		
On fixed deposits	311	27
On loans to subsidiaries	11	93
Others	534	692
Dividend income[(1)]	397	-
Profit on disposal of property, plant and equipment and other intangibles, net[(2)]	-	400
Foreign exchange gain, net	1,705	288
Fair value gain on financial instruments measured at fair value through profit or loss	821	669
Miscellaneous income, net[(3)]	3,653	215
	7,432	2,384

(1) Includes dividends received from Kunshan Rotam Reddy Pharmaceutical Company Limited, China.

(2) During the year ended 31 March 2019, the Company sold one of its API manufacturing business units located in Jeedimetla, Hyderabad to Therapiva Private Limited. This sale was done by way of slump sale basis (as defined under section 2(42C) of Indian Income Tax Act,1961) including all related property, plant and equipment, current assets, current liabilities, and transfer of employees. Gain on disposal of assets includes an amount of ₹ 423 representing the profit on sale of such business unit. (Refer note 2.1 of these financial statements for further details).

(3) Miscellaneous income, net includes an amount of ₹ 3,457 (US$50 millions) received from Celgene pursuant to a settlement agreement entered into in April 2019. The agreement effectively settles any claim the Company or its affiliates may have had for damages under section 8 of the Canadian Patented Medicines (Notice of Compliance) Regulations in regard to the Company's ANDS for a generic version of REVLIMID ® brand capsules (Lenalidomide) pending before Health Canada.

2.15 Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
Opening				
Work-in-progress	5,630		6,278	
Finished goods	3,070		2,912	
Stock-in-trade	1,357	**10,057**	1,527	**10,717**
Closing				
Work-in-progress	5,960		5,630	
Finished goods	3,477		3,070	
Stock-in-trade	1,619	**11,056**	1,357	**10,057**
		(999)		**660**

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.16 Employee benefits expense

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries, wages and bonus	17,123	16,435
Contribution to provident and other funds	1,203	1,076
Staff welfare expenses	1,427	1,406
Share-based payment expenses	549	402
	20,302	**19,319**

2.17 Depreciation and amortisation expense

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation of property, plant and equipment	7,069	7,017
Amortisation of intangible assets	823	789
	7,892	**7,806**

2.18 Finance costs

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest on long-term borrowings	156	172
Interest on other borrowings	322	396
	478	**568**

2.19 Selling and other expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Consumption of stores, spares and other materials	4,842	4,242
Clinical trial expenses	916	1,270
Other research and development expenses	3,386	3,819
Advertisements	122	56
Commission on sales	176	162
Carriage outward	2,566	2,587
Other selling expenses	9,134	8,860
Legal and professional	3,163	2,991
Power and fuel	2,905	2,958
Repairs and maintenance		
Buildings	223	255
Plant and machinery	734	706
Others	1,429	1,420
Insurance	298	185
Travel and conveyance	810	766
Rent	131	162
Rates and taxes	358	329
Corporate Social Responsibility and donations[1]	447	444
Allowance for credit losses, net (Refer note 2.5 B)	93	212
Allowance for doubtful advances, net	2	(351)
Non-Executive Directors' remuneration	108	80
Auditors' remuneration (Refer note 2.21)	16	15
Provision/(reversal of provision) relating to non-current investments, net	-	359
Loss on sale/disposal of property, plant and equipment and other intangibles, net	135	-
Other general expenses	1,774	2,034
	33,768	**33,561**

(1) Details of Corporate Social Responsibility expenditure in accordance with section 135 of the Companies Act, 2013:

	In cash	Yet to be paid in cash	Total
Gross amount required to be spent by the Company during the year			**245**
Amount spent during the year ending on 31 March 2020	275	-*	275
Amount spent during the year ending on 31 March 2019	262	-	262

* Rounded off to millions

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.20 Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Employee benefits expense (included in note 2.16)	3,230	3,154
Other expenses (included in note 2.19)		
Clinical trial expenses	916	1,270
Materials and consumables	3,610	2,880
Power and fuel	201	172
Other research and development expenses	3,386	3,819
	11,343	**11,295**

2.21 Auditors' remuneration

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Audit fees	13	12
Other charges – Certification fee	1	1
Reimbursement of out of pocket expenses	2	2
	16	**15**

2.22 Earnings per share (EPS)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Earnings		
Profit attributable to equity share holders of the Company	29,377	12,773
Shares		
Number of equity shares at the beginning of the year (excluding treasury shares)	165,847,972	165,910,907
Effect of treasury shares held during the year	(154,020)	(100,672)
Effect of equity shares issued on exercise of stock options	64,432	103,801
Weighted average number of equity shares – Basic	165,758,384	165,914,036
Dilutive effect of stock options outstanding[(1)]	323,601	278,718
Weighted average number of equity shares – Diluted	166,081,985	166,192,754
Earnings per share of par value ₹ 5/- – Basic (₹)	**177.23**	**76.98**
Earnings per share of par value ₹ 5/- – Diluted (₹)	**176.88**	**76.85**

(1) As at 31 March 2020 and 31 March 2019, 475,575 and 272,700 options, respectively, were excluded from the diluted weighted average number of equity shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of stock options was based on quoted market prices for the year during which the options were outstanding.

2.23 Related parties

a) List of all subsidiaries, joint ventures and other consolidating entities:

Subsidiaries including step down subsidiaries:

1.	Aurigene Discovery Technologies (Malaysia) SDN BHD, Malaysia
2.	Aurigene Discovery Technologies Inc., USA
3.	Aurigene Discovery Technologies Limited, India
4.	Aurigene Pharmaceutical Services Limited, India (from 16 September 2019)
5.	beta Institut gemeinnützige GmbH, Germany
6.	betapharm Arzneimittel GmbH, Germany
7.	Cheminor Investments Limited, India
8.	Chirotech Technology Limited, UK
9.	Dr Reddy's Laboratories Kazakhstan, Kazakhstan
10.	Dr. Reddy's (Thailand) Limited, Thailand (from 13 June 2018)
11.	Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China
12.	Dr. Reddy's Bio-sciences Limited, India
13.	Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil
14.	Dr. Reddy's Laboratories (Australia) Pty. Limited, Australia
15.	Dr. Reddy's Laboratories (EU) Limited, UK
16.	Dr. Reddy's Laboratories (Proprietary) Limited, South Africa

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.23	Related parties (continued)	
17.	Dr. Reddy's Laboratories (UK) Limited, UK	
18.	Dr. Reddy's Laboratories B.V., Netherlands (Formerly Eurobridge Consulting B.V.)	
19.	Dr. Reddy's Laboratories Canada, Inc., Canada	
20.	Dr. Reddy's Laboratories Inc., USA	
21.	Dr. Reddy's Laboratories International SA, Switzerland (merged with Dr. Reddy's Laboratories SA, Switzerland w.e.f 1 January 2019)	
22.	Dr. Reddy's Laboratories LLC, Ukraine	
23.	Dr. Reddy's Laboratories Malaysia Sdn. Bhd., Malaysia	
24.	Dr. Reddy's Laboratories New York, Inc., USA	
25.	Dr. Reddy's New Zealand Limited, New Zealand	
26.	Dr. Reddy's Philippines Inc., Philippines (from 9 May 2018)	
27.	Dr. Reddy's Research and Development B.V. (formerly Octoplus BV)	
28.	Dr. Reddy's Singapore PTE Limited, Singapore (liquidated during the year)	
29.	Dr. Reddy's SRL, Italy	
30.	Dr. Reddy's Laboratories Chile SPA., Chile	
31.	Dr. Reddy's Laboratories Japan KK, Japan	
32.	Dr. Reddy's Laboratories Louisiana LLC, USA	
33.	Dr. Reddy's Laboratories Romania S.R.L., Romania	
34.	Dr. Reddy's Laboratories SA, Switzerland	
35.	Dr. Reddy's Laboratories SAS, Colombia	
36.	Dr. Reddy's Laboratories Taiwan Limited, Taiwan	
37.	Dr. Reddy's Laboratories Tennessee, LLC, USA (till 1 October 2018)	
38.	Dr. Reddy's Venezuela, C.A., Venezuela	
39.	DRL Impex Limited, India	
40.	Idea2Enterprises (India) Private Limited, India	
41.	Imperial Credit Private Limited, India	
42.	Industrias Quimicas Falcon de Mexico, S.A.de C.V, Mexico	
43.	Lacock Holdings Limited, Cyprus	
44.	OOO Dr. Reddy's Laboratories Limited, Russia	
45.	OOO DRS LLC, Russia	
46.	Promius Pharma LLC, USA	
47.	Reddy Antilles N.V., Netherlands (liquidated during the year)	
48.	Reddy Holding GmbH, Germany	
49.	Reddy Netherlands B.V., Netherlands	
50.	Reddy Pharma Iberia SAU, Spain	
51.	Reddy Pharma Italia S.R.L, Italy	
52.	Reddy Pharma SAS, France	
53.	Regkinetics Services Limited, India	
Joint ventures		
54.	Kunshan Rotam Reddy Pharmaceutical Company Limited ("Reddy Kunshan"), China	Enterprise over which the Company exercises joint control with other joint venture partners and holds 51.33% of equity shares
55.	DRANU LLC, USA (under liquidation)	Enterprise over which the Company's step down subsidiary exercises joint control with other joint venture partner and holds 50% of equity shares
56.	DRES Energy Private Limited, India	Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares
Other consolidating entities		
57.	Cheminor Employees Welfare Trust, India	The Company does not have any equity interests in this entity, but has significant influence or control over it.
58.	Dr. Reddy's Research Foundation, India	The Company does not have any equity interests in this entity, but has significant influence or control over it.
59.	Dr. Reddy's Employees ESOS Trust, India (from 27 July 2018)	The Company does not have any equity interests in this entity, but has significant influence or control over it.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.23 Related parties (continued)

b) List of other related parties with whom transactions have taken place during the current and/or previous year:

1.	Dr. Reddy's Institute of Life Sciences	Enterprise over which whole-time directors have significant influence
2.	Stamlo Industries Limited	Enterprise controlled by whole-time directors
3.	Green Park Hotels and Resorts Limited	Enterprise controlled by relative of a whole-time director
4.	K Samrajyam	Mother of Chairman
5.	G Anuradha	Spouse of Co-chairman
6.	Deepti Reddy	Spouse of Chairman
7.	G Mallika Reddy	Daughter of Co-chairman
8.	G V Sanjana Reddy	Daughter of Co-chairman
9.	Akhil Ravi	Son-in-law of Co-chairman
10.	Dr. Reddy's Foundation	Enterprise over which whole-time directors and their relatives have significant influence
11.	Pudami Educational Society	Enterprise over which whole-time directors and their relatives have significant influence
12.	Indus Projects Private Limited	Enterprise over which relatives of whole-time directors have significant influence
13.	CERG Advisory Private Limited	Enterprise controlled by (erstwhile) Key Managerial Personnel (till 30 July 2019)
14.	Green Park Hospitality Services Private Limited	Enterprise controlled by relative of a whole-time director
15.	AverQ Inc.,USA	Enterprise over which Key Managerial Personnel have significant influence
16.	Shravya Publications Pvt. Ltd.	Enterprise over which whole-time directors and their relatives have significant influence
17.	Cancelled Plans LLP	Enterprise over which relatives of whole-time directors have significant influence
18.	Araku Originals Private Limited	Enterprise over which whole-time directors have significant influence

c) In accordance with the provisions of Ind AS 24, Related Party Disclosures and the Companies Act, 2013, Company's Directors, members of the Company's Management Council and Company Secretary are considered as Key Managerial Personnel.

List of Key Managerial Personnel of the Company is as below:

1.	K Satish Reddy	Whole-time director (Chairman)
2.	G V Prasad	Whole-time director (Co-Chairman and Managing Director)
3.	Kalpana Morparia	Independent director
4.	Dr. Bruce LA Carter	Independent director
5.	Sridar Iyengar	Independent director
6.	Bharat Narotam Doshi	Independent director
7.	Prasad R Menon	Independent director
8.	Leo Puri (from 25 October 2018)	Independent director
9.	Shikha Sharma (from 31 January 2019)	Independent director
10.	Allan Oberman (from 26 March 2019)	Independent director
11.	Dr. Omkar Goswami (till 30 July 2019)	Independent director
12.	Anupam Puri (till 26 July 2019)	Independent director
13.	Hans Peter Hasler (till 14 June 2018)	Independent director
14.	Dr. K V S Ram Rao (till 1 October 2018)	Management council member
15.	M V Ramana	Management council member
16.	Saumen Chakraborty	Management council member
17.	Ganadhish Kamat	Management council member
18.	Anil Namboodiripad	Management council member
19.	Archana Bhaskar	Management council member
20.	Sanjay Sharma	Management council member
21.	Sauri Gudlavalleti (from 1 April 2018)	Management council member
22.	P Yugandhar (from 1 April 2018)	Management council member
23.	Erez Israeli (from 2 April 2018)	CEO and management council member
24.	Dr. Raymond de Vre (from 1 June 2018)	Management council member
25.	Deepak Sapra (from 1 October 2018)	Management council member
26.	Marc Kikuchi (from 1 February 2019)	Management council member
27.	Patrick Aghanian (from 7 October 2019)	Management council member
28.	Dr. Cartikeya Reddy (till 30 September 2018)	Management council member
29.	Alok Sonig (till 7 September 2018)	Management council member
30.	Dr. Amit Biswas (till 21 June 2018)	Management council member
31.	Sandeep Poddar	Company secretary

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.23 Related parties (continued)

d) Particulars of related party transactions

The following is a summary of significant related party transactions:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Revenues from:		
Subsidiaries including step down subsidiaries		
Dr. Reddy's Laboratories Inc.	31,455	31,953
OOO Dr. Reddy's Laboratories Limited	12,517	11,553
Dr. Reddy's Laboratories SA	6,001	5,500
Others	10,948	11,350
	60,921	**60,356**
Joint ventures		
Reddy Kunshan	**14**	**23**
Total	**60,935**	**60,379**
Interest income from subsidiaries including step down subsidiaries:		
Dr. Reddy's Farmaceutica Do Brasil Ltda.	11	19
Dr. Reddy's Bio-sciences Limited, India*	-	-
Industrias Quimicas Falcon de Mexico S.A. de C.V.	-	74
Total	**11**	**93**
* Rounded off to millions.		
Service income from subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories Inc.	143	116
Dr. Reddy's Laboratories SA	-	9
Total	**143**	**125**
Licence fees from subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories Inc.	14	40
Dr. Reddy's Laboratories SA	-	11
Total	**14**	**51**
Commission on guarantee to Dr. Reddy's Laboratories SA	49	89
Lease rentals received from		
Subsidiaries including step down subsidiaries		
Aurigene Discovery Technologies Limited	18	14
Joint ventures		
DRES Energy Private Limited	1	-
Total	**19**	**14**
Dividend income from Reddy Kunshan	392	-
Reimbursement of operating expenses by subsidiaries and step down subsidiaries:		
Aurigene Discovery Technologies Limited	40	42
Total	**40**	**42**
Purchases and services from		
Subsidiaries including step down subsidiaries		
OOO Dr. Reddy's Laboratories Limited	3,024	2,990
Industrias Quimicas Falcon de Mexico, S.A. de CV	995	476
Dr. Reddy's Research and Development B.V.	968	978
Dr. Reddy's Laboratories LLC, Ukraine	623	546
Dr. Reddy's Laboratories Inc.	590	796
Dr. Reddy's Laboratories (EU) Limited	488	438
Others	634	839
Total	**7,322**	**7,063**
Joint ventures		
DRES Energy Private Limited	108	-

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.23 Related parties (continued)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Purchases and services from (continued)		
Other related parties		
Dr. Reddy's Institute of Life Sciences	105	97
Indus Projects Private Limited	101	106
Others	4	1
Total	**210**	**204**
Purchase of assets from subsidiaries including step down subsidiaries		
Dr. Reddy's Laboratories Louisiana LLC	-	6
Dr. Reddy's Laboratories (UK) Limited	-	4
Total	**-**	**10**
Contributions towards social development		
Dr. Reddy's Foundation	218	192
Pudami Educational Society	15	28
Total	**233**	**220**
Catering services from Green Park Hospitality Services Private Limited	344	270
Facility management services from Green Park Hospitality Services Private Limited	24	-
Hotel expenses		
Green Park Hotels and Resorts Limited	15	21
Stamlo Industries Limited	7	5
Total	**22**	26
Lease rentals paid under cancellable leases to		
Key Managerial Personnel		
K Satish Reddy	13	13
Relatives of Key Managerial Personnel	22	21
Total	**35**	**34**
Salaries to relatives of Key Managerial Personnel	7	5
Remuneration to Key Managerial Personnel		
Salaries and other benefits[(1)]	495	556
Contributions to defined contribution plans	35	35
Commission to directors	298	243
Share-based payments expense	168	101
Total	**996**	**935**

[(1)] Some of the Key Managerial Personnel of the Company are also covered under the Company's Gratuity Plan along with the other employees of the Company. Proportionate amounts of gratuity accrued under the Company's Gratuity Plan have not been separately computed or included in the above disclosure.

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Investment made/(disposed) in		
Subsidiaries		
Dr. Reddy's Laboratories SA	14,485	-
Reddy Antilles N.V.	(411)	359
Regkinetics Services Limited	(200)	-
Dr. Reddy's Bio-sciences Limited	49	-
Total	**13,923**	**359**
Impairment/(reversal of impairment) in the value of non-current investments:		
Subsidiaries		
Reddy Antilles N.V.	(411)	359
Total	**(411)**	**359**

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.23 Related parties (continued)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Loans and advances given /(repaid by), net		
Subsidiaries and step down subsidiaries		
Dr. Reddy's Farmaceutica Do Brasil Ltda.	(343)	(10)
Dr. Reddy's Bio-sciences Limited	-*	-
Industrias Quimicas Falcon de Mexico S.A. de C.V.	-	(1,790)
Reddy Antilles N.V.	-	(359)
Total	**(343)**	**(2,159)**
Joint ventures		
DRES Energy Private Limited	(6)	20
Total	**(6)**	**20**
*Loans given / (repaid by) is inclusive of accrued interest		
Movement in other receivables from:		
Subsidiaries including step down subsidiaries		
Reddy Antilles N.V.	-	17
Joint ventures		
DRES Energy Private Limited	2	-
Total	**2**	**17**
Provision made/(reversed) on loans given to subsidiaries		
Reddy Antilles N.V.*	-	(359)
Total	**-**	**(359)**
Provision made/(reversed) for other assets		
Reddy Antilles N.V.	-	(17)
Guarantee given/(released) on behalf of Dr. Reddy's Laboratories SA	(17,289)	-

e) The Company has the following amounts due from/to related parties:

Particulars	As at 31 March 2020	As at 31 March 2019
Due from related parties		
Subsidiaries including step down subsidiaries (included in trade receivables)		
Dr. Reddy's Laboratories Inc.	20,785	14,800
OOO Dr. Reddy's Laboratories Limited	6,335	4,729
Others	9,468	8,762
Total	**36,589**	**28,291**
Joint ventures (included in trade receivables)		
Reddy Kunshan	3	-
DRES Energy Private Limited	16	-
	19	-
Others		
Greenpark Hospitality Services Private Limited	47	75
Rental deposit to Key Managerial Personnel and their relatives	8	8
Others	-*	-
Total	**55**	**83**
* Rounded off to millions.		
Due to related parties (included in trade payables and other current liabilities):		
Subsidiaries including step down subsidiaries and other consolidating entities		
OOO Dr. Reddy's Laboratories Limited	1,591	1,064
Industrias Quimicas Falcon de Mexico, S.A. de CV	341	199
Dr. Reddy's Laboratories Inc.	290	458
Dr. Reddy's Research and Development B.V.	256	128
Dr. Reddy's Laboratories (EU) Limited	190	172
Others	265	618
Total	**2,933**	**2,639**

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.23 Related parties (continued)

Particulars	As at 31 March 2020	As at 31 March 2019
Due to related parties (included in trade payables and other current liabilities) (continued)		
Joint ventures		
DRES Energy Private Limited	12	-
Others		
Greenpark Hospitality Services Private Limited	48	63
Indus Projects Private Limited	31	7
Green Park Hotels & Resorts Limited	-*	-*
Dr. Reddy's Institute of Life Sciences	-	10
Total	79	80
* Rounded off to millions.		
Outstanding Guarantee given on behalf of Dr. Reddy's Laboratories SA	-	17,289

Equity held in subsidiaries and joint venture has been disclosed under "Financial assets-Investments" (Note 2.5 A). Loans and advances to subsidiaries and joint venture have been disclosed under "Loans" (Note 2.5 C). Other receivables from subsidiaries and joint venture have been disclosed under "Other financial assets" (Note 2.5 D).

2.24 Employee stock incentive plans

Dr. Reddy's Employees Stock Option Plan -2002 (the "DRL 2002 Plan"):

The Company instituted the DRL 2002 Plan for all eligible employees pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The DRL 2002 Plan covers all employees and directors (excluding promoter directors) of the Company and its subsidiaries (collectively, "eligible employees"). The Nomination, Governance and Compensation Committee of the Board of the Company (the "Committee") administers the DRL 2002 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2002 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2002 Plan, as amended at annual general meetings of shareholders held on 28 July 2004 and on 27 July 2005, provides for stock option grants in two categories:

Category A: 300,000 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: 1,995,478 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Under the DRL 2002 Plan, the exercise price of the fair market value options granted under Category A above is determined based on the average closing price for 30 days prior to the grant in the stock exchange where there is highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after obtaining the approval of the shareholders in the annual general meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

After the stock split effected in the form of stock dividend issued by the Company in August 2006, the DRL 2002 Plan provides for stock option grants in the above two categories as follows:

Particulars	Number of options reserved under category A	Number of options reserved under category B	Total
Options reserved under original plan	300,000	1,995,478	2,295,478
Options exercised prior to stock dividend date (A)	94,061	147,793	241,854
Balance of shares that can be allotted on exercise of options (B)	205,939	1,847,685	2,053,624
Options arising from stock dividend (C)	205,939	1,847,685	2,053,624
Options reserved after stock dividend (A+B+C)	**505,939**	**3,843,163**	**4,349,102**

The term of the DRL 2002 plan was extended for a period of 10 years effective as of 29 January 2012 by the shareholders at the Company's Annual General Meeting held on 20 July 2012.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.24 Employee stock incentive plans (continued)

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended 31 March 2020 and 31 March 2019 is as follows:

Category A —Fair Market Value Options: There was no stock activity under this category during the years 31 March 2020 and 31 March 2019 and there were no stock options outstanding under this category as of 31 March 2020 and 31 March 2019.

Category B —Par Value Options: Stock options activity under this category during the years ended 31 March 2020 and 31 March 2019 was as set forth in the below table.

Particulars	For the year ended 31 March 2020			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	270,141	5.00	5.00	73
Granted during the year	49,796	5.00	5.00	90
Expired/forfeited during the year	(14,934)	5.00	5.00	-
Exercised during the year	(72,166)	5.00	5.00	-
Outstanding at the end of the year	**232,837**	**5.00**	**5.00**	**69**
Exercisable at the end of the year	**40,548**	**5.00**	**5.00**	**43**

Particulars	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	320,544	5.00	5.00	70
Granted during the year	122,372	5.00	5.00	90
Expired/forfeited during the year	(50,651)	5.00	5.00	-
Exercised during the year	(122,124)	5.00	5.00	-
Outstanding at the end of the year	**270,141**	**5.00**	**5.00**	**73**
Exercisable at the end of the year	**32,836**	**5.00**	**5.00**	**42**

The weighted average grant date fair value of options granted during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,746 and ₹ 2,195 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,681 and ₹ 2,302 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2020 and 31 March 2019 was ₹ 193 and ₹ 281, respectively. As of 31 March 2020, options outstanding had an aggregate intrinsic value of ₹ 725 and options exercisable had an aggregate intrinsic value of ₹ 126.

Dr. Reddy's Employees ADR Stock Option Plan, 2007 (the "DRL 2007 Plan"):

The Company instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2005. The DRL 2007 Plan became effective upon its approval by the Board of Directors on 22 January 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). The Committee administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2007 Plan provides for option grants in two categories:

Category A: 382,695 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: 1,148,084 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.24 Employee stock incentive plans (continued)

Stock option activity under the DRL 2007 Plan for the two categories of options during the years ended 31 March 2020 and 31 March 2019 was as follows:

Category A - Fair Market Value Options	For the year ended 31 March 2020			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	146,060	1,982.00/ 2,607.00	2,166.00	81
Granted during the year	61,700	2,814.00	2,814.00	90
Expired/forfeited during the year	(5,000)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**202,760**	**1,982.00/ 2,607.00/ 2,814.00**	**2,353.62**	**72**
Exercisable at the end of the year	**35,265**	**1,982.00/ 2,607.00**	**2,150.81**	**51**

Category A - Fair Market Value Options	For the year ended 31 March 2019			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	149,160	1,982.00/ 2,607.00	2,176.00	90
Expired/forfeited during the year	(3,100)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**146,060**	**1,982.00/ 2,607.00**	**2,166.00**	**81**
Exercisable at the end of the year	**-**	**-**	**-**	**-**

The weighted average grant date fair value of options granted during the years ended 31 March 2020 and 31 March 2019 was ₹ 993 and ₹ 515 per option, respectively.

As of 31 March 2020, options outstanding had an aggregate intrinsic value of ₹ 156 and options exercisable had an aggregate intrinsic value of ₹ 27.

Category B — Par Value Options	For the year ended 31 March 2020			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	115,155	5.00	5.00	73
Granted during the year	89,282	5.00	5.00	90
Expired/forfeited during the year	(18,886)	5.00	5.00	-
Exercised during the year	(33,968)	5.00	5.00	-
Outstanding at the end of the year	**151,583**	**5.00**	**5.00**	**73**
Exercisable at the end of the year	**14,166**	**5.00**	**5.00**	**44**

Category B — Par Value Options	For the year ended 31 March 2019			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	107,308	5.00	5.00	73
Granted during the year	70,730	5.00	5.00	90
Expired/forfeited during the year	(29,966)	5.00	5.00	-
Exercised during the year	(32,917)	5.00	5.00	-
Outstanding at the end of the year	**115,155**	**5.00**	**5.00**	**73**
Exercisable at the end of the year	**9,229**	**5.00**	**5.00**	**43**

The weighted average grant date fair value of options granted during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,747 and ₹ 2,056 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,757 and ₹ 2,445 per share, respectively.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.24 Employee stock incentive plans (continued)

The aggregate intrinsic value of options exercised during the years ended 31 March 2020 and 31 March 2019 was ₹ 93 and ₹ 80, respectively. As of 31 March 2020, options outstanding had an aggregate intrinsic value of ₹ 472 and options exercisable had an aggregate intrinsic value of ₹ 44.

Dr. Reddy's Employees Stock Option Scheme, 2018 (the "DRL 2018 Plan"):

The Company instituted the DRL 2018 Plan for all eligible employees pursuant to the special resolution approved by the shareholders at the Annual General Meeting held on 27 July 2018. The DRL 2018 Plan covers all employees and directors (excluding independent and promoter directors) of the Company and its subsidiaries (collectively, "eligible employees"). Upon the exercise of options granted under the DRL 2018 Plan, the applicable equity shares may be issued directly by the Company to the eligible employee or may be transferred from the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") to the eligible employee. The ESOS Trust may acquire such equity shares through primary issuances by the Company and/or by way of secondary market acquisitions funded through loans from the Company. The Nomination, Governance and Compensation Committee of the Board of the Company (the "Compensation Committee") administers the DRL 2018 Plan and grants stock options to eligible employees, but may delegate functions and powers relating to the administration of the DRL 2018 Plan to the ESOS Trust. The Compensation Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant.

The options issued under the DRL 2018 Plan vest in periods ranging between the end of one and five years, and generally have a maximum contractual term of five years.

The DRL 2018 Plan provides for option grants having an exercise price equal to the fair market value of the underlying equity shares on the date of grant as follows:

Particulars	Number of securities to be acquired from secondary market	Number of securities to be issued by the Company	Total
Options reserved against equity shares	2,500,000	1,500,000	4,000,000
Options reserved against ADRs	-	1,000,000	1,000,000
Total	2,500,000	2,500,000	5,000,000

As at 31 March 2020, the outstanding shares purchased from secondary market are 395,950 shares for an aggregate consideration of ₹ 1,006.

Stock option activity under the DRL 2018 Plan during the years ended 31 March 2020 and 31 March 2019 was as follows:

Fair Market Value Options	For the year ended 31 March 2020			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	229,600	2,607.00	2,607.00	84
Granted during the year	169,900	2,814.00/ 3,031.00	2,817.07	90
Expired/forfeited during the year	(22,575)	2,607.00/ 2,814.00/ 3,031.00	2,687.84	-
Exercised during the year	(1,150)	2,607.00	2,607.00	-
Outstanding at the end of the year	**375,775**	**2,607.00/ 2,814.00**	**2,697.12**	**75**
Exercisable at the end of the year	**53,100**	**2,607.00**	**2,607.00**	**53**

Fair Market Value Options	For the year ended 31 March 2019			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	235,700	2,607.00	2,607.00	90
Expired/forfeited during the year	(6,100)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**229,600**	**2,607.00**	**2,607.00**	**84**
Exercisable at the end of the year	**-**	**-**	**-**	**-**

The weighted average grant date fair value of options granted during the years ended 31 March 2020 and 31 March 2019 was ₹ 994 and ₹ 667 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,914 and ₹ Nil per share, respectively.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.24 Employee stock incentive plans (continued)

The aggregate intrinsic value of options exercised during the years ended 31 March 2020 and 31 March 2019 was ₹ 0.35 and ₹ Nil, respectively. As of 31 March 2020, options outstanding had an aggregate intrinsic value of ₹ 159 and options exercisable had an aggregate intrinsic value of ₹ 22.

Valuation of stock options:

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted. The fair value of stock options granted under the DRL 2002 Plan, the DRL 2007 Plan and the DRL 2018 Plan has been measured using the Black–Scholes-Merton model at the date of the grant.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options granted, the expected term of an option (or "option life") is estimated based on the vesting term and contractual term, as well as the expected exercise behavior of the employees receiving the option. In respect of fair market value options granted, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock-based compensation expense could be materially impacted in future years.

The estimated fair value of stock options is recognised in the statement of profit and loss on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

The weighted average inputs used in computing the fair value of options granted were as follows:

Particulars	Grants made on			
	26 January 2020	31 October 2019	16 May 2019	16 May 2019
Expected volatility	27.00%	27.10%	28.25%	29.29%
Exercise price	₹ 3,031.00	₹.5.00	₹ 2,814.00	₹ 5.00
Option life	5.0 Years	2.5 Years	5.0 Years	2.5 Years
Risk-free interest rate	6.61%	5.72%	7.14%	6.76%
Expected dividends	0.66%	0.72%	0.71%	0.71%
Grant date share price	₹ 3,031.00	₹ 2,783.20	₹ 2,801.00	₹ 2,801.00

Particulars	Grants made on			
	31 January 2019	21 September 2018	26 July 2018	21 May 2018
Expected volatility	32.92%	33.98%	34.89%	32.97%
Exercise price	₹ 5.00	₹ 5.00/ ₹ 2,607.00	₹ 5.00	₹ 5.00/ ₹ 1,982.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	7.00%	7.90%	7.47%	7.46%
Expected dividends	0.74%	0.78%	0.94%	1.06%
Grant date share price	₹ 2,720.80	₹ 2,556.25	₹ 2,132.75	₹ 1,893.05

Share-based payment expense

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Equity settled share-based payment expense[1]	521	389
Cash settled share-based payment expense[2]	28	13
	549	**402**

(1) As of 31 March 2020 and 31 March 2019, there was ₹ 515 and ₹ 519, respectively, of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 1.93 years and 2.09 years, respectively.

(2) Certain of the Company's employees are eligible for share-based payment awards that are settled in cash. These awards entitle the employees to a cash payment, on the exercise date, subject to vesting upon satisfaction of certain service conditions which range from 1 to 4 years. The amount of cash payment is determined based on the price of the Company's ADs at the time of vesting. As of 31 March 2020, there was ₹ 25 of total unrecognised compensation cost related to unvested awards. This cost is expected to be recognised over a weighted-average period of 1.88 years. This Scheme does not involve dealing in or subscribing to or purchasing securities of the Company, directly or indirectly.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.25 Employee benefits

Total employee benefit expenses, including share-based payments, incurred during the years ended 31 March 2020 and 31 March 2019 amounted to ₹ 20,302 and ₹19,319, respectively.

Gratuity benefits provided by the Company

In accordance with applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Effective 1 September 1999, the Company established the Dr. Reddy's Laboratories Gratuity Fund (the "Gratuity Fund") to fund the Gratuity Plan. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund. Trustees administer the contributions made to the Gratuity Fund. Amounts contributed to the Gratuity Fund are invested in bonds issued by the Government of India and in debt securities and equity securities of Indian companies.

The components of gratuity cost recognised in the statement of profit and loss for the years ended 31 March 2020 and 31 March 2019 consist of the following:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current service cost	276	265
Interest on net defined benefit liability	(4)	(2)
Gratuity cost recognised in statement of profit and loss	**272**	**263**

Details of the employee benefits obligations and plan assets are provided below:

Particulars	As at 31 March 2020	As at 31 March 2019
Present value of funded obligations	2,349	2,200
Fair value of plan assets	(2,160)	(2,174)
Net defined benefit liability recognised	**189**	**26**

Details of changes in the present value of defined benefit obligations are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Defined benefit obligations at the beginning of the year	2,200	2,007
Current service cost	276	265
Interest on defined obligations	152	145
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	(96)	28
Actuarial loss/(gain) due to demographic assumptions	(48)	-*
Actuarial loss/(gain) due to experience changes	59	-*
Benefits paid	(194)	(245)
Defined benefit obligations at the end of the year	**2,349**	**2,200**

* Rounded off to millions.

Details of changes in the fair value of plan assets are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Fair value of plan assets at the beginning of the year	2,174	1,958
Employer contributions	14	294
Interest on plan assets	156	147
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	10	20
Benefits paid	(194)	(245)
Plan assets at the end of the year	**2,160**	2,174

Sensitivity Analysis:

Particulars	As at 31 March 2020
Defined benefit obligation without effect of projected salary growth	1,593
Add: Effect of salary growth	756
Defined benefit obligation with projected salary growth	2.349
Defined benefit obligation, using discount rate minus 50 basis points	2,419
Defined benefit obligation, using discount rate plus 50 basis points	2,282
Defined benefit obligation, using salary growth rate plus 50 basis points	2,418
Defined benefit obligation, using salary growth rate minus 50 basis points	2,282

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.25 Employee benefits (continued)

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Gratuity plan are as follows:

The assumptions used to determine benefit obligations:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Discount rate	6.65%	7.45%
Rate of compensation increase	7.50%	8% per annum for the first year and 9% per annum thereafter

The assumptions used to determine gratuity cost:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Discount rate	7.45%	7.75%
Rate of compensation increase	**8% per annum for the first year and 9% per annum thereafter**	**7% per annum for the first year and 9% per annum thereafter**

Contributions: The Company expects to contribute ₹ 189 to the Gratuity Plan during the year ending 31 March 2021.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation at 31 March 2020 and 31 March 2019, by asset category, was as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Funds managed by insurers	99%	99%
Others	1%	1%

The expected future cash flows in respect of gratuity as at 31 March 2020 were as follows:

Particulars	Amount
Expected contributions	
During the year ended 31 March 2021 (estimated)	189
Expected future benefit payments	
31 March 2021	413
31 March 2022	301
31 March 2023	294
31 March 2024	273
31 March 2025	259
Thereafter	2,201

Provident fund benefits

Certain categories of employees of the Company receive benefits from a provident fund, a defined contribution plan. Both the employee and employer each make monthly contributions to a government administered fund equal to 12% of the covered employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 780 and ₹ 710 to the provident fund plan during the years ended 31 March 2020 and 31 March 2019, respectively.

Superannuation benefits

Certain categories of employees of the Company participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. The Company makes monthly contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 82 and ₹ 84 to the superannuation plan during the years ended 31 March 2020 and 31 March 2019, respectively.

Compensated absences

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded by the Company towards this obligation was ₹ 902 and ₹ 821 as at 31 March 2020 and 31 March 2019, respectively.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.26 Income taxes

a) Income tax expense/ (benefit) recognised in the statement of profit and loss

Income tax expense recognised in the statement of profit and loss consists of the following:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current taxes	4,839	2,818
Deferred taxes expense/(benefit)	(6,458)	1,416
Total income tax expense recognised in the statement of profit and loss	**(1,619)**	**4,234**

b) Income tax expense/(benefit) recognised directly in equity

Income tax expense/(benefit) recognised directly in equity consist of the following:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Tax effect on effective portion of change in fair value of cash flow hedges	(259)	73
Tax effect on actuarial gains/losses on defined benefit obligations	33	(3)
Total income tax expense/(benefit) recognised in the equity	**(226)**	**70**

c) Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended 31 March 2020 and 31 March 2019:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit before income taxes	27,758	17,007
Enacted tax rate in India	34.94%	34.94%
Computed expected tax expense	9,699	5,942
Effect of:		
Unrecognised deferred tax assets/(recognition of previously unrecognised deferred tax assets), net	(6,640)	398
Reversal of earlier year's tax provisions	-	(133)
Income exempt from income taxes	(811)	(1,146)
Incremental deduction allowed for research and development costs[(1)]	(1,241)	(1,134)
Income from sale of capital assets	(2,620)	-
Other items	(6)	307
Income tax expense	**(1,619)**	**4,234**
Effective tax rate	**(5.83)%**	**24.90%**

(1) India's Finance Act, 2016 incorporated an amendment that reduces the weighted deduction on eligible research and development expenditure in a phased manner from 200% to 150% commencing from 1 April 2017, and from 150% to 100% effective from 1 April 2020.

The Company's average effective tax rate for the years ended 31 March 2020 and 31 March 2019 were (5.83)% and 24.90%, respectively.

The decrease in the Company's effective tax rate for the year ended 31 March 2020 as compared to the year ended 31 March 2019 was primarily on account of:

- recognition of a deferred tax asset related to the Minimum Alternate Tax ("MAT") credits on account of reduction in the MAT rate from 21.55% to 17.47% vide recently enacted Taxation laws (Amendment) Act 2019 for the fiscal year ended 31 March 2020 and subsequent periods.
- recognition of deferred tax asset pursuant to planned restructuring activity between the group companies.
- Non taxability of income from sale of capital assets as it is set off against the carried forward capital loss.

d) Unrecognised deferred tax assets

The details of unrecognised deferred tax assets are summarised below:

Particulars	As at 31 March 2020	As at 31 March 2019
Taxable/Deductible temporary differences, net	-	4,989
	-	**4,989**

During the year ended 31 March 2020, the Company has recognised deferred tax assets of ₹ 4,989, primarily on MAT credit entitlement, as the Company believes that availability of taxable profits to utilise the credit is probable.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.26 Income taxes (continued)

e) Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	6,247	1,630
Trade receivables	243	245
Operating tax loss/capital loss	1,651	-
Current liabilities and provisions	597	266
Loans	(65)	(65)
Property, plant and equipment	(2,331)	(2,549)
Investments	(213)	(82)
Net deferred tax assets/(Liabilities)	**6,129**	**(555)**

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income Tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. If in any year the Company pays liability as per MAT, then it is entitled to claim credit of MAT paid over and above the normal tax liability in the subsequent years. The MAT credit is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years starting from the succeeding financial year in which such credit was generated.

In assessing whether the deferred tax assets will be realised, management considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible differences and tax loss carry forwards. Recoverability of deferred tax assets is based on estimates of future taxable income. Any changes in such future taxable income would impact the recoverability of deferred tax assets.

f) Movement in deferred tax assets and liabilities during the years ended 31 March 2020 and 31 March 2019

Particulars	As at 1 April 2019	Recognised in the statement of profit and loss	Recognised in equity	As at 31 March 2020
Deferred tax assets/(liabilities)				
Minimum Alternate Tax	1,630	4,617	-	6,247
Trade receivables	245	(2)	-	243
Operating tax loss/capital loss	-	1,651	-	1,651
Current liabilities and provisions	266	105	226	597
Loans	(65)	-	-	(65)
Property, plant and equipment	(2,549)	218	-	(2,331)
Investments	(82)	(131)	-	(213)
Net deferred tax assets/(liabilities)	**(555)**	**6,458**	**226**	**6,129**

Particulars	As at 1 April 2018	Recognised in the statement of profit and loss	Recognised in equity	As at 31 March 2019
Deferred tax assets/(liabilities)				
Minimum Alternate Tax	1,630	-	-	1,630
Trade receivables	1,479	(1,234)	-	245
Operating tax loss/capital loss	9	(9)	-	-
Current liabilities and provisions	331	5	(70)	266
Loans	16	(81)	-	(65)
Property, plant and equipment	(2,518)	(31)	-	(2,549)
Investments	(16)	(66)	-	(82)
Net deferred tax assets/(liabilities)	**931**	**(1,416)**	**(70)**	**(555)**

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.27 Operating leases

The Company has leased offices and vehicles under various operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under these leases was ₹ 278 for the year ended 31 March 2019.

The schedule of future minimum rental payments in respect of non-cancellable operating leases as at 31 March 2019 is set out below:

Particulars	As at 31 March 2019
Less than one year	118
Between one and five years	114
Total	**232**

Commencing 1 April 2019, upon adoption of Ind AS 116, "*Leases*", majority of leases for which the Company is lessee become balance sheet liability with corresponding right-of-use assets recognised in the Balance sheet.

Upon adoption of the new standard, a portion of the annual operating lease costs, which was previously fully recognised as a functional expense, is recorded as finance costs.

2.28 Finance lease

There are no assets taken on finance lease as on 31 March 2019.

2.29 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, bonds, equity and debt securities, trade receivables, cash and cash equivalents, loans and borrowings, and trade payables.

Derivative financial instruments

The Company uses derivative contracts like forwards, options and interest rate swaps to mitigate its risk of changes in foreign currency exchange rates and interest rates.

The carrying value and fair value of financial instruments as at 31 March 2020 and 31 March 2019 were as follows:

Particulars	As at 31 March 2020		As at 31 March 2019	
	Total carrying value	Total fair value/ amortised cost	Total carrying value	Total fair value/ amortised cost
Financial assets				
Cash and cash equivalents	392	392	1,132	1,132
Investments*	54,855	54,855	39,335	39,335
Trade receivables	48,124	48,124	37,290	37,290
Loans	12	12	332	332
Derivative instruments	783	783	335	335
Other financial assets	2,362	2,362	1,139	1,139
Total	**106,528**	**106,528**	**79,563**	**79,563**
Financial liabilities				
Trade payables	10,684	10,684	10,316	10,316
Long-term borrowings	193	193	3,454	3,454
Short-term borrowings	10,436	10,436	5,463	5,463
Derivative instruments	1,524	1,524	45	45
Other financial liabilities	13,928	13,928	10,160	10,160
Total	**36,765**	**36,765**	**29,438**	**29,438**

* Interest accrued but not due on investments is included in other financial assets.

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 Financial instruments (continued)

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2020:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	11,370	-	-	11,370
FVTOCI - Financial asset - Investment in equity securities	11	-	-	11
FVTOCI - Financial asset - Investment in market linked debentures	1,993	-	-	1,993
Derivative financial instruments – net gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[1]	-	(741)	-	(741)

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2019:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	14,900	-	-	14,900
FVTOCI - Financial asset - Investment in equity securities	38	-	-	38
Derivative financial instruments - gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[1]	-	290	-	290

[1] The Company enters into derivative financial instruments with various counterparties, principally financial institutions and banks. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward option and swap contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black-Scholes-Merton models (for option valuation), using present value calculations. The models incorporate various inputs including foreign exchange forward rates, interest rate curves and forward rate curves.

As at 31 March 2020 and 31 March 2019, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Derivative Financial instruments

The Company had a derivative financial asset and derivative financial liability of ₹ 783 and ₹ 1524, respectively, as at 31 March 2020 as compared to derivative financial asset and derivative financial liability of ₹ 335 and ₹ 45, respectively, as at 31 March 2019 towards these derivative financial instruments.

Details of gain/(loss) recognised in respect of derivative contracts

The following table presents details in respect of the gain/(loss) recognised in respect of derivative contracts during the applicable year ended:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Net gain/ (loss) recognised as part of statement of profit and loss in respect of foreign exchange derivative contracts and cross currency interest rate swaps contracts	(986)	(257)
Net gain/(loss) recognised in equity in respect of hedges of highly probable forecast transactions	(743)	209
Net gain/(loss) reclassified from equity and recognised as component of revenue occurrence of forecasted transaction	(34)	(529)

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a loss of ₹ 537 as at 31 March 2020, as compared to a gain of ₹ 205 as at 31 March 2019.

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2020:

Category	Instrument	Currency[1]	Cross Currency[1]	Amounts in millions	Buy/Sell
Hedges of recognised assets and liabilities	Forward contract	US$	INR	US$ 148	Sell
	Forward contract	RUB	INR	RUB 5,968	Sell
	Forward contract	GBP	INR	GBP 9	Sell
	Forward contract	AUD	INR	AUD 4	Sell
	Forward contract	CHF	INR	CHF 200	Sell
	Forward contract	ZAR	INR	ZAR 71	Sell
	Option contract	US$	INR	US$ 140	Sell
Hedges of highly probable forecasted transactions	Option contract	US$	INR	US$ 270	Sell

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2019:

Category	Instrument	Currency[1]	Cross Currency[1]	Amounts in millions	Buy/Sell
Hedges of recognised assets and liabilities	Forward contract	US$	INR	US$ 261	Sell
	Forward contract	RUB	INR	RUB 2,710	Sell
	Forward contract	GBP	INR	GBP 18	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 1,350	Sell
	Option contract	US$	INR	US$ 300	Sell

[1] "INR" means Indian Rupees, "US$" means United States dollars, "RUB" means Russian roubles."GBP" means U.K. pounds sterling, "AUD" means Australian dollars, "CHF" means Swiss francs and "ZAR"means South Aftrican rands.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 Financial instruments (continued)

The table below summarises the periods when the cash flows associated with highly probable forecast transactions that are classified as cash flow hedges are expected to occur:

Particulars	As at 31 March 2020	As at 31 March 2019
Cash flows in US$		
Not later than one month	2,648	2,420
Later than one month and not later than three months	5,297	4,841
Later than three months and not later than six months	7,945	7,261
Later than six months and not later than one year	4,540	6,225
	20,430	**20,747**
Cash flows in Russian Roubles		
Not later than one month	-	161
Later than one month and not later than three months	-	320
Later than three months and not later than six months	-	480
Later than six months and not later than one year	-	480
	-	**1,441**

Hedges of changes in the interest rates:

Consistent with its risk management policy, the Company uses interest rate swaps (including cross currency interest rate swaps) to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

A net gain/loss of ₹ Nil, representing the changes in the fair value of interest rate swaps used as hedging instrument in a cash flow hedge is recognised in the statement of other comprehensive income. For balance interest rate swaps, the changes in fair value (including cross currency interest rate swaps) are recognised as part of the foreign exchange gain and losses and finance costs. Accordingly the Company has recorded, as part of statement of profit and loss, a net gain of ₹ 36 and a net loss of ₹ 0 for the year ended 31 March 2020 and 31 March 2019 respectively.

The Company had outstanding interest swap arrangements that hedged a portion of interest rate risk arising from floating rate, dollar denominated foreign currency borrowing of ₹ Nil and ₹ Nil as at 31 March 2020 and 31 March 2019, respectively.

2.30 Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimise potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

a) Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short-term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in United States dollars, Russian roubles, U.K pounds sterling and Euros) and foreign currency borrowings (in United States dollars). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in Indian rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. Consequently, the Company uses both derivative and non-derivative financial instruments, such as foreign exchange forward contracts, option contracts, currency swap contracts and foreign currency financial liabilities, to mitigate the risk of changes in foreign currency exchange rates in respect of its highly probable forecast transactions and recognised assets and liabilities.

The details in respect of the outstanding foreign exchange forward and option contracts are given in note 2.29 above.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.30 Financial risk management (continued)

In respect of the Company's forward contracts and option contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- a ₹ 1,303/(1,837) increase/(decrease) in the Company's hedging reserve and a ₹ 4,195/(4,246) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2020;
- a ₹ 1,884/(1,363) increase/(decrease) in the Company's hedging reserve and a ₹ 2,256/(2,256) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2019;

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2020:

(All figures in equivalent Indian Rupees millions)

Particulars	US$	Euro	Russian roubles	Others [1]	Total
Assets:					
Cash and cash equivalents	219	-	4	69	292
Trade receivables	35,896	610	7,318	1,325	45,149
Investments	-	-	-	15,658	15,658
Other financial assets	716	19	3	9	747
Total	**36,831**	**629**	**7,325**	**17,061**	**61,846**
Liabilities:					
Trade payables	2,632	384	-	165	3,181
Long-term borrowings	-	-	1	33	34
Short-term borrowings	6,432	-	-	-	6,432
Other financial liabilities	6,127	194	1,647	234	8,202
Total	**15,191**	**578**	**1,648**	**432**	**17,849**

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2019:

(All figures in equivalent Indian Rupees millions)

Particulars	US$	Euro	Russian roubles	Others[1]	Total
Assets:					
Cash and cash equivalents	78	19	6	19	122
Trade receivables	27,159	823	5,525	1,225	34,732
Other financial assets	415	17	3	124	559
Total	**27,652**	**859**	**5,534**	**1,368**	**35,413**
Liabilities:					
Trade payables	1,704	753	-	132	2,589
Long-term borrowings	3,454	-	-	-	3,454
Short-term borrowings	5,463	-		-	5,463
Other financial liabilities	3,915	86	1,146	221	5,368
Total	**14,536**	**839**	**1,146**	**353**	**16,874**

(1) Others include currencies such as Mexican pesos, U.K pounds sterling and Swiss francs.

For the years ended 31 March 2020 and 31 March 2019, every 10% depreciation/appreciation in the exchange rate between the Indian rupee and the respective currencies for the above mentioned financial assets/liabilities would affect the Company's net profit by ₹ 4,400 and ₹ 1,854, respectively.

Interest rate risk

As of 31 March 2020, the Company had loans with floating interest rates as follows: ₹ 10,215 of loans carrying a floating interest rates ranging from1 Month LIBOR plus 12.5 bps to 1 Month LIBOR plus 82.7 bps and ₹ 4,000 of loans carrying a floating interest rate of 1 Month India Treasury Bill plus 60 bps. As of 31 March 2019, the Company had loans with floating interest rates as follows: ₹ 10,650 of loans carrying a floating interest rate of 1 Month LIBOR plus 25 bps to 1 Month LIBOR plus 82.7 bps. These loans expose the Company to risk of changes in interest rates. The Company's treasury department monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary.

For details of the Company's short-term and long-term loans and borrowings, including interest rate profiles, refer note 2.9A and 2.9B of these financial statements.

For the years ended 31 March 2020 and 31 March 2019, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR, Treasury bill) applicable to its loans and borrowings would affect the Company's net profit by ₹ 27 and ₹ 27, respectively.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.30 Financial risk management (continued)

The carrying value of the Company's borrowings, interest component of which designated in a cash flow hedge was ₹ Nil and ₹ Nil as of 31 March 2020 and 31 March 2019, respectively.

The Company's investments in term deposits (i.e, certificates of deposit) with banks and short-term liquid mutual funds are for short durations, and therefore do not expose the Company to significant interest rates risk.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of 31 March 2020, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for credit losses and impairment that represents its estimate of expected losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

Details of financial assets – not due, past due and impaired

None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) with banks, were past due or impaired as at 31 March 2020. The Company's credit period for trade receivables payable by its customers generally ranges from 20 - 180 days.

The ageing of trade receivables is given below:

Particulars	As at 31 March 2020	As at 31 March 2019
Neither past due nor impaired	38,935	30,349
Past due but not impaired		
Less than 365 days	9,321	7,019
More than 365 days	314	389
	48,570	**37,757**
Less: Allowance for credit losses	(446)	(467)
Total	**48,124**	**37,290**

Refer note 2.5 B of these financial statements for the activity in the allowance for credit losses.

Loans and advances

Loans and advances are predominantly given to subsidiaries for the purpose of working capital and other business requirements.

Refer note 2.5 C of these financial statements for the activity in the allowance for doubtful advances.

Other than trade receivables and loans and advances, the Company has no significant class of financial assets that is past due but not impaired.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.30 Financial risk management (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

As at 31 March 2020 and 31 March 2019, the Company had uncommitted lines of credit from banks of ₹ 20,743 and ₹ 33,327 respectively.

As at 31 March 2020, the Company had working capital of ₹ 59,262, including cash and cash equivalents of ₹ 392, investments in term deposits with banks (i.e., deposits having original maturities of more than 3 months) of ₹ 5,003, investments in bonds of ₹ 1,851, investment in commercial paper of ₹ 967, investments in marked linked debentures of ₹ 1,993 and investments mutual funds of ₹ 11,370.

As at 31 March 2019, the Company had working capital of ₹ 58,539, including cash and cash equivalents of ₹ 1,132, investments in term deposits with banks (i.e., deposits having original maturities of more than 3 months) of ₹ 513, investments in bonds of ₹ 5,272, investment in commercial paper of ₹ 459 and investments in mutual funds of ₹ 14,900.

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long-term borrowings and obligations under leases, which have been disclosed in note 2.9 A to these financial statements) as at 31 March 2020:

Particulars	2021	2022	2023	2024	Thereafter	Total
Trade payables	10,684	-	-	-	-	10,684
Short-term borrowings	10,436	-	-	-	-	10,436
Other financial liabilities	13,928	-	-	-	-	13,928
Derivative instruments – liabilities	1,524	-	-	-	-	1,524

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long-term loans, borrowings and obligations under finance leases, which have been disclosed in note 2.9 A to these financial statements) as at 31 March 2019:

Particulars	2020	2021	2022	2023	Thereafter	Total
Trade payables	10,316	-	-	-	-	10,316
Short-term borrowings	5,463	-	-	-	-	5,463
Other financial liabilities	10,160	-	-	-	-	10,160
Derivative instruments – liabilities	45	-	-	-	-	45

2.31 Contingent liabilities and commitments

A. Contingent liabilities (claims against the Company not acknowledged as debts)

The Company is involved in disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. The more significant matters are discussed below. Most of the claims involve complex issues. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. This is due to a number of factors, including: the stage of the proceedings (in many cases trial dates have not been set) and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. In these cases, the Company discloses information with respect to the nature and facts of the case. The Company also believes that disclosure of the amount sought by plaintiffs, if that is known, would not be meaningful with respect to those legal proceedings.

Although there can be no assurance regarding the outcome of any of the legal proceedings or investigations referred to in this note, the Company does not expect them to have a materially adverse effect on its financial position, as it believes that the likelihood of loss in excess of amounts accrued (if any) is not probable. However, if one or more of such proceedings were to result in judgements against the Company, such judgements could be material to its results of operations in a given period.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Contingent liabilities and commitments (continued)

(i) Product and patent related matters

Matters relating to National Pharmaceutical Pricing Authority

Norfloxacin, India litigation

The Company manufactures and distributes Norfloxacin, a formulations product, and in limited quantities, the active pharmaceutical ingredient norfloxacin. Under the Drugs (Prices Control) Order (the "DPCO"), the National Pharmaceutical Pricing Authority (the "NPPA") established by the Government of India had the authority to designate a pharmaceutical product as a "specified product" and fix the maximum selling price for such product. In 1995, the NPPA issued a notification and designated Norfloxacin as a "specified product" and fixed the maximum selling price. In 1996, the Company filed a statutory Form III before the NPPA for the upward revision of the maximum selling price and a writ petition in the Andhra Pradesh High Court (the "High Court") challenging the validity of the designation on the grounds that the applicable rules of the DPCO were not complied with while fixing the maximum selling price.

The High Court had previously granted an interim order in favour of the Company; however it subsequently dismissed the case in April 2004.

The Company filed a review petition in the High Court in April 2004 which was also dismissed by the High Court in October 2004. Subsequently, the Company appealed to the Supreme Court of India, New Delhi (the "Supreme Court") by filing a Special Leave Petition.

During the year ended 31 March 2006, the Company received a notice from the NPPA demanding the recovery of the price charged by the Company for sales of Norfloxacin in excess of the maximum selling price fixed by the NPPA, which was ₹ 285 including interest.

The Company filed a writ petition in the High Court challenging this demand order. The High Court admitted the writ petition and granted an interim order, directing the Company to deposit 50% of the principal amount claimed by the NPPA, which was ₹ 77. The Company deposited this amount with the NPPA in November 2005. In February 2008, the High Court directed the Company to deposit an additional amount of ₹ 30, which was deposited by the Company in March 2008. In November 2010, the High Court allowed the Company's application to include additional legal grounds that the Company believed strengthened its defense against the demand. For example, the Company added as grounds that trade margins should not be included in the computation of amounts overcharged, and that it was necessary for the NPPA to set the active pharmaceutical ingredient price before the process of determining the ceiling on the formulation price. In October 2013, the Company filed an additional writ petition before the Supreme Court challenging the inclusion of Norfloxacin as a "specified product" under the DPCO. In January 2015, the NPPA filed a counter affidavit stating that the inclusion of Norfloxacin was based upon the recommendation of a committee consisting of experts in the field. On 20 July 2016, the Supreme Court remanded the matters concerning the inclusion of Norfloxacin as a "specified product" under the DPCO back to the High Court for further proceedings. During the three months ended 30 September 2016, the Supreme Court dismissed the Special Leave Petition pertaining to the fixing of prices for Norfloxacin formulations.

During the three months ended 31 December 2016, a writ petition pertaining to Norfloxacin was filed by the Company with the Delhi High Court. The matter has been adjourned to 11 June 2020 for hearing.

Based on its best estimate, the Company has recorded a provision for potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

Litigation relating to Cardiovascular and Anti-diabetic formulations

In July 2014, the NPPA, pursuant to the guidelines issued in May 2014 and the powers granted by the Government of India under the Drugs (Price Control) Order, 2013, issued certain notifications regulating the prices for 108 formulations in the cardiovascular and antidiabetic therapeutic areas. The Indian Pharmaceutical Alliance ("IPA"), in which the Company is a member, filed a writ petition in the Bombay High Court challenging the notifications issued by the NPPA on the grounds that they were ultra vires, ex facie and ab initio void. The Bombay High Court issued an order to stay the writ in July 2014. On 26 September 2016, the Bombay High Court dismissed the writ petition filed by the IPA and upheld the validity of the notifications/orders passed by the NPPA in July 2014. Further, on 25 October 2016, the IPA filed a Special Leave Petition with the Supreme Court, which was dismissed by the Supreme Court.

During the three months ended 31 December 2016, the NPPA issued show-cause notices relating to allegations that the Company exceeded the notified maximum prices for 11 of its products. The Company has responded to these notices.

On 20 March 2017, the IPA filed an application before the Bombay High Court for the recall of the judgement of the Bombay High Court dated 26 September 2016. This recall application filed by the IPA was dismissed by the Bombay High Court on 4 October 2017. Further, on 13 December 2017, the IPA filed a Special Leave Petition with the Supreme Court for the recall of the judgement of the Bombay High Court dated 4 October 2017, which was dismissed by Supreme Court on 10 January 2018.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Contingent liabilities and commitments (continued)

During the three months ended 31 March 2017, the NPPA issued notices to the Company demanding payments relating to the foregoing products for the allegedly overcharged amounts, along with interest. On 13 July 2017, in response to a writ petition which the Company had filed, the Delhi High Court set aside all the demand notices of the NPPA and directed the NPPA to provide a personal hearing to the Company and pass a speaking order. A personal hearing in this regard was held on 21 July 2017. On 27 July 2017, the NPPA passed a speaking order along with the demand notice directing the Company to pay an amount of ₹ 776. On 3 August 2017, the Company filed a writ petition challenging the speaking order and the demand notice. Upon hearing the matter on 8 August 2017, the Delhi High Court stayed the operation of the demand order and directed the Company to deposit ₹ 100 and furnish a bank guarantee for ₹ 676.

Pursuant to the order, the Company deposited ₹ 100 on 13 September 2017 and submitted a bank guarantee of ₹ 676 dated 15 September 2017 to the Registrar General, Delhi High Court. On 22 November 2017, the Delhi High Court directed the Union of India to file a final counter affidavit within six weeks, subsequent to which the Company could file a rejoinder. On 10 May 2018, the counter affidavit was filed by the Union of India. The Company subsequently filed a rejoinder and both were taken on record by the Delhi High Court. The matter has been adjourned to 16 June 2020 for hearing.

Based on its best estimate, the Company has recorded a provision of ₹ 268 under “Selling and other expenses” as a potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

However, if the Company is unsuccessful in such litigation, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and could potentially include penalties, which amounts are not readily ascertainable.

Class Action and Other Civil Litigation on Pricing/Reimbursement Matters

On 30 December 2015 and on 4 February 2016, respectively, a class action complaint (the “First Pricing Complaint”) and another complaint (not a class action) (the “Second Pricing Complaint”) were filed against the Company and eighteen other pharmaceutical defendants in State Court in the Commonwealth of Pennsylvania. In these actions, the class action plaintiffs allege that the Company and other defendants, individually or in some cases in concert with one another, have engaged in pricing and price reporting practices in violation of various Pennsylvania state laws. More specifically, the plaintiffs allege that: (1) the Company provided false and misleading pricing information to third party drug compendia companies for the Company’s generic drugs, and such information was relied upon by private third party payers that reimbursed for drugs sold by the Company in the United States, and (2) the Company acted in concert with certain other defendants to unfairly raise the prices of generic divalproex sodium ER (bottle of 80, 500 mg tablets ER 24H) and generic pravastatin sodium (bottle of 500, 10 mg tablets).

The First Pricing Complaint was removed to the U.S. District Court for the Eastern District of Pennsylvania (the “E.D.P.A. Federal Court”) and, pending the outcome of the First Pricing Complaint, the Second Pricing Complaint was stayed. On 25 September 2017, the E.D.P.A. Federal Court dismissed all the claims of the plaintiffs in the First Pricing Complaint and denied leave to amend such complaint as futile. Subsequent to this decision, the plaintiffs’ right to appeal the dismissal of the First Pricing Complaint expired.

Further, on 17 November 2016, certain class action complaints were filed against the Company and a number of other pharmaceutical companies as defendants in the E.D.P.A. Federal Court. Subsequently, these complaints were consolidated into one amended complaint as part of a multi-district, multi product litigation pending with the E.D.P.A. Federal Court. These complaints allege that the Company and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets and divalproex sodium extended-release tablets in the United States.

In March 2017, plaintiffs agreed by stipulation to dismiss Dr. Reddy’s Laboratories Inc. and Dr. Reddy’s Laboratories Limited from the actions related to pravastatin sodium tablets without prejudice. The Company denies any wrongdoing and intends to vigorously defend against these allegations.

In response to the consolidated new complaint, the Company filed a motion to dismiss in October 2017. The plaintiffs filed opposition to the motion to dismiss in December 2017 and a reply was filed by the Company in January 2018. In October 2018, the Court denied the motion to dismiss on the grounds that the allegations pled leave open the possibility of conspiracy. Therefore, discovery will proceed to look into this possibility.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Also any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in the financial statements of the Company.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Contingent liabilities and commitments (continued)

(ii) Civil litigation with Mezzion

On 13 January 2017, Mezzion Pharma Co. Ltd. and Mezzion International LLC (collectively, "Mezzion") filed a complaint in the New Jersey Superior Court against the Company and its wholly owned subsidiary in the United States. The complaint pertains to the production and supply of the active pharmaceutical ingredient ("API") for udenafil (a patented compound) and an udenafil finished dosage product during a period from calendar years 2007 to 2015. Mezzion alleges that the Company failed to comply with the U.S. FDA's current Good Manufacturing Practices ("cGMP") at the time of manufacture of the API and finished dosage forms of udenafil and, consequently, that this resulted in a delay in the filing of a NDA for the product by Mezzion. In this regard, the Company filed a motion to dismiss Mezzion's complaint on the technical grounds that the Court lacks jurisdiction over the Company. In January 2018, the Court denied the Company's motion to dismiss the complaint on the jurisdictional matter. The Company's interlocutory appeal of the said denial was also denied.

The Commercial Court, Hyderabad has accepted the request of the Company to withdraw the suit, in view of the Court granting the Company's motion to file a Counterclaim in the action.

The Company denies any wrongdoing or liability in this regard, and intends to vigorously defend against the claims asserted in Mezzion's complaint. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in the financial statements of the Company.

(iii) Securities Class Action Litigation

On 25 August 2017, a securities class action lawsuit was filed against the Company, its Chief Executive Officer and its Chief Financial Officer in the United States District Court for the District of New Jersey. The Company's Co-Chairman, its Chief Operating Officer, and Dr. Reddy's Laboratories, Inc., were also subsequently named as defendants in the case. The operative complaint alleges that the Company made false or misleading statements or omissions in its public filings, in violation of U.S. federal securities laws, and that the Company's share price dropped and its investors were affected. On 9 May 2018, the Company and other defendants filed a motion to dismiss the complaint in the United States District Court for the District of New Jersey.

On 25 June 2018, the plaintiffs filed an opposition to the motion to dismiss and, on 25 July 2018, a further reply in support of the motion to dismiss was filed by the Company. In August 2018, oral argument on the motion to dismiss was heard by the Court.

On 21 March 2019, the District Court issued its decision granting in part and denying in part the motion to dismiss. Pursuant to that decision, the Court dismissed the plaintiffs claims with respect to seventeen out of the twenty two alleged misstatements and omissions.

On 15 May 2020, Dr. Reddy's Laboratories Limited, Dr. Reddy's Laboratories, Inc., and certain of the Company's current or former directors and officers, have entered into a Stipulation and Agreement of Settlement (the "Stipulation") with lead plaintiff the Public Employees' Retirement System of Mississippi in the putative securities class action filed against the defendants in the United States District Court for the District of New Jersey. As consideration for the settlement of the class action, the Company has agreed to pay US$ 9 millions. The settlement is subject to the approval of the court and may be terminated prior to court approval pursuant to the grounds for termination set forth in the Stipulation. Subject to the terms of the Stipulation, in exchange for the settlement consideration, lead plaintiff and members of the settlement class who do not opt-out of this settlement would release, among other things, the claims that were asserted, or that they could have asserted, in this class action. In entering into the settlement, the defendants do not admit, and explicitly deny, any liability or wrongdoing of any kind.

Subject to the terms of the Stipulation, the settlement resolves the remainder of the litigation.

As the Company is adequately insured with respect to the aforesaid liability, the settlement did not have any impact on the Company's statement of profit and loss for the year ended 31 March 2020.

The amount payable to the plaintiffs on account of the settlement and the corresponding receivable from the insurer have been presented under "other current financial assets" and "other current financial liabilities", respectively in the balance sheet of the Company as at 31 March 2020.

(iv) Glenmark Litigation

In November 2017, the Company received a letter from Glenmark Farmaceutica Ltda and Glenmark Pharmaceuticals Limited (collectively "Glenmark"), for invocation of arbitration under a distribution agreement and a deed of assignment relating to a product between the Company and Glenmark. Glenmark alleged that the non-supply of the product by the Company severely affected the value of the intellectual property and goodwill and asserted claims to recover the loss along with interest and penalties from the Company.

In March 2018, an arbitrator was appointed by the Supreme Court of India at Glenmark's request. In July 2018, Glenmark filed a claim statement against the Company and in September 2018, the Company filed a reply against the claim along with a counterclaim.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Contingent liabilities and commitments (continued)

Glenmark filed a reply to the counter claim of the Company in November 2018 and the issues were finalised. Inspection of documents along with the filing of the statement of admissions and denials was completed in December 2018.The Company was asked to submit the list of witnesses by 5 March 2019.

Affidavits in chief examination were filed by witnesses of the Company and Glenmark. The cross examination of the witnesses of Glenmark was completed and that of the Company commenced and continued in November and December 2019. The parties have agreed to settle the disputes for an amount of ₹ 50 payable by the Company to Glenmark.

Accordingly, during the three months ended 31 December 2019, the Company recognised the provision of ₹ 50 representing the probable outflow on account of settlement of litigation. Such provision is recognised as part of "Selling and other expenses".

The Settlement Deed entered into between the parties was confirmed as an arbitral award dated 11 February 2020 by the arbitrator and the issue remains closed.

(v) Environmental matters

Land pollution

The Indian Council for Environmental Legal Action filed a writ in 1989 under Article 32 of the Constitution of India against the Union of India and others in the Supreme Court of India for the safety of people living in the Patancheru and Bollarum areas of Medak district of the then existing undivided state of Andhra Pradesh. The Company has been named in the list of polluting industries. In 1996, the Andhra Pradesh District Judge proposed that the polluting industries compensate farmers in the Patancheru, Bollarum and Jeedimetla areas for discharging effluents which damaged the farmers' agricultural land. The compensation was fixed at ₹ 0.0013 per acre for dry land and ₹ 0.0017 per acre for wet land. Accordingly, the Company has paid a total compensation of ₹ 3. The Andhra Pradesh High Court disposed of the writ petition on 12 February 2013 and transferred the case to the National Green Tribunal ("NGT"), Chennai, India. The interim orders passed in the writ petitions will continue until the matter is decided by the NGT. The NGT has, through its order dated 30 October 2015, constituted a Fact Finding Committee. The NGT has also permitted the alleged polluting industries to appoint a person on their behalf in the Fact Finding Committee. However, the Company, along with the alleged polluting industries, has challenged the constitution and composition of the Fact Finding Committee. The NGT has directed that until all the applications challenging the constitution and composition of the Fact Finding Committee are disposed of, the Fact Finding Committee shall not commence its operation.

The NGT, Chennai in a judgement dated 24 October 2017, disposed of the matter. The Bulk Drug Manufacturers Association of India ("BDMAI"), in which the Company is a member, subsequently filed a review petition against the judgement on various aspects.

The NGT, Delhi, in a judgement dated 16 November 2017 in another case in which the Company is not a party, stated that the moratorium imposed in the Patancheru and Bollaram areas shall continue until the Ministry of Environment, Forest and Climate Change passes an order keeping in view the needs of the environment and public health. The Company filed an appeal challenging this judgement.

The High Court of Hyderabad heard the Company's appeal challenging this judgement in July 2018 and directed the respondents to file their response within a period of four weeks. During the three months ended 30 September 2018, the respondents filed counter affidavits and the matter has now been adjourned for final hearing.

The appeal came up for hearing before the High Court of Hyderabad on 25 October 2018 and has been adjourned for further hearing.

On 24 April 2019, based upon the judgement of the NGT, Chennai dated 24 October 2017, the Government of Telangana has issued G.O.Ms. No 24 of 2019 that allows for expansion of production of all kinds of existing industrial units located within the stretch of Patancheru – Bollaram upon depositing an amount equivalent to 1% of the annual turnover of the respective unit for the concluded financial year i.e., 31 March 2019. Accordingly, the Company made a provision of ₹ 29.4, representing the probable cost of expansion, during the year ended 31 March 2019.

During the three months ended September 2019, the Telangana State Pollution Control Board ("TSPCB") has issued Operational Guidelines basis the NGT, Chennai Order dated 24 October 2017, G.O.Ms. No. 24 dated 24 April 2019 and G.O.Ms. No. 31 dated 24 May 2019 and sought to recover retrospectively an amount of 0.5% of the annual turnover from financial year 2016-2017 to 2018-2019 for all the industrial units situated in Patancheru and Bollaram for the purposes of restoration of the said effected area. The Company has four industrial units situated in Patancheru and Bollaram.

The Consent For Operation ("CFO") for change of product mix application filed by one of the industrial unit of the Company has been recommended for issuance of CFO with change of product mix only upon payment of 0.5% of the annual turnover from financial year 2016-2017 to 2018- 2019 to the TSPCB. The Company intends to vigorously defend itself against the Operational Guidelines.

2.31 Contingent liabilities and commitments (continued)

In November 2019, demand notices were issued by the TSPCB for collection of Corpus Fund of 0.5 % as remediation fee on the previous year turnover as per Operational Guidelines dated 3 August 2019 issued by TSPCB under the guise of G O Ms No 24 dated 24 April 2019 and G O Ms No 31 dated 24 May 2019 and basis the judgement of NGT, Chennai dated 24 October 2017 for the years 2015-2016 to 2018 -2019 received by CTO-1, CTO-2 and CTO-3 of the Company

On 22 November 2019, The Hon'ble High Court of Judicature at Hyderabad issued an Interim Order which stayed the demand on the condition that the Company deposit ₹ 60 as the remediation fee for the previous year 2018-2019 payable in the year 2019-2020. The deposit of ₹ 60 was made and the Interim Order is continuing. The matter was adjourned to 22 April 2020, but has been delayed as a result of the closure of the Court due to the COVID-19 lockdown, and a new date has not yet been rescheduled.

The Company believes that any additional liability that might arise in this regard is not probable. Accordingly, no provision relating to these claims has been made in the financial statements.

Water pollution and air pollution

During the year ended 31 March 2012, the Company, along with 14 other companies, received a notice from the Andhra Pradesh Pollution Control Board (the "APP Control Board") to show cause as to why action should not be initiated against them for violations under the Indian Water Pollution Act and the Indian Air Pollution Act. Furthermore, the APP Control Board issued orders to the Company to (i) stop production of all new products at the Company's manufacturing facilities in Hyderabad, India without obtaining a "Consent for Establishment", (ii) cease manufacturing products at such facilities in excess of certain quantities specified by the APP Control Board and (iii) furnish a bank guarantee to assure compliance with the APP Control Board's orders.

The Company appealed the APP Control Board orders to the Andhra Pradesh Pollution Appellate Board (the "APP Appellate Board"). The APP Appellate Board, on the basis of a report of a fact-finding advisory committee, recommended to the Andhra Pradesh Government to allow expansion of units fully equipped with Zero-Liquid Discharge ("ZLD") facilities and otherwise found no fault with the Company (on certain conditions).

The APP Appellate Board's decision was challenged by one of the petitioners that was pending in the National Green Tribunal, (the "NGT"), Delhi.

Separately, the Andhra Pradesh Government, following recommendations of the APP Appellate Board, published a notification in July 2013 that allowed expansion of production of all types of existing bulk drug and bulk drug intermediate manufacturing units subject to the installation of ZLD facilities and the outcome of cases pending in the NGT. Importantly, the notification directed pollution load of industrial units to be assessed at the point of discharge (if any) as opposed to the point of generation.

In September 2013, the Ministry of Environment and Forests, based on the revised Comprehensive Environment Pollution Index, issued a notification that re-imposed a moratorium on expansion of industries in certain areas where some of the Company's manufacturing facilities are located. This notification overrides the Andhra Pradesh Government's notification that conditionally permitted expansion.

The appeals filed by Mr. K. Chidambaram against the Orders of the Appellate Authority, Andhra Pradesh are disposed off as the same do not survive for consideration as the G.O. based on which the then APPCB had passed its order which was subject matter of appeal before the Appellate Authority has itself been amended vide order 25 July 2013. However, the NGT, Delhi has passed a direction for the issue of pollution to be considered by the Joint Committee of Central Pollution Control Board, National Environmental Engineering Institute (NEERI), and the Telangana State Pollution Control Board to ascertain the present status of pollution issues in the Medak, Ranga Reddy, Mahaboobnagar and Nalagonda districts in the State of Telangana particularly in the Patancheru and Bollaram industrial clusters and file a report within three months before the NGT, Delhi.

(vi) Fuel Surcharge Adjustments

The Andhra Pradesh Electricity Regulatory Commission (the "APERC") passed various orders approving the levy of Fuel Surcharge Adjustment ("FSA") charges for the period from 1 April 2008 to 31 March 2013 by power distribution companies from all the consumers of electricity in the then existing undivided state of Andhra Pradesh, India where the Company's headquarters and principal manufacturing facilities are located. Separate writ petitions filed by the Company for various periods, challenging and questioning the validity and legality of this levy of FSA charges by the APERC, are pending before the High Court of Andhra Pradesh and the Supreme Court of India.

The total amount approved by APERC for collection by the power distribution companies from the Company in respect of FSA charges for the period from 1 April 2008 to 31 March 2013 is ₹ 482. After taking into account all of the available information and legal provisions, the Company has recorded ₹ 219 as the potential liability towards FSA charges. However, the Company has paid, under protest, an amount of ₹ 354 as demanded by the power distribution companies as part of monthly electricity bills. The Company remains exposed to additional financial liability should the orders passed by the APERC be upheld by the Courts.

During the three months ended 30 June 2016, the Supreme Court of India dismissed the Special Leave Petition filed by the Company in this regard for the period from 1 April 2012 to 31 March 2013. As a result, for the quarter ended 30 June 2016, the Company recognised an expenditure of ₹ 55 (by de-recognising the payments under protest) representing the FSA charges for the period from 1 April 2012 to 31 March 2013.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Contingent liabilities and commitments (continued)

(vii) Direct taxes related matters

The Company is contesting various disallowances by the Indian Income Tax authorities. The associated tax impact for disallowances being more likely than not to be accepted by Tax authorities is ₹ 2,291, and accordingly, no provision is made in these financial statements as of 31 March 2020.

During the years ended 31 March 2014, 2015 and 2016, Industrias Quimicas Falcon de Mexico, S.A. de CV, a wholly-owned subsidiary of the Company in Mexico, received a notice from Mexico's Tax Administration Service, Servicio de Administracion Tributaria ("SAT"), with respect to disallowance on account of transfer pricing adjustments pertaining to the calendar years ended 31 December 2006, 31 December 2007 and 31 December 2008. The associated tax impact is ₹ 686 (MXN 213 millions) and profit share impact is ₹ 81 (MXN 25 millions). The Company filed administrative appeals with the SAT by challenging these disallowances and, during February and March 2017, the Company received orders of the SAT confirming these disallowances by dismissing its administrative appeals. The Company disagrees with the SAT's disallowances and filed an appeal with the Tribunal Federal de Justicia Administrativa (Federal Tax and Administrative Court of Mexico) in March and April 2017.

The Company believes that possibility of any liability that may arise on account of this litigation is not probable. Accordingly, no provision has been made in these financial statements as of 31 March 2020.

(viii) Indirect taxes related matters

Distribution of input service tax credits

The Central Excise Authorities have issued various demand notices to the Company objecting to the Company's methodology of distributing input service tax credits claimed for one of the Company's facilities. The below table shows the details of each such demand notice, the amount demanded and the current status of the Company's responsive actions.

Period covered under the notice	Amount demanded	Status
March 2008 to September 2009	₹ 102 plus penalties of ₹ 102 and interest	Refer to footnote below[(1)]
October 2009 to March 2011	₹ 125 plus penalties of ₹ 100 and interest	Refer to footnote below[(1)]
April 2011 to March 2012	₹ 51 plus penalties of ₹ 5 and interest	Refer to footnote below[(1)]
April 2012 to March 2013	₹ 54 plus penalties of ₹ 5 and interest	Refer to footnote below[(1)]
April 2013 to March 2014	₹ 69 plus penalties of ₹ 6 and interest	Refer to footnote below[(1)]
April 2014 to March 2015	₹ 108 plus penalties of ₹ 11 and interest	Refer to footnote below[(1)]
April 2015 to March 2016	₹ 157 plus interest and penalties	Hearing has taken place and order awaited
April 2016 to June 2017	₹ 307 plus interest and penalties	Hearing has taken place and order awaited

(1) Pursuant to the appeal before Customs, Excise and Service Tax Appellate Tribunal, Hyderabad ("CESTAT"), CESTAT has passed 'daily order' on 5 March 2020 allowing the appeal of the Company. Final order from CESTAT is awaited.

The Company believes that the likelihood of any liability that may arise on account of the allegedly inappropriate distribution of input service tax credits is not probable. Accordingly, no provision relating to these claims has been made in these financial statements as of 31 March 2020.

Value Added Tax ("VAT") matter

The Company has received various demand notices from the Government of Telangana's Commercial Taxes Department objecting to the Company's methodology of calculation of VAT input credit. The below table shows the details of each of such demand notice, the amount demanded and the current status of the Company's responsive actions.

Period covered under the notice	Amount demanded	Status
April 2006 to March 2009	₹ 66 plus 10% penalty	The State VAT Appellate Tribunal has remanded the matter to the assessing authority to re-compute the eligibility and penalty orders are set-aside. The Company filed appeal against the same with but has been delayed as a result of the closure of the Court due to the COVID-19 lockdown, and a new date has not yet been rescheduled the High Court, Telangana.
April 2009 to March 2011	₹ 59 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal - The matter was remanded to the original adjudicating authority with a direction to re-calculate the eligibility for the year ended 31 March 2010.
April 2011 to March 2014	₹ 27 plus 10% penalty	The Appellate Deputy Commissioner issued an order partially in favour of the Company

The Company has recorded a provision of ₹ 51 as of 31 March 2020, and believes that the likelihood of any further liability that may arise on account of the ongoing litigation is not probable.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Contingent liabilities and commitments (continued)

Notices from Commissioners of Goods and Services Tax, India

In the months of November 2019 and January 2020, the Commissioner of Goods and Services Tax, India issued notices to the Company alleging that the Company has irregularly availed input tax credit of ₹ 337. The Company is in the process of responding to the notices. The Company believes that it has correctly distributed and availed the input tax credit within the provisions of the applicable act.

The Company has recorded a provision of ₹ 26 as on 31 March 2020 and believes that the likelihood of any further liability that may arise on account of the allegedly inappropriate claims to credits is not probable. Accordingly, no further provision was made in these financial statements.

Others

Additionally, the Company is in receipt of various demand notices from the Indian Sales and Service Tax authorities. The disputed amount is ₹ 319. The Company has responded to such demand notices and believes that the chances of any liability arising from such notices are less than probable. Accordingly, no provision is made in these financial statements as of 31 March 2020.

(ix) Others

Additionally, the Company is involved in other disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. Except as discussed above, the Company does not believe that there are any such contingent liabilities that are expected to have any material adverse effect on its financial statements.

B. Commitments:

Particulars	As at 31 March 2020	As at 31 March 2019
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)	4,485	2,423

2.32 Dividend remittance in foreign currency

The Company does not make any direct remittances of dividends in foreign currencies to American Depository Receipts (ADRs) holders. The Company remits the equivalent of the dividends payable to the ADR holders in Indian Rupees to the custodian, which is the registered shareholder on record for all owners of the Company's ADRs. The custodian purchases the foreign currencies and remits it to the depository bank which in turn remits the dividends to the ADR holders.

2.33 Segment reporting

In accordance with Ind AS 108, *Operating Segments*, segment information has been given in the financial statements of Dr. Reddy's Laboratories Limited and therefore no separate disclosure on segment information is given in these financial statements.

2.34 Update on the warning letter from the U.S. FDA

The Company received a warning letter dated 5 November 2015 from the U.S. FDA relating to current Good Manufacturing Practices ("cGMPs") deviations at its active pharmaceutical ingredient ("API") manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The contents of the warning letter emanated from Form 483 observations that followed inspections of these sites by the U.S. FDA in November 2014, January 2015 and February-March 2015.

Tabulated below are the further updates with respect to the aforementioned sites:

Month and year	Update
February, March and April 2017	The U.S. FDA completed the re-inspection of the aforementioned manufacturing facilities. During the re-inspections, the U.S. FDA issued three observations with respect to the API manufacturing facility at Miryalaguda, two observations with respect to the API manufacturing facility at Srikakulam and thirteen observations with respect to the Company's oncology formulation manufacturing facility at Duvvada.
June 2017	The U.S. FDA issued an Establishment Inspection Report ("EIR") which indicated that the inspection of the Company's API manufacturing facility at Miryalaguda was successfully closed.
November 2017	The Company received EIRs from the U.S. FDA for the oncology manufacturing facility at Duvvada which indicated that the inspection status of this facility remained unchanged.
February 2018	The Company received EIRs from the U.S. FDA for API manufacturing facility at Srikakulam which indicated that the inspection status of this facility remained unchanged.
June 2018	The Company requested the U.S. FDA to schedule a re-inspection of the oncology formulation manufacturing facility at Duvvada.
October 2018	The re-inspection was completed for the oncology formulation manufacturing facility at Duvvada and the U.S. FDA issued a Form 483 with eight observations.
November 2018	The Company responded to the observations identified by the U.S. FDA for the oncology formulation manufacturing facility at Duvvada in October 2018.
February 2019	The U.S. FDA issued an EIR indicating successful closure of the audit of the oncology formulation manufacturing facility at Duvvada.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.34 Update on the warning letter from the U.S. FDA (continued)

With respect to the API manufacturing facility at Srikakulam, subsequent to the receipt of EIR in February 2018, the Company was asked, in October 2018, to carry out certain detailed investigations and analyses and the Company submitted the results of the investigations and analyses. As part of the review of the response by the U.S. FDA, certain additional follow on queries were received by the Company and the Company responded to all such queries in January 2019. In February 2019, the Company received certain other follow on questions from the U. S. FDA and the Company responded to these questions in March 2019. The U.S. FDA completed the audit on 28 January 2020. The Company has been issued a Form 483 with 5 observations and responded to the observations in February 2020. In May 2020, the Company has received an EIR from the U.S. FDA, for the above-referred facility, indicating closure of the audit and classifying the inspection of this facility as "Voluntary Action Indicated" (VAI).

With this, all facilities under warning letter are now determined as VAI.

Inspection of other facilities:

Tabulated below are the details of the U.S. FDA inspections at other facilities of the Company carried out during the financial years ended 31 March 2019 and 31 March 2020:

Month and year	Unit	Details of observations
June 2018	API Srikakulam Plant (SEZ)	No observations were noted. An EIR indicating the closure of audit for this facility was issued by the U.S FDA in August 2018
November 2018	Formulations Srikakulam Plant (SEZ) Unit II	No observations were noted. An EIR indicating the closure of audit for this facility was issued by the U.S. FDA in February 2019.
January 2019	Formulations Srikakulam Plant (SEZ) Unit II	Four observations were noted. The Company responded to the observations and an EIR indicating the closure of audit for this facility was issued by the U.S. FDA in April 2019.
January 2019	API manufacturing Plant at Miryalaguda, Nalgonda	One observation was noted. The Company responded to the observation. In May 2019, an EIR was issued by the U.S. FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI.
January 2019	Formulations manufacturing facility at Bachupally, Hyderabad	Eleven observations were noted. The Company responded to the observations in January 2019. In April 2019, an EIR was issued by the U.S. FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI.
June 2019	Formulations manufacturing plants, Duvvada {Vizag SEZ plant 1 (FTO VII) and Vizag SEZ plant 2(FTO IX)}	Two observations were noted. The Company responded to the observations. In September 2019, an EIR was issued by the U.S. FDA indicating the closure of audit of these facitlites.
July 2019	API Hyderabad plant 2, Bollaram, Hyderabad	Five observations were noted during U.S.FDA inspection. The Company responded to the observations in August 2019. In October 2019, an EIR was issued by the U.S.FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI.
August 2019	Formulations manufacturing plants, (Vizag SEZ plant 1), Duvvada, Visakhapatnam (FTO VII)	Eight observations were noted. The Company responded to the observations in September 2019 and is awaiting an EIR. In February 2020, an EIR was issued by the U.S. FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI.
October 2019	API Srikakulam plant (SEZ), Andhra Pradesh	Four observations were noted. The Company responded to the observations in November 2019 and is awaiting an EIR.
February 2020	Formulations Srikakulam Plant (SEZ) Unit I	No observations were noted. In May 2020, an EIR was issued by the U.S.FDA indicating the closure of the audit and the inspection classification of the facility was determined as VAI.
February 2020	Formulations manufacturing facility at Bachupally, Hyderabad (FTO Unit III)	One observation was noted. The Company responded to the observation in March 2020. In May 2020, an EIR was issued by the U.S.FDA indicating the closure of the audit.
February 2020	Integrated Product Development Organisation (IPDO) at Bachupally, Hyderabad	No observation was noted. The Company is awaiting an EIR.
March 2020	API manufacturing Plant at Miryalaguda, Nalgonda	Three observations were noted. The Company responded to the observations in March 2020. In April 2020, an EIR was issued by the U.S. FDA indicating the closure of audit and the inspection classification of the facility was determined as Voluntary Action Initiated ("VAI").

2.35 Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt. The capital gearing ratio as on 31 March 2020 and 31 March 2019 was 9% and 8%, respectively.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.36 Definitive agreement with Upsher-Smith Laboratories, LLC

On 14 June 2019, the Company entered into a definitive agreement with Upsher-Smith Laboratories, LLC (Upsher-Smith), pursuant to which the Company agreed to sell, at the closing thereunder, its U.S. and select territory rights for ZEMBRACE® SYMTOUCH® (sumatriptan injection) 3 mg and TOSYMRA® (sumatriptan nasal spray) 10 mg, (formerly referred to as "DFN-02"), which were commercialised through its wholly owned subsidiary, Promius Pharma, LLC.

Under the agreement, the Company received US$ 70 millions as upfront consideration at the closing thereunder, and is entitled to receive up to US$ 40.5 millions in payments contingent upon the achievement of near term milestones and additional financial objectives, including those based upon existing contractual obligations and inventory. In addition, the Company will be entitled to receive sales based royalties on a quarterly basis.

In July 2019, upon the closing of the transaction, the Company recognised ₹ 7,486 (US$ 108.7 millions) as a license fee forming part of revenue in accordance with guidance available under Ind AS 115, *Revenue from Contracts with Customers*. The costs associated with this transaction were ₹ 328, and were recognised in the statement of profit and loss.

2.37 Merger of Dr. Reddy's Holdings Limited into the Dr. Reddy's Laboratories Limited

The Board of Directors, at its meeting held on 29 July 2019, has approved the amalgamation (the "Scheme") of Dr. Reddy's Holdings Limited ("DRHL"), an entity held by the Promoter Group, which holds 24.88% of Dr. Reddy's Laboratories Limited (the "Company") into the Company. This is subject to the approval of shareholders, stock exchanges, the National Company Law Tribunal and other relevant regulators.

The Scheme will lead to simplification of the shareholding structure and reduction of shareholding tiers.

The Promoter Group cumulatively would continue to hold the same number of shares in the Company, pre- and post the amalgamation. All costs, charges and expenses relating to the Scheme will be borne out of the surplus assets of DRHL. Further, any expense, if exceeding the surplus assets of DRHL, will be borne directly by the Promoters.

The Scheme also provides that the Promoters of the Company will jointly and severally indemnify, defend and hold harmless the Company, its directors, employees, officers, representatives, or any other person authorised by the Company (excluding the Promoters) for any liability, claim, or demand, which may devolve upon the Company on account of this amalgamation.

The Scheme of Amalgamation of DRHL with the Company was filed with BSE and NSE (Stock Exchanges) for their consideration and approval. No observation letters were received from the stock exchanges on the basis of no comments received from SEBI on 11 October 2019. The Company has filed an application with the Hon'ble National Company Law Tribunal ("NCLT") Hyderabad, seeking direction for conducting court convened meetings of the shareholders and unsecured creditors. The Hon'ble NCLT vide its order dated 22 November 2019 directed the Company to conduct meetings of the shareholders' and creditors. The NCLT also appointed the Chairpersons and Scrutinizers for the respective meetings. The notice convening the shareholders and unsecured creditors meetings on 2 January 2020, were circulated within statutory timelines for approval of Scheme of Amalgamation of DRHL with the Company.

The resolutions were passed with the requisite majority of shareholders (99.98%) and unsecured creditors (100%) at the respective shareholders and unsecured creditors meetings held on 2 January 2020. The petition for approval of the Merger has been filed with NCLT on 9 January 2020. The next NCLT hearing is on 3 June 2020.

2.38 Definitive agreement with Wockhardt Limited

In February 2020, the Company entered into a definitive agreement with Wockhardt Limited ("Wockhardt") to acquire select divisions of its branded generics business in India and a few other international territories of Nepal, Sri Lanka, Bhutan and Maldives for a consideration of ₹ 18,500.

The business comprises of a portfolio of 62 brands in multiple therapy areas such as respiratory, neurology, venous malformations, dermatology, gastroenterology, pain and vaccines. This entire portfolio would be transfered to the Company, along with related sales and marketing teams, the manufacturing plant located in Baddi, Himachal Pradesh with all plant employees.

The acquisition of these assets was subject to certain closing conditions such as approval from Share holders' and lenders' of Wockhardt and other requisite approvals under applicable statutes.

The transaction is expected to be closed during the first quarter of the year ended 31 March 2021.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.39 Restructuring of pharmaceutical services business

The Board of Directors of the Company, in their meeting held on 27 March 2020, had approved the plan for restructuring of the Company's pharmaceutical services business that involves setting up a wholly owned subsidiary and transferring the all tangible and intangible assets, contracts, permission, consents, rights, registrations, personnel and employees, other assets and liabilities on a slump sale basis (an Indian tax law concept which refers to the transfer of a business as a going concern without values being assigned to individual assets and liabilities) to the newly incorporated wholly owned subsidiary. As at 31 March 2020, the transfer of business is yet to be completed. Hence, the Company did not derecognise any asset or liability associated with the proposed transfer. However, an amount of ₹ 1,264 representing the tax impact on likely capital gain that might arise upon completion of the transaction is recognised as deferred tax asset as the Company has sufficient carry forward capital losses.

As the transaction is between the Company and its subsidiaries, no further disclosures are made in this regard.

2.40 Impact of COVID – 19

The threats posed by the coronavirus outbreak are multifold. In many countries, businesses are being forced to cease or limit their operations for long or indefinite period of time. Even in India the outbreak has been declared an epidemic or pandemic and on 24 March 2020, the Government of India ordered a nationwide lockdown, limiting movement of population of India as a preventive measure against the COVID-19 pandemic. As a result most of the businesses are dealing with lost revenue and disrupted supply chains. The disruption to global supply chains due to factory shutdowns has already exposed the vulnerabilities of many organisations.

However, as the Company operates in the industry that is considered essential, the operations were continuing during lockdown by ensuring appropriate measures.

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of receivables, goodwill, intangible assets, investments and other assets. For this purpose, the Company considered internal and external sources of information up to the date of approval of these financial statements. The Company has also used the principles of prudence in applying judgements, estimates and assumptions including sensitivity analysis and based on the current estimates, the Company expects to fully recover the carrying amount of receivables, goodwill, intangible assets, investments and other assets.

As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

2.41 Property, plant and equipment and intangible assets used for research and development (included in note 2.1 and note 2.3)

Particulars	Gross carrying value				Accumulated depreciation/amortisation				Net carrying value	
	As at 1 April 2019	Additions [a]	Disposals [b]	As at 31 March 2020	As at 1 April 2019	For the year [a]	Disposals [b]	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
Property, plant and equipment										
Land	70	-	-	70	-	-	-	-	70	70
Buildings	1,078	22	(1)	1,099	368	38	(1)	405	694	710
Plant and machinery	5,949	553	(43)	6,459	3,777	527	(32)	4,272	2,187	2,172
Furniture and fixtures	236	5	(1)	240	187	15	(1)	201	39	49
Office equipment	413	48	(43)	418	356	37	(42)	351	67	57
Total (A)	7,746	628	(88)	8,286	4,688	617	(76)	5,229	3,057	3,058
Intangible assets										
Softwares	249	17	-	266	202	29	-	231	35	47
Others	102	10	-	112	42	2	-	44	68	60
Total (B)	351	27	-	378	244	31	-	275	103	107
Total (A+B)	**8,097**	**655**	**(88)**	**8,664**	**4,932**	**648**	**(76)**	**5,504**	**3,160**	**3,165**
Previous year	7,662	699	(264)	8,097	4,489	678	(235)	4,932	3,165	

(a) Additions include transfers from non-research and development group to research and development group. The gross carrying value of such transferred assets is ₹ 11 (31 March 2019: ₹ 62) and accumulated depreciation/amortisation is ₹ 2 (31 March 2019: ₹ 13).

(b) Disposals include transfers from research and development group to non-research and development group. The gross carrying value of such transferred assets is ₹ 11 (31 March 2019: ₹ 57) and accumulated depreciation/amortisation is ₹ 6 (31 March 2019: ₹ 38).

The Company has also incurred capital expenditure of ₹ 161 towards research and development expenditure lying in capital work-in-progress as on 31 March 2020.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.42 Subsequent events

There are no significant events that occurred after the balance sheet date.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy	Chairman, DIN: 00129701
G V Prasad	Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli	Chief Executive Officer
Saumen Chakraborty	Chief Financial Officer
Sandeep Poddar	Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Members of Dr. Reddy's Laboratories Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of Dr. Reddy's Laboratories Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and joint ventures comprising of the Consolidated Balance sheet as at 31 March 2020, the Consolidated Statement of Profit and Loss, including other comprehensive income, the Consolidated Statement of Cash Flow and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, and joint ventures as at 31 March 2020, their consolidated profit including other comprehensive loss, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended 31 March 2020. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Carrying value of intangible assets, intangible assets under development and goodwill *(as described in note 1.3(g) and 1.3(j) of the significant accounting policies, and note 2.2, 2.3 and 2.4 for details and movement in goodwill, intangible assets and intangible assets under development in the consolidated Ind AS financial statements)*	
As at 31 March 2020, the Company has ₹ 15,811 millions of intangible assets, ₹ 10,987 millions of intangible assets under development and ₹ 4,913 millions of goodwill. The carrying value of these intangible assets are based on future cash flows and there is a risk that the assets may be impaired if cash flows are not in line with projections. Valuation of goodwill and intangible assets is subject to management's assessment of recoverable amount, being the higher of the value in use and fair value less costs to sell, involving significant judgment and are based on number of variables and estimates including projection of future sales, operating costs and profit margins; appropriate discount rate and terminal value growth rate; and probability of technical and regulatory success factors in applying discounted cash flow valuation methodology.	**Our audit procedures included the following:** • We evaluated the design and tested the operating effectiveness of management's controls in assessing the carrying value of goodwill and intangible assets. • We assessed the Group's methodology applied in determining the CGUs to which goodwill is allocated. • We assessed the Company's valuation methodology applied in deriving the recoverable value. • We evaluated the assumptions applied to key inputs such as discount rates, sales volume and prices, long term growth rates and terminal values, which included comparing these inputs with assumptions made by the management in prior years. • We discussed potential changes in key drivers as compared to previous year / actual performance with management to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable. • We tested the arithmetical accuracy of the models. • We also assessed the recoverable value headroom by performing sensitivity testing of key assumptions used. • We also involved valuation specialists to assist in our evaluation of the methodologies used, and significant assumptions and inputs used to determine the recoverable value of certain intangible assets under development.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matter
Contingencies, including litigations and tax *(as described in note 1.3(l) of the significant accounting policies, and note 2.33 (A) containing details of contingencies in the financial statements)*	
The Company and certain of its subsidiaries are involved in disputes, lawsuits, claims, anti-trust, governmental and / or regulatory inspections, inquiries, investigations and proceedings, including patent, tax and commercial matters that arise from time to time in the ordinary course of business. Most of the claims involve complex issues. The Company assisted by their external legal counsel assesses the need to make provision or disclose a contingency on a case-to-case basis considering the underlying facts of each litigation. The aforesaid assessment may result in an incorrect disclosure or provision in the books of account. This area is significant to our audit, since the accounting and disclosure for contingent legal and tax liabilities is complex and judgmental (due to the difficulty in predicting the outcome of the matter and estimating the potential impact if the outcome is unfavourable), and the amounts involved are, or can be, material to the consolidated Ind AS financial statements.	**Our audit procedures included the following:** • We evaluated the design and tested the operating effectiveness of controls relating to identification and evaluation of claims, proceedings and investigations at different levels in the group, and the measurement of provisions for disputes, potential claims and litigation, contingent liabilities and disclosures. • We obtained a list of ongoing litigations from the Company's in-house legal counsel. We selected a sample of litigations based on materiality and performed inquiries with the said counsel on the legal evaluation of these litigations. We have compared the said evaluation with the provision or disclosure in the consolidated Ind AS financial statements. We have tested the underlying computation of the management in relation to the measurement of provision or the contingency. • We solicited legal letters from the Company's external legal advisors with respect to the matters included in the summary. Where appropriate, we examined correspondences connected with the cases. • We obtained the details of uncertain tax positions as at the year ended 31 March 2020. We inspected relevant communication with tax authorities. We involved tax experts in assessing the nature and amount of material tax positions and assessed the technical merits of the Company's tax positions based on the correspondence, assessments and settlements from the relevant tax authorities. • We also evaluated the disclosures in the consolidated Ind AS financial statements.
Rebates, discounts and chargebacks, etc. in Revenue *(as described in note 1.3(m) of the of the significant accounting policies in the consolidated Ind AS financial statements and note 2.13 of the consolidated Ind AS financial statements)*	
Revenue is recognised net of accrual for chargeback, rebates, sales returns and discounts, etc. The estimates relating to the accruals are important given the significance of revenue and also considering the distinctive terms of arrangement with customers. These estimates are complex and requires significant judgement and estimation by the Company for establishing an appropriate accrual. Accuracy of revenues may deviate on account of change in judgements and estimates. Accordingly, the same has been considered as a key audit matter.	**Our audit procedures included the following:** • We assessed and performed test of controls over the completeness, recognition and measurement of accruals. • We obtained Management's calculations for accruals and assessed the assumptions used by reference to the company's stated commercial policies, the terms of the applicable contracts. • We assessed management analysis of the historical pattern of chargeback rates and the inventory information in order to validate management's assumption for creation of such provisions. • We compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns, where relevant and to current payment trends. We also considered the historical accuracy of the management's estimates in prior years. • We have also performed procedures to test recording of revenue in appropriate period which includes: o Performing trend analysis over sales levels as compared to previous periods; o Testing management's monitoring process over distributors' stocking levels; o Verifying sample sales transactions near period-end.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises, Statutory reports, corporate governance and Board's report included in the Annual report, which we obtained prior to the date of this auditor's report and Corporate Overview and letter from Chairman and Co-Chairman included in the Annual report, which is expected to be made available to us after that date. The Other information does not include the Standalone Ind AS financial statements, Consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group and joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of the Group and of its joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its joint ventures are also responsible for overseeing the financial reporting process of the Group and of its joint ventures.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended 31 March 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

a) We did not audit the financial statements and other financial information, in respect of two subsidiaries, whose Ind AS financial statements include total assets of ₹ 16,259 millions as at 31 March 2020, and total revenues of ₹ 24,383 millions and net cash (inflows) of ₹158 millions for the year ended on that date. These Ind AS financial statement and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the report(s) of such other auditors.

These subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

b) Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management**.**

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, and joint ventures incorporated in India, none of the directors of the Group's companies, its joint ventures incorporated in India is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary companies, and joint ventures incorporated in India, refer to our separate Report in "Annexure 1" to this report;

g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, and joint ventures incorporated in India, the managerial remuneration for the year ended 31 March 2020 has been paid / provided by the Holding Company, its subsidiaries and joint ventures incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

INDEPENDENT AUDITORS' REPORT (CONTINUED)

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:

(i) The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated Ind AS financial statements – Refer Note 2.33(A) to the consolidated Ind AS financial statements;

(ii) Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, and joint ventures incorporated in India during the year ended 31 March 2020.

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per S Balasubrahmanyam
Partner
Membership Number: 53315
UDIN : 20053315AAAABB4261
Place : Chennai
Date : 20 May 2020

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of Dr. Reddy's Laboratories Limited as of and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting of Dr. Reddy's Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, and joint ventures, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary companies, and joint ventures, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with Reference to these Consolidated Ind AS Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED (CONTINUED)

Opinion

In our opinion, the Holding Company, its subsidiary companies, and joint ventures, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at 31 March 2020, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, insofar as it relates to the subsidiary companies, and a joint venture, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary, and joint ventures incorporated in India.

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per S Balasubrahmanyam
Partner
Membership Number: 53315
UDIN : 20053315AAAABB4261
Place : Chennai
Date : 20 May 2020

CONSOLIDATED BALANCE SHEET

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
Assets			
Non-current assets			
Property, plant and equipment	2.1	47,779	49,127
Capital work-in-progress		4,364	4,725
Goodwill	2.2	4,913	4,659
Other intangible assets	2.3	15,811	18,124
Intangible assets under development	2.4	10,987	24,610
Investment in equity accounted investees	2.5	2,763	2,529
Financial assets			
Investments	2.6 A	328	813
Trade receivables	2.6 B	1,737	113
Other financial assets	2.6 C	793	731
Deferred tax assets, net	2.29	12,199	4,317
Tax assets, net		4,379	3,400
Other non-current assets	2.7 A	209	407
		106,262	113,555
Current assets			
Inventories	2.8	35,067	33,579
Financial assets			
Investments	2.6 A	23,687	22,529
Trade receivables	2.6 B	50,278	39,869
Derivative instruments	2.31	1,105	360
Cash and cash equivalents	2.6 D	2,053	2,228
Other financial assets	2.6 C	3,377	2,112
Other current assets	2.7 B	10,424	10,424
		125,991	111,101
Total assets		**232,253**	**224,656**
Equity and liabilities			
Equity			
Equity share capital	2.9	831	830
Other equity		155,157	139,406
		155,988	140,236
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	2.10 A	1,304	22,000
Other financial liabilities	2.10 C	-	102
Provisions	2.11 A	745	793
Deferred tax liabilities, net	2.29	20	473
Other non-current liabilities	2.12 A	2,055	2,079
		4,124	25,447
Current liabilities			
Financial Liabilities			
Borrowings	2.10 B	16,532	12,125
Trade payables	2.10 D		
Total outstanding dues of micro enterprises and small enterprises		55	77
Total outstanding dues of creditors other than micro enterprises and small enterprises		15,193	13,594
Derivative instruments	2.31	1,602	68
Other financial liabilities	2.10 C	27,006	22,670
Liabilities for current tax, net		572	181
Provisions	2.11 B	4,669	4,789
Other current liabilities	2.12 B	6,512	5,469
		72,141	58,973
Total equity and liabilities		**232,253**	**224,656**

The accompanying notes are an integral part of consolidated financial statements.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy Chairman, DIN: 00129701
G V Prasad Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli Chief Executive Officer
Saumen Chakraborty Chief Financial Officer
Sandeep Poddar Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Income			
Sales	2.13	163,574	148,706
Service income and License fees	2.13	11,026	5,145
Other operating income	2.14	570	631
Total revenue from operations		175,170	154,482
Other income	2.15	6,206	3,375
Total income		181,376	157,857
Expenses			
Cost of materials consumed		29,848	28,894
Purchase of stock-in-trade		25,459	18,808
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.16	237	(2,754)
Employee benefits expense	2.17	33,802	33,562
Depreciation and amortisation expense	2.18	11,631	11,348
Impairment of non-current assets		16,767	116
Finance costs	2.19	983	889
Selling and other expenses	2.20	44,353	44,074
Total expenses		163,080	134,937
Profit before tax and before share of equity accounted investees		18,296	22,920
Share of profit of equity accounted investees		561	438
Profit before tax		**18,857**	**23,358**
Tax expense/(benefit)	2.29		
Current tax		6,616	4,707
Deferred tax		(8,019)	(849)
Profit for the year		**20,260**	**19,500**
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss		(412)	(379)
Income tax on items that will not be reclassified subsequently to profit or loss		(22)	(673)
		(434)	(1,052)
Items that will be reclassified subsequently to profit or loss		(448)	19
Income tax on items that will be reclassified subsequently to profit or loss		232	(54)
		(216)	(35)
Total other comprehensive income/(loss) for the year, net of tax		(650)	(1,087)
Total comprehensive income for the year		**19,610**	**18,413**
Profit for the year			
Attributable to:			
Equity holders of the parent		20,260	19,500
Non-controlling interests		-	-
Total comprehensive income for the year			
Attributable to:			
Equity holders of the parent		19,610	18,413
Non-controlling interests		-	-
Earnings per share:			
Basic earnings per share of ₹ 5/- each	2.23	122.22	117.53
Diluted earnings per share of ₹ 5/- each	2.23	121.99	117.33

The accompanying notes are an integral part of consolidated financial statements.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy Chairman, DIN: 00129701
G V Prasad Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli Chief Executive Officer
Saumen Chakraborty Chief Financial Officer
Sandeep Poddar Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	Equity share capital	Other components of equity											Total equity
		Reserves and surplus							Other comprehensive income				
		Treasury shares[1]	Securities premium[2]	Share-based payment reserve[3]	Capital reserve[4]	Capital redemption reserve[5]	General reserve[6]	Retained earnings	Cash flow hedge reserve[7]	FVTOCI** [8]	Remeasurements of the net defined benefits plan[9]	Foreign currency translation reserve[10]	
Balance as at 1 April 2019 (A)	830	(535)	5,631	795	267	173	20,374	112,000	156	(3,042)	(89)	3,676	**140,236**
Profit for the year	-	-	-	-	-	-	-	20,260	-	-	-	-	20,260
Net change in fair value of FVTOCI** equity instruments and debt instruments, net of tax expense of ₹ Nil	-	-	-	-	-	-	-	-	-	(476)	-	-	(476)
Transfer on disposal of equity instruments classified as FVTOCI**								5		(5)			-
Foreign currency translation adjustments, net of tax benefit of ₹ Nil	-	-	-	-	-	-	-	-	-	-	-	510	510
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of ₹ 232 (Refer note 2.31)	-	-	-	-	-	-	-	-	(719)		-	-	(719)
Actuarial gain/(loss) on post-employment benefit obligations, net of tax expense of ₹ 22 (Refer note 2.27)	-	-	-	-	-	-	-	-	-	-	35	-	35
Total comprehensive income (B)	-	-	-	-	-	-	-	20,265	(719)	(481)	35	510	19,610
Transactions with owners of the Company													
Contributions and distributions													
Issue of equity shares on exercise of options (Refer note 2.9)	1	-	285	(278)	-	-	-	-	-	-	-	-	8
Share-based payment expense (Refer note 2.28)	-	-	-	521	-	-	-	-	-	-	-	-	521
Purchase of treasury shares, net	-	(471)	-	-	-	-	-	-	-	-	-	-	(471)
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	-	(3,916)	-	-	-	-	(3,916)
Total contributions and distributions	1	(471)	285	243	-	-	-	(3,916)	-	-	-	-	(3,858)
Changes in ownership interests													
Total transactions with owners of the Company (C)	1	(471)	285	243	-	-	-	(3,916)	-	-	-	-	(3,858)
Balance as at 31 March 2020 [(A)+(B)+(C)]	**831**	**(1,006)**	**5,916**	**1,038**	**267**	**173**	**20,374**	**128,349**	**(563)**	**(3,523)**	**(54)**	**4,186**	**155,988**

Particulars	Equity share capital	Other components of equity											Total equity
		Reserves and surplus							Other comprehensive income				
		Treasury shares[1]	Securities premium[2]	Share-based payment reserve[3]	Capital reserve[4]	Capital redemption reserve[5]	General reserve[6]	Retained earnings	Cash flow hedge reserve[7]	FVTOCI** [8]	Remeasurements of the net defined benefits plan[9]	Foreign currency translation reserve[10]	
Balance as at 1 April 2018 (A)	830	-	5,211	826	267	173	20,374	96,247	45	(1,973)	(106)	3,822	**125,716**
Profit for the year	-	-	-	-	-	-	-	19,500	-	-	-	-	19,500
Net change in fair value of FVTOCI** equity instruments, net of tax expense of ₹ 411	-	-	-	-	-	-	-	255	-	(1,069)	-	-	(814)
Foreign currency translation adjustments, net of tax benefit of ₹ 15	-	-	-	-	-	-	-	-	-	-	-	(146)	(146)
Effective portion of changes in fair value of cash flow hedges, net of tax expense of ₹ 69 (Refer note 2.31)	-	-	-	-	-	-	-	-	111		-	-	111
Actuarial gain/(loss) on post-employment benefit obligations, net of tax expense of ₹ 7 (Refer note 2.27)	-	-	-	-	-	-	-	-	-	-	17	-	17
Total comprehensive income (B)	-	-	-	-	-	-	-	19,755	111	(1,069)	17	(146)	18,668
Transactions with owners of the Company													
Contributions and distributions													
Issue of equity shares on exercise of options (Refer note 2.9)	-*	-	420	(420)	-	-	-	-	-	-	-	-	-
Share-based payment expense (Refer note 2.28)	-	-	-	389	-	-	-	-	-	-	-	-	389
Purchase of treasury shares	-	(535)	-	-	-	-	-	-	-	-	-	-	(535)
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	-	(4,002)	-	-	-	-	(4,002)
Total contributions and distributions	-	(535)	420	(31)	-	-	-	(4,002)	-	-	-	-	(4,148)
Changes in ownership interests													
Total transactions with owners of the Company (C)	-	(535)	420	(31)	-	-	-	(4,002)	-	-	-	-	(4,148)
Balance as at 31 March 2019 [(A)+(B)+(C)]	**830**	**(535)**	**5,631**	**795**	**267**	**173**	**20,374**	**112,000**	**156**	**(3,042)**	**(89)**	**3,676**	**140,236**

* *Rounded off to millions.*

** FVTOCI represents fair value through other comprehensive income.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

(1) Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2018, the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") was formed to support the Dr. Reddy's Employees Stock Option Scheme, 2018 by acquiring, including through secondary market acquisitions, equity shares which are used for issuance to eligible employees upon exercise of stock options thereunder. Refer to note 2.28 of these consolidated financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.

(2) Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013.

(3) Share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 2.28 for further details of these plans.

(4) The Company recognises profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments to capital reserve.

(5) As per Companies Act, 2013, capital redemption reserve is created when company purchases its own shares out of free reserves or securities premium. A sum equal to the nominal value of the shares so purchased is transferred to capital redemption reserve. The reserve is utilised in accordance with the provisions of Section 69 of the Companies Act, 2013.

(6) The general reserve is a free reserve which is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to consolidated statement of profit and loss.

(7) The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to consolidated statement of profit and loss in the period in which the hedged transaction occurs.

(8) This reserve represents mark to market gain or loss on financial assets classified as FVTOCI. Depending on the category and type of the financial asset, the mark to market gain or loss is either reclassified to profit and loss account or retained earnings upon disposal of the investment.

(9) Re-measurements of the net defined benefits plan reserve comprises the cumulative net gains/ losses on actuarial valuation of post-employment obligations. Refer note 2.27 for further details.

(10) The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is recognised in other comprehensive income, net of taxes and is presented within equity in the foreign currency translation reserve.

The accompanying notes are an integral part of consolidated financial statements.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy	Chairman, DIN: 00129701
G V Prasad	Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli	Chief Executive Officer
Saumen Chakraborty	Chief Financial Officer
Sandeep Poddar	Company Secretary

CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flows from / (used in) operating activities		
Profit before tax	**18,857**	**23,358**
Adjustments:		
Depreciation and amortisation expense	11,631	11,348
Impairment loss on other intangible assets	16,767	116
Equity settled share-based payment expense	521	389
Share of profit of equity accounted investees	(561)	(438)
Fair value gain on financial instruments at fair value through profit or loss	(929)	(773)
Foreign exchange loss / (gain), net	(2,152)	(1,574)
(Gain) / loss on sale / disposal of property, plant and equipment and other intangible assets, net	68	(1,257)
Interest income	(888)	(770)
Finance costs	983	889
Dividend on mutual funds	(5)	-
Allowances for credit losses, net	154	371
Allowances for doubtful advances, net	36	49
Changes in operating assets and liabilities:		
Trade receivables	(12,446)	5,389
Inventories	(1,487)	(4,480)
Trade payables	1,576	398
Other assets and other liabilities, net	4,821	530
Cash generated from operations	36,946	33,545
Income tax paid, net	(7,105)	(4,841)
Net cash from operating activities	**29,841**	**28,704**
Cash flows from / (used in) investing activities		
Proceeds from sale of property, plant and equipment	131	1,265
Proceeds from sale of other intangible assets	259	885
Expenditures on property, plant and equipment	(4,846)	(6,955)
Expenditures on other intangible assets	(1,269)	(1,421)
Purchase of investments	(111,918)	(78,573)
Proceeds from sale of investments	111,704	76,291
Dividend income received from associate	392	-
Interest income received	624	781
Net cash used in investing activities	**(4,923)**	**(7,727)**
Cash flows from / (used in) financing activities		
Proceeds from issuance of equity shares (including treasury shares)	4	-*
Purchase of treasury shares	(474)	(535)
Proceeds from (repayment of) short-term loans and borrowings, net (Refer note 2.9 (h))	4,235	(15,126)
Proceeds from (repayment of) long-term loans and borrowings, net (Refer note 2.9 (h))	(22,918)	(56)
Payment of principal portion of lease liabilities (Refer note 2.9 (h))	(482)	-
Dividends paid (including corporate dividend tax)	(3,916)	(4,002)
Interest paid	(1,608)	(1,607)
Net cash used in financing activities	**(25,159)**	**(21,326)**
Net decrease in cash and cash equivalents	(241)	(349)
Effect of exchange rate changes on cash and cash equivalents	(25)	35
Cash and cash equivalents at the beginning of the year (Refer note 2.6 D)	2,228	2,542
Cash and cash equivalents at the end of the year (Refer note 2.6 D)	**1,962**	**2,228**

* Rounded off to millions.

The accompanying notes are an integral part of consolidated financial statements.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

K Satish Reddy Chairman, DIN: 00129701
G V Prasad Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli Chief Executive Officer
Saumen Chakraborty Chief Financial Officer
Sandeep Poddar Company Secretary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

NOTE 1 DESCRIPTION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES

1.1 DESCRIPTION OF THE GROUP

Dr. Reddy's Laboratories Limited (the "parent company"), together with its subsidiaries and joint ventures (collectively, the "Company"), is a leading India-based pharmaceutical company headquartered and having its registered office in Hyderabad, Telangana, India. Through its three businesses - Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products – the Company offers a portfolio of products and services, including Active Pharmaceutical Ingredients ("APIs"), Custom Pharmaceutical Services ("CPS"), generics, biosimilars and differentiated formulations.

The Company's principal research and development facilities are located in the states of Telangana and Andhra Pradesh in India, Cambridge in the United Kingdom and Leiden in the Netherlands; its principal manufacturing facilities are located in the states of Telangana, Andhra Pradesh and Himachal Pradesh in India, Cuernavaca-Cuautla in Mexico, Mirfield in the United Kingdom, and Louisiana in the United States; and its principal markets are in India, Russia, the United States, the United Kingdom, and Germany. The Company's shares trade on the Bombay Stock Exchange and the National Stock Exchange in India and on the New York Stock Exchange in the United States.

Please refer note 2.26 for list of subsidiaries, step-down subsidiaries and joint ventures of the parent company.

1.2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

a) Statement of compliance

These consolidated financial statements as at and for the year ended 31 March 2020 comply in all material aspects with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015 and as amended from time to time.

These consolidated financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective or elected for early adoption at the Company's annual reporting date, 31 March 2020. These consolidated financial statements were authorised for issuance by the Company's Board of Directors on 20 May 2020.

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- derivative financial instruments are measured at fair value;
- financial assets are measured either at fair value or at amortised cost, depending on the classification;
- employee defined benefit assets/(liabilities) are recognised as the net total of the fair value of plan assets, adjusted for actuarial gains/(losses) and the present value of the defined benefit obligation;
- long-term borrowings are measured at amortised cost using the effective interest rate method;
- assets held for sale are measured at fair value less costs to sell;
- share-based payments are measured at fair value;
- investments in joint ventures are accounted for using the equity method; and
- right-of-use the assets are recognised at the present value of lease payments that are not paid at that date. This amount is adjusted for any lease payments made at or before the commencement date, lease incentives received and initial direct costs, incurred, if any.

c) Functional and presentation currency

These consolidated financial statements are presented in Indian rupees, which is the functional currency of the parent company. All financial information presented in Indian rupees has been rounded to the nearest millions.

In respect of certain non-Indian subsidiaries that operate as marketing arms of the parent company in their respective countries/regions, the functional currency has been determined to be the functional currency of the parent company (i.e., the Indian rupee). The operations of these entities are largely restricted to importing of finished goods from the parent company in India, sales of these products in the foreign country and making of import payments to the parent company. The cash flows realised from sales of goods are available for making import payments to the parent company and cash is paid to the parent company on a regular basis.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

The costs incurred by these entities are primarily the cost of goods imported from the parent company. The financing of these subsidiaries is done directly or indirectly by the parent company.

In respect of subsidiaries whose operations are self-contained and integrated within their respective countries/regions, the functional currency has been generally determined to be the local currency of those countries/regions, unless use of a different currency is considered appropriate.

d) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2(c) — Assessment of functional currency;
- Note 1.3(b) — Evaluation of joint arrangements;
- Note 1.3(d) — Financial instruments;
- Note 1.3(e) — Business combinations;
- Notes 1.3(f) and 1.3(g) — Useful lives of property, plant and equipment and intangible assets;
- Motes 1.3(h) – determination of cost for right-of-use assets and lease term;
- Note 1.3(i) — Valuation of inventories;
- Note 1.3(j) — Measurement of recoverable amounts of cash-generating units;
- Note 1.3(k) — Assets and obligations relating to employee benefits;
- Note 1.3(k) — Share-based payments;
- Note 1.3(l) — Provisions and other accruals;
- Note 1.3(m) — Measurement of transaction price in a revenue transaction (Sales returns, rebates and chargeback provisions);
- Note 1.3(p) — Evaluation of recoverability of deferred tax assets, and estimation of income tax payable and income tax expense in relation to an uncertain tax position; and
- Note 1.3(l) — Contingencies

e) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, *Presentation of Financial Statements*.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Liabilities:
A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities include the current portion of non-current assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

f) Prior period
Prior period amounts have been reclassified to conform to the current year classification

1.3 SIGNIFICANT ACCOUNTING POLICIES

a) New Standards adopted by the Company
Ind AS 116, "*Leases*"
On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, "*Leases*" as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces the existing standard on leases i.e. Ind AS 17, Leases effective for accounting periods beginning on or after 1 April 2019.

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained.

Impact of the implementation of Ind AS 116 on the Company:
The Company adopted Ind AS 116 effective as of 01 April 2019. Ind AS 116, "*Leases*" changed the financial statements of the Company as the majority of leases for which the Company is the lessee became on-balance sheet liabilities with corresponding right-of-use assets also recognised on the consolidated balance sheet. The lease liability reflects the net present value of the remaining lease payments adjusted for payments made before the commencement date, lease incentives and other items related to the lease agreement, and the right-of-use asset corresponds to the lease liability.

Upon adoption of the new standard, a portion of the annual operating lease costs, which was previously fully recognised as a rental / lease expense, is recorded as interest expense. In addition, the portion of the lease payments which represents the reduction of the lease liability is recognised in the statement of cash flows as an outflow from financing activities, which was previously fully recognised as an outflow from operating activities.

The Company implemented the new standard on 1 April 2019, and applied the modified retrospective method, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognised in the consolidated balance sheet immediately before the date of initial application and will not restate prior years.

The Company elected to use the transition practical expedient that allows the standard to be applied only to contracts previously identified under Ind AS 17, "*Leases*" and the contracts assessed using the guidance available under Appendix – C to Ind AS 17, "Determining Whether an Arrangement Contains a Lease".

The Company also elected to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases") and lease contracts for which the underlying asset is of low value ("low value assets").

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

On 1 April 2019, the Company recognised lease liabilities of ₹ 1,335 (presented as part of borrowings) and right-of-use assets of ₹ 1,153, after adjustments of ₹ 182 towards lease incentives and other items related to the lease agreement as at 31 March 2019 (presented as part of Property, plant and equipment).

Consequently, the Company has recognised an amount of ₹ 491 in depreciation expense and ₹ 230 in finance costs for the year ended 31 March 2020.

Adoption of the new standard had no impact upon leases for which the Company is a lessor.

Appendix C to Ind AS 12, "Uncertainty over Income Tax Treatments"

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Appendix C explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously Ind AS 12 was silent. Appendix C applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Company applied the interpretation effective 1 April 2019 using the modified retrospective approach. The adoption of Appendix C did not have any material impact on the consolidated financial statements of the Company.

b) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) that are controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

For the purpose of preparing these consolidated financial statements, the accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Company.

Joint arrangements (equity accounted investees)

Joint arrangements are those arrangements over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

With respect to joint operations, the Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

Investments in joint ventures are accounted for using the equity method and are initially recognised at cost. The carrying value of the Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Company does not consolidate entities where the non-controlling interest ("NCI") holders have certain significant participating rights that provide for effective involvement in significant decisions in the ordinary course of business of such entities. Investments in such entities are accounted by the equity method of accounting. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

For the purpose of preparing these consolidated financial statements, the accounting policies of joint ventures have been changed where necessary to align them with the policies adopted by the Company. Furthermore, the financial statements of the joint ventures are prepared for the same reporting period as of the Company.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements. Unrealised gains or losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee.

Changes in ownership interests

Acquisition of some or all of the NCI is accounted for as a transaction with equity holders in their capacity as equity holders. Consequently, the difference arising between the fair value of the purchase consideration paid and the carrying value of the NCI is recorded as an adjustment to retained earnings that is attributable to the parent company. The associated cash flows are classified as financing activities. No goodwill is recognised as a result of such transactions.

Loss of Control

Upon loss of control, the Company derecognises the assets and liabilities of the subsidiary, any NCIs and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit and loss. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, depending on the level of influence retained, it is accounted for as an equity-accounted investee or as an investment measured at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") under Ind AS 109,*"Financial Instruments"*.

c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the consolidated statement of profit and loss in the period in which they arise.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income ("OCI"):

- certain debt instruments classified as measured at fair value through other comprehensive income;
- certain equity instruments where the Company had made an irrevocable election to present in other comprehensive income subsequent changes in the fair value;
- a financial liability designated as a hedge of the net investment in a foreign operation, to the extent that the hedge is effective; and
- qualifying cash flow hedges, to the extent that the hedges are effective.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Foreign operations

Foreign exchange gains and losses arising from a monetary item receivable from a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation and are recognised in OCI and presented within equity as a part of foreign currency translation reserve ("FCTR").

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

In case of foreign operations whose functional currency is different from the parent company's functional currency, the assets and liabilities of such foreign operations, including goodwill and fair value adjustments arising upon acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of such foreign operations are translated to the reporting currency at the monthly average exchange rates prevailing during the year. Resulting foreign currency differences are recognised in OCI and presented within equity as part of FCTR. When a foreign operation is disposed of, in part or in full, such that control, significant influence or joint control is lost, the relevant amount in the FCTR is transferred to the consolidated statement of profit and loss.

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (e.g., regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under Ind AS 115.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost;
- Debt instruments at FVTOCI;
- Debt instruments, derivatives and equity instruments at FVTPL; and
- Equity instruments measured at FVTOCI.

Debt instruments at amortised cost

A "debt instrument" is measured at the amortised cost if both the following conditions are met:

a) the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

b) contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method and are subject to impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit and loss and presented in other income. The losses arising from impairment are recognised in the consolidated statement of profit and loss.

This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A "debt instrument" is classified as at the FVTOCI if both of the following criteria are met:

a) the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

b) the asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income ("OCI"). However, the Company recognises interest income, impairment losses and reversals and foreign exchange gain or loss in the consolidated statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the consolidated statement of profit and loss. Interest earned while holding a FVTOCI debt instrument is reported as interest income using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as an “accounting mismatch”).

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the consolidated statement of profit and loss.

Equity investments

All equity investments within the scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies, are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made upon initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the consolidated statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the consolidated statement of profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company’s consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or
- Both (1) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and (2) either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company’s continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of trade receivables and other financial assets

In accordance with Ind AS 109, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a “simplified approach” for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit and loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains or losses are not subsequently transferred to the consolidated statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the consolidated statement of profit and loss. The Company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of profit and loss over the period of the borrowings using the effective interest method.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit and loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss.

Derivative financial instruments

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in US dollars, UK pounds sterling, Russian roubles, Brazilian reals, Swiss francs, South African rands, Kazakhstan tenges, Romanian new leus and Euros, and foreign currency debt in US dollars, Russian roubles, Ukrainian hryvnias and Euros.

The Company uses derivative financial instruments such as foreign exchange forward contracts, option contracts and swap contracts to mitigate its risk of changes in foreign currency exchange rates. The Company also uses non-derivative financial instruments as part of its foreign currency exposure risk mitigation strategy. Derivatives are classified as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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Hedges of highly probable forecasted transactions

The Company classifies its derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Company's hedging reserve as a component of equity and re-classified to the consolidated statement of profit and loss as part of the hedged item in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the consolidated statement of profit and loss as finance costs immediately.

The Company also designates certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions. Accordingly, the Company applies cash flow hedge accounting to such relationships. Re-measurement gain or loss on such non-derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and reclassified to the consolidated statement of profit and loss as part of the hedged item in the period corresponding to the occurrence of the forecasted transactions.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the consolidated statement of profit and loss.

Hedges of recognised assets and liabilities

Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the consolidated statement of profit and loss. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognised in the consolidated statement of profit and loss. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit and loss.

Hedges of changes in the interest rates

Consistent with its risk management policy, the Company uses interest rate swaps to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

e) Business combinations

In accordance with the provisions of Ind AS 101, *First time adoption of Indian Accounting Standards*, the Company has elected to apply accounting for business combinations prospectively from transition date i.e., 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward.

The Company uses the acquisition method of accounting to account for business combinations that occurred on or after 1 April 2009. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive.

The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognised immediately in the consolidated statement of profit and loss.Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships.Any goodwill that arises on account of such business combination is tested annually for impairment.

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Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the consolidated statement of profit and loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

On an acquisition-by-acquisition basis, the Company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

f) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "Other income/ Selling and other expense, net" in the consolidated statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the consolidated statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the consolidated statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated but subject to impairment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any changes are considered prospectively.

The estimated useful lives are as follows:

Particulars	Years
Buildings	
- Factory and administrative buildings	20 to 50
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalised as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalised costs are amortised over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed other non-current assets. Assets not ready for use are not depreciated but are tested for impairment.

g) Goodwill and other intangible assets

Recognition and measurement

Goodwill	Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.
Other intangible assets	Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.
Research and development	Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognised in the consolidated statement of profit and loss when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if: • development costs can be measured reliably; • the product or process is technically and commercially feasible; • future economic benefits are probable and • the Company intends to, and has sufficient resources to complete development and to use or sell the asset. The expenditures to be capitalised include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognised in the consolidated statement of profit and loss as incurred. As of 31 March 2020, none of the development expenditure amounts has met the aforesaid recognition criteria.
Separate acquisition of intangible assets	Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised. The Company's criteria for capitalisation of such assets are consistent with the guidance given in paragraph 25 of Indian Accounting Standard 38 ("Ind AS 38") (i.e., the receipt of economic benefits embodied in each intangible asset separately purchased or licensed in the transaction is considered to be probable).
In-Process Research and Development assets ("IPR&D") or Intangible assets under development	Acquired research and development intangible assets that are under development are recognised as In-Process Research and Development assets ("IPR&D") or Intangible assets under development. IPR&D assets are not amortised, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the consolidated statement of profit and loss under impairment of non-current assets
Subsequent expenditure	
Other intangible assets	Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, is recognised in the consolidated statement of profit and loss as incurred.
In-Process Research and Development assets ("IPR&D") or Intangible assets under development	Subsequent expenditure on an IPR&D project acquired separately or in a business combination and recognised as an intangible asset is: • recognised as an expense when incurred, if it is a research expenditure; • recognised as an expense when incurred, if it is a development expenditure that does not satisfy the criteria for recognition as an intangible asset in paragraph 57 of Ind AS 38; and • added to the carrying amount of the acquired in-process research or development project, if it is a development expenditure that satisfies the recognition criteria in paragraph 57 of Ind AS 38.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Amortisation

Amortisation is recognised in the consolidated statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets. The amortisation expense is recognised in the consolidated statement of profit and loss account in the expense category that is consistent with the function of the intangible asset.Intangible assets that are not available for use are amortised from the date they are available for use.

The estimated useful lives are as follows:

Particulars	Years
Product related intangibles	3 to 15
Customer related intangibles	1 to 11
Other intangibles	3 to 15

The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at each reporting date.

Goodwill, intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the consolidated statement of profit and loss.

De-recognition of intangible assets

Intangible assets are de-recognised either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the consolidated statement of profit and loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as at the date of de-recognition.

h) Leases

As explained inthe introduction to this note 1.3(a) above, *(see New Standards adopted by the Company- Ind AS 116, “Leases”),* the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below. Refer to such introduction to this Note1.3(a) for the impact of the change in accounting policy.

Accounting policies relating to leases for periods ending on or after 1 April 2019

The Company's accounting policies relating to leases for periods ending on or after 1 April 2019 are as follows:

The Company assesses at contract inception whether a contract is or contains a lease, which applies, if the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. The Company recognised right-of-use asset at the commencement date of the lease, i.e. the date the underlying asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments to be made over the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, then the lessee’s incremental borrowing rate is used. Such borrowing rate is calculated as the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company’s lease liabilities are included in borrowings.

Lease payments are allocated between principal and interest cost. The interest cost is charged to consolidated statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment comprised of the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated statement of profit and loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The right-of-use assets are initially recognised on the consolidated balance sheet at cost, which is calculated as the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received and any initial direct costs incurred by the Company.

Accounting policies relating to leases for periods ending on or prior to 31 March 2019

The Company's accounting policies relating to leases for periods ending on or prior to 31 March 2019 are as follows :

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Finance leases

A finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalised and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Other leases are operating leases, and the leased assets are not recognised on the Company's consolidated balance sheet. Payments made under operating leases are recognised in the consolidated statement of profit and loss on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognised as a reduction of rental expense on a straight line basis over the lease term.

i) Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the provision for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

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j) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at 31 March.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised in the consolidated statement of profit and loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognised in the consolidated statement of profit and loss, and reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

k) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the consolidated statement of profit and loss as and when the services are received from the employees.

Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market interest rates on government bonds are used. The current service cost of the defined benefit plan, recognised in the consolidated statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised immediately in the consolidated statement of profit and loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions for defined benefit obligation and plan assets are recognised in OCI in the period in which they arise.

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When the benefits under a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the consolidated statement of profit and loss. The Company recognises gains or losses on the settlement of a defined benefit plan obligation when the settlement occurs.

Termination benefits

Termination benefits are recognised as an expense in the consolidated statement of profit and loss when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense in the consolidated statement of profit and loss if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Other long-term employee benefits

The Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognised in the consolidated statement of profit and loss in the period in which they arise.

Compensated absences

The Company's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Company measures the expected cost of accumulating compensated absences as the additional amount that the Company incurs as a result of the unused entitlement that has accumulated at the reporting date. Such measurement is based on actuarial valuation as at the reporting date carried out by a qualified actuary.

Equity settled share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense in the consolidated statement of profit and loss, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and performance conditions at the vesting date. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognised in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

Cash settled share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognised as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment.

The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognised in the consolidated statement of profit and loss.

l) Provisions

A provision is recognised in the consolidated statement of profit and loss if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised in the consolidated statement of profit and loss when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

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Onerous contracts

A provision for onerous contracts is recognised in the consolidated statement of profit and loss when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised in the consolidated statement of profit and loss only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the consolidated balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the consolidated financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

m) Revenue

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods. The Company has generally concluded that it is the principal in its revenue arrangements.

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method.

Presented below are the points of recognition of revenue with respect to the Company's sale of goods:

Particulars	Point of recognition of revenue
Sales of generic products in India	Upon delivery of products to distributors by clearing and forwarding agents of the Company. Control over the generic products is transferred by the Company when the goods are delivered to distributors from clearing and forwarding agents.
Sales of active pharmaceutical ingredients and intermediates in India	Upon delivery of products to customers (generally formulation manufacturers), from the factories of the Company.
Export sales and other sales outside of India	Upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

Profit share revenues

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

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Revenue in an amount equal to the base sale price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Out licensing arrangements, milestone payments and royalties

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue upon delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognised over the balance period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognised as revenues either on achievement of such milestones, over the performance period depending on the terms of the contract. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Royalty income earned through a license is recognised when the underlying sales have occurred.

Provision for chargeback, rebates and discounts

Provisions for chargeback, rebates, discounts and Medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Provisions for such chargebacks are accrued and estimated based on historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers/other customers and estimated inventory holding by the wholesaler.

Shelf stock adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by the Company, and are accrued when the prices of certain products decline as a result of increased competition or otherwise. These credits are customary in the pharmaceutical industry, and are intended to reduce the customer inventory cost to better reflect the current market prices. The determination to grant a shelf stock adjustment to a customer is based on the terms of the applicable contract, which may or may not specifically limit the age of the stock on which a credit would be offered.

Sales Returns

The Company accounts for sales returns accrual by recording refund liability concurrent with the recognition of revenue at the time of a product sale. This liability is based on the Company's estimate of expected sales returns. The Company deals in various products and operates in various markets. Accordingly, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors. At the time of recognising the refund liability, the Company also recognises an asset, (i.e., the right to the returned goods) which is included in inventories for the products expected to be returned. The Company initially measures this asset at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

Along with re-measuring the refund liability at the end of each reporting period, the Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Services

Revenue from services rendered, which primarily relate to contract research, is recognised in the consolidated statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

n) Shipping and handling costs

Shipping and handling costs incurred to transport products to customers, and internal transfer costs incurred to transport the products from the Company's factories to its various points of sale, are included in selling and other expenses

o) Other income and finance cost

Other income consists of interest income on funds invested, dividend income and gains on the disposal of assets. Interest income is recognised in the consolidated statement of profit and loss as it accrues, using the effective interest method. Dividend income is recognised in the consolidated statement of profit and loss on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognised in the consolidated statement of profit and loss using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within other income and / or selling and other expenses. These primarily include: exchange differences arising on the settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

p) Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the consolidated statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealised inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognised using the tax rate of the jurisdiction in which such inventories are held. Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Current and deferred tax is recognised in consolidated statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Accruals for uncertain tax positions require management to make judgements of potential exposures. Accruals for uncertain tax positions are measured using either the most likely amount or the expected value amount depending on which method the entity expects to better predict the resolution of the uncertainty. Tax benefits are not recognised unless the tax positions will probably be accepted by the tax authorities. This is based upon management's interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter. Once considered probable of not being accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable amounts.

q) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

r) Government grants

The Company recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to income are deducted in reporting the related expense in the consolidated statement of profit and loss.

Export entitlements from government authorities are recognised in the consolidated statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Co-Chairman and Managing Director of the Company is responsible for allocating resources and assessing performance of the operating segments and accordingly is identified as the chief operating decision maker.

t) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in consolidated statement of profit and loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the securities premium.

u) Rounding of amounts

All amounts in Indian Rupees disclosed in the consolidated financial statements and notes have been rounded off to the nearest million unless otherwise stated.

1.4 DETERMINATION OF FAIR VALUES

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

b) Intangible assets

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method. Under this method, value is estimated as the present value of the benefits anticipated from ownership of the intangible assets in excess of the returns required or the investment in the contributory assets necessary to realise those benefits.

c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

d) Investments in equity and debt securities and units of mutual funds

The fair value of marketable equity and debt securities is determined by reference to their quoted market price at the reporting date. For debt securities where quoted market prices are not available, fair value is determined using pricing techniques such as discounted cash flow analysis.

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

e) Derivatives

The fair value of foreign exchange forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of foreign currency option and swap contracts and interest rate swap contracts is determined based on the appropriate valuation techniques, considering the terms of the contract.

f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

g) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

NOTE 2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Property, plant and equipment

Particulars	Land	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
Gross carrying value						
Balance as at 1 April 2018	4,300	22,236	66,526	5,455	769	99,286
Additions	3	1,476	6,002	707	125	8,313
Disposals[(1)(2)]	(75)	(797)	(2,260)	(428)	(85)	(3,645)
Effect of changes in foreign exchange rates	1	90	159	4	-	254
Balance as at 31 March 2019	**4,229**	**23,005**	**70,427**	**5,738**	**809**	**104,208**
Balance as at 1 April 2019	4,229	23,005	70,427	5,738	809	104,208
Recognition of right-of-use asset on initial application of Ind AS 116[(3)]	-	723	2	28	400	1,153
Adjusted balance as at 1 April 2019	4,229	23,728	70,429	5,766	1,209	105,361
Additions	4	997	4,278	497	295	6,071
Disposals[(1)(2)]	-	(55)	(706)	(253)	(218)	(1,232)
Effect of changes in foreign exchange rates	(84)	245	392	(38)	(76)	439
Balance as at 31 March 2020	**4,149**	**24,915**	**74,393**	**5,972**	**1,210**	**110,639**
Accumulated Depreciation						
Balance as at 1 April 2018	39	6,257	38,551	4,324	382	49,553
Depreciation for the year	-	1,046	6,481	615	170	8,312
Disposals[(1)(2)]	(39)	(537)	(1,870)	(321)	(88)	(2,855)
Effect of changes in foreign exchange rates	-	20	48	3	-	71
Balance as at 31 March 2019	**-**	**6,786**	**43,210**	**4,621**	**464**	**55,081**
Balance as at 1 April 2019	-	6,786	43,210	4,621	464	55,081
Depreciation for the year	-	1,299	6,382	564	379	8,624
Disposals[(1)(2)]	-	(31)	(677)	(245)	(197)	(1,150)
Effect of changes in foreign exchange rates	-	121	265	(33)	(48)	305
Balance as at 31 March 2020	**-**	**8,175**	**49,180**	**4,907**	**598**	**62,860**
Net carrying value						
As at 31 March 2019	4,229	16,219	27,217	1,117	345	49,127
As at 31 March 2020	**4,149**	**16,740**	**25,213**	**1,065**	**612**	**47,779**

(1) During the year ended 31 March 2019, the Company sold its subsidiary Dr. Reddy's Laboratories Tennessee, LLC and certain related assets to Neopharma Inc., resulting in the disposition of the Company's formulations manufacturing facility and related assets in Bristol, Tennessee. The aforesaid transaction pertains to the Company's Global Generics segment. An amount of ₹ 106 (including reclassification of cumulative amount of foreign exchange gain relating to the foreign operation from FCTR to consolidated statement of profit and loss of ₹ 79) representing the profit on sale of membership interest in Dr. Reddy's Laboratories Tennessee, LLC was included under the heading "other income".

(2) During the year ended 31 March 2019, the Company sold one of its API manufacturing business units located in Jeedimetla, Hyderabad to Therapiva Private Limited. This sale was done on a slump sale basis (as defined under section 2(42C) of Indian Income Tax Act, 1961) including all related property, plant and equipment, current assets, current liabilities, and transfer of employees. An amount of ₹ 423 representing the profit on the sale of such business unit was included under the heading "other income".

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.1 Property, plant and equipment (continued)

(3) Leases

The Company has lease contracts for various items of plant and equipment, vehicles and other equipment used in its operations. Below are the carrying amounts of right-of-use assets recognised and the movements during the year.

Particulars	Land	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
Gross carrying value						
Balance as at 1 April 2019	73	840	12	-	37	962
Recognition of right-of-use asset on initial application of Ind AS 116	-	723	2	28	400	1,153
Adjusted balance as at 1 April 2019	73	1,563	14	28	437	2,115
Additions	-	87	3	17	146	253
Disposals	-	(1)	-	-	(56)	(57)
Effect of changes in foreign exchange rates	5	39	1	-	3	48
Balance as at 31 March 2020	**78**	**1,688**	**18**	**45**	**530**	**2,359**
Accumulated Depreciation						
Balance as at 1 April 2019	-	454	12	-	33	499
Depreciation for the year	-	267	1	13	210	491
Disposals	-	(1)	-	-	(41)	(42)
Effect of changes in foreign exchange rates	-	24	1	-	(3)	22
Balance as at 31 March 2020	**-**	**744**	**14**	**13**	**199**	**970**
Net carrying value						
As at 31 March 2020	**78**	**944**	**4**	**32**	**331**	**1,389**

The following are the amounts recognised in statement of profit and loss:

Particulars	For the year ended 31 March 2020
Depreciation expense of right-of-use assets	491
Interest expense on lease liabilities	230
	721

The Company had total cash outflows for leases of ₹ 972 during the year ended 31 March 2020. The maturity analysis of lease liabilities are disclosed in note 2.10 of these consolidated financial statements.

Capital commitments

As of 31 March 2020 and 31 March 2019, the Company was committed to spend ₹ 4,888 and ₹ 2,495, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchase commitments.

Interest capitalisation

During the years ended 31 March 2020 and 31 March 2019, the Company capitalised interest cost of ₹ 52 and ₹ 74, respectively, with respect to qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2020 and 31 March 2019 was approximately 4.22% and 3.21%, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.2 Goodwill

Goodwill arising upon business combinations is not amortised but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired. Gross carrying value and accumulated amortisation with respect to goodwill represent Indian GAAP balances, that have been carried forward as such, relating to business combination entered before the transition date i.e., 1 April 2015.

Particulars	As at 31 March 2020	As at 31 March 2019
Gross carrying value		
Opening balance	35,157	37,479
Additions	-	-
Disposals	-	-
Effect of changes in foreign exchange rates	2,029	(2,322)
Closing balance	**37,186**	**35,157**
Accumulated amortisation		
Opening balance	30,498	32,148
Impairment loss	10	-
Effect of changes in foreign exchange rates	1,765	(1,650)
Closing balance	**32,273**	**30,498**
Net carrying value	**4,913**	**4,659**

For the purpose of impairment testing, goodwill is allocated to a cash generating unit, representing the lowest level within the Company at which goodwill is monitored for internal management purposes and which is not higher than the Company's operating segment.

The carrying amount of goodwill (other than those arising upon investment in a joint venture) was allocated to the cash generating units as follows:

Particulars	As at 31 March 2020
PSAI-Active Pharmaceutical Operations	157
Global Generics-Complex Injectables	1,861
Global Generics-North America Operations	313
Global Generics-Germany Operations	2,207
Global Generics-Branded Formulations	375
	4,913

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Value in use is generally calculated as the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially, a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. Key assumptions upon which the Company has based its determinations of value-in-use include:

a) Estimated cash flows for five years, based on management's projections.

b) A terminal value arrived at by extrapolating the last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.

c) The after tax discount rates used are based on the Company's weighted average cost of capital.

d) The after tax discount rates used range from 6.34% to 14.00% for various cash generating units. The pre-tax discount rates range from 8.80% to 18.12%.

The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.3 Other intangible assets

Particulars	Product related intangibles	Customer related intangibles	Others	Total
Gross carrying value				
Balance as at 1 April 2018	35,989	267	1,342	37,598
Additions	5,816	-	602	6,418
Disposals/ De- recognitions	(3,219)	(267)	-	(3,486)
Effect of changes in foreign exchange rates	588	-	1	589
Balance as at 31 March 2019	**39,174**	**-**	**1,945**	**41,119**
Balance as at 1 April 2019	39,174	-	1,945	41,119
Additions	3,222	-	165	3,387
Disposals/ De- recognitions[1]	(597)	-	(1)	(598)
Effect of changes in foreign exchange rates	1,617	-	5	1,622
Balance as at 31 March 2020	**43,416**	**-**	**2,114**	**45,530**
Amortisation/impairment loss				
Balance as at 1 April 2018	21,962	267	753	22,982
Amortisation for the year	2,689	-	347	3,036
Impairment loss[2]	116	-	-	116
Disposals/ De- recognitions	(2,815)	(267)	-	(3,082)
Effect of changes in foreign exchange rates	(58)	-	1	(57)
Balance as at 31 March 2019	**21,894**	**-**	**1,101**	**22,995**
Balance as at 1 April 2019	21,894	-	1,101	22,995
Amortisation for the year	2,744	-	263	3,007
Impairment loss[2]	3,378	-	-	3,378
Disposals/ De- recognitions[1]	(531)		(1)	(532)
Effect of changes in foreign exchange rates	868	-	3	871
Balance as at 31 March 2020	**28,353**	**-**	**1,366**	**29,719**
Net carrying value				
As at 31 March 2019	17,280	-	844	18,124
As at 31 March 2020	**15,063**	**-**	**748**	**15,811**

[1] Gain on disposal of assets for the year ended 31 March 2019 includes an amount of ₹ 682 representing the profit on sale of intangible assets forming part of the Company's Proprietary Products segment.

[2] Refer note 2.4 for "Impairment losses recorded for the year ended 31 March 2020 and 31 March 2019"

2.4 Intangible assets under development

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance at the beginning of the year	24,610	27,027
Add: Additions during the year[1]	950	1,171
Less: Capitalisations during the year [2]	(2,530)	(5,445)
Less: Impairment during the year [3]	(13,379)	-
Effect of changes in exchange rates	1,336	1,857
Balance at end of the year	**10,987**	**24,610**

[1] During the year ended 31 March 2020, the Company acquired a portfolio of approved, non-marketed Abbreviated New Drug Applications ("ANDAs") in the United States from Teva for a total consideration of ₹ 277. The Company recognised these ANDAs acquired as product related intangibles.

[2] During the year ended 31 March 2020, the products ramelton was available for use and are subject to amortisation. Accordingly, the Company reclassified the amount from intangible assets under development to product related intangibles

During the year ended 31 March 2019, the products buprenorphine and naloxone sublingual film and tobramycin were available for use and are subject to amortisation. Accordingly, the Company reclassified the amount from intangible assets under development to product related intangibles.

[3] *Impairment losses recorded for the year ended 31 March 2020*
Total impairment charges for the year ended 31 March 2020 were ₹ 16,757 which were recorded in impairment of non-current assets in the consolidated statement of profit and loss, of which ₹ 11,137 was attributable to impairment of gNuvaring and the balance of ₹ 5,620 was attributable to other product related intangibles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.4 Intangible assets under development (continued)

Impairment of gNuvaring
During the year ended 31 March 2020, there were significant changes to the generics market for Ethinyl estradiol / Ethenogestral vaginal ring (a generic equivalent to Nuvaring®), one of the 8 ANDAs acquired from Teva in June 2016. The changes include the launches by competitors of both generic and authorised generic versions of the product in December 2019. Due to these adverse market developments, as at 31 December 2019, the Company tested the carrying value of this product at the product cash generating unit ("CGU") level, being the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount was determined by reference to the product's value-in-use or fair value less costs to sell, whichever is higher. This resulted in the value-in-use being the recoverable value of the product. Accordingly, the Company recorded an impairment loss of ₹ 11,137 for the year ended 31 March 2020. This impairment loss pertained to the Company's Global Generics segment.

The carrying value of the asset after the impairment was ₹ 3,269.

The Company used the discounted cash flow approach to calculate the value in use, with the assistance of independent appraisers. The key assumptions considered in the calculation are as follows:

a) Weighted average of probability adjusted revenue projections which take into consideration different scenarios such as the base case, the upside case and the downside case;

b) Rate of generic penetration and estimated price erosion throughout the period;

c) Estimate of useful life over which the product is expected to generate cash flows; and

d) the net cash flows have been discounted based on a post-tax discounting tax rate of 8%.

In June 2019, the Company launched tobramycin inhalation solution, USP, a therapeutic equivalent generic version of TOBI® (tobramycin) Inhalation Solution, and in July 2019 the Company launched ramelteon tablets, 8 mg, a therapeutically equivalent generic version of Rozerem® (ramelteon, 8 mg) Tablets. Subsequent to their respective launches, both products experienced adverse market conditions, such as increased competition and reduced selling prices by competitors. As a result, the performance of the products was significantly lower than the Company's prior estimates. Furthermore, the Company decided to drop the launch of its planned imiquimod cream product. Accordingly, the Company assessed the recoverable amount of intangible assets associated with these three products, and recognised an impairment loss of ₹ 4,385 (US$ 61.4 millions) for the year ended 31 March 2020. These impairment losses pertained to the Company's Global Generics segment.

In view of the specific triggers occurring in the year with respect to some of other product related intangible assets forming part of the Company's Global Generics and Proprietary Products segments, the Company determined that there was a decrease in the market potential of these products primarily due to higher than expected price erosion and increased competition leading to lower volumes. Consequently, the Company recorded an amount of ₹ 1,235 as impairment loss for the year ended 31 March 2020.

Impairment losses recorded for the year ended 31 March 2019
As a result of the Company's decision to discontinue a few products pertaining to its Global Generics segment, product related intangibles of ₹ 116 were recorded as impairment loss for the year ended 31 March 2019 in the consolidated statement of profit and loss.

Consequent to the materiality of the amount involved, these impairment amounts have been disclosed separately in the consolidated statement of profit and loss.

Interest capitalisation

During the years ended 31 March 2020 and 31 March 2019, the Company capitalised interest cost of ₹ 674 and ₹ 655, respectively, with respect to certain qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2020 and 31 March 2019 ranged from 2.04% to 4.60% and from 1.98% to 4.12%, respectively.

Details of significant intangible assets (including intangible assets under development) as at 31 March 2020:

Particulars	Acquired from	Carrying Cost
ANDAs	Teva and an affiliate of Allergan	9,813
Select portfolio of dermatology, respiratory and pediatric assets	UCB India Private Limited and affiliates	5,072
Intellectual property rights relating to PPC-06	Xenoport, Inc	4,019
Habitrol® brand	Novartis Consumer Health Inc.	1,936
Commercialisation rights for an anti-cancer biologic agent	Eisai Company Limited	1,838
OTC product brands	Ducere Pharma LLC	731
ANDAs	Gland Pharma Limited	284

2.5 Investment in equity accounted investees

Particulars	As at 31 March 2020	As at 31 March 2019
Investment in unquoted equity shares		
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Company Limited, China[1]	2,714	2,464
8,580,000 (31 March 2019: 8,580,000) equity shares of ₹ 10/- each of DRES Energy Private Limited, India	49	65
	2,763	**2,529**

[1] Shares held in Kunshan Rotam Reddy Pharmaceutical Company Limited, China are not denominated in number of shares as per the laws of the country.

Details of the Company's investment in Kunshan Rotam Reddy Pharmaceuticals Company Limited :

Kunshan Rotam Reddy Pharmaceuticals Company Limited ("Reddy Kunshan") is engaged in manufacturing and marketing of finished dosages in China. The Company's interest in Reddy Kunshan was 51.3% as of 31 March 2020 and 31 March 2019. Four directors of the Company are on the board of Reddy Kunshan, which consists of eight directors. Under the terms of the joint venture agreement, all major decisions with respect to operating activities, significant financing and other activities are taken by the approval of at least five of the eight directors of Reddy Kunshan's board. As the Company does not control Reddy Kunshan's board and the other partners have significant participation rights, the Company's interest in Reddy Kunshan has been accounted for under the equity method of accounting.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.5 Investment in equity accounted investees (continued)

Summary financial information of Reddy Kunshan, as translated into the reporting currency of the Company and not adjusted for the percentage ownership held by the Company, is as follows:

Particulars	As at/ For the year ended 31 March 2020	As at/ For the year ended 31 March 2019
Ownership	51.3%	51.3%
Total current assets	6,925	6,195
Total non-current assets	732	374
Total assets	**7,657**	**6,569**
Equity	4,931	4,448
Total current liabilities	2,726	2,121
Total equity and liabilities	**7,657**	**6,569**
Revenues	7,679	7,436
Expenses	6,554	6,558
Profit for the year	**1,125**	**878**
Company's share of profits for the year	577	449
Carrying value of the Company's investment	2,714	2,464
Translation adjustment arising out of translation of foreign currency balances	306	241

During the year ended 31 March 2020, the Company recognised an amount of ₹ 392, representing its share of dividend declared by the equity accounted investee, Reddy Kunshan. The amount of dividend is adjusted against the carrying amount of investment in the consolidated balance sheet.

Details of the Company's investment in DRES Energy Private Limited :

Particulars	As at 31 March 2020	As at 31 March 2019
Carrying value of the Company's investment	49	65
Company's share of loss for the year	(16)	(11)

2.6 Financial assets

2.6 A. Investments

Investments consist of investments in units of mutual funds, market linked debentures, equity securities, bonds, commercial paper, and term deposits with banks (i.e., certificates of deposit having an original maturity period exceeding 3 months).

Particulars	As at 31 March 2020	As at 31 March 2019
Investments at FVTOCI		
I. Equity instruments		
Quoted equity shares *(fully paid up)*		
5,465,693 (31 March 2019: 5,465,693) equity shares of US$ 0.05 each of Curis, Inc. (Refer note 2.34)	292	753
58,000 (31 March 2019: 120,000) equity shares of ₹ 1/- each of State Bank of India	11	38
II. Debt instruments		
Investment in market linked debentures	1,993	-
Total investments at FVTOCI (I+II) (A)	**2,296**	**791**
Investments at FVTPL		
I. Investment in unquoted equity shares		
8,859 (31 March 2019: 8,859) equity shares of ₹ 100/- each of Jeedimetla Effluent Treatment Limited, India	1	1
Ordinary shares of Biomed Russia Limited, Russia[1]	-	-
200,000 (31 March 2019: 200,000) equity shares of ₹ 10/- each of Altek Engineering Limited, India	-	-
24,000 (31 March 2019: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	-	-
20,250 (31 March 2019: 20,250) equity shares of ₹ 10/- each of Shivalik Solid Waste Management Limited, India [2]	-	-
	1	**1**
II. Investment in unquoted mutual funds [1]	13,832	16,240
Total investments at FVTPL (I+II) (B)	**13,833**	**16,241**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.6 A. Investments (continued)

Particulars	As at 31 March 2020	As at 31 March 2019
Investments carried at amortised cost		
I. Investment in term deposit with banks (original maturity more than 3 months)	5,044	558
II. Investment in bonds	1,851	5,272
III. Investment in commercial paper	967	459
IV. Others	24	21
Total investments carried at amortised cost (C)	**7,886**	**6,310**
Total investments (A+B+C)	**24,015**	**23,342**
Current	23,687	22,529
Non-current	328	813
	24,015	**23,342**
Aggregate carrying value of quoted investments	303	791
Aggregate market value of quoted investments	303	791
Aggregate carrying value of unquoted investments	23,712	22,551
Aggregate amount of impairment in value of investment in unquoted equity shares	-	-

(1) Shares held in Biomed Russia Limited, Russia are not denominated in number of shares as per the laws of the country.

(2) Rounded off to millions.

2.6 B. Trade receivables

Particulars	As at 31 March 2020	As at 31 March 2019
Trade receivables from other parties	52,012	39,971
Receivables from joint ventures(Refer note 2.24)	3	11
	52,015	**39,982**
Details of security		
Considered good, Unsecured	52,169	40,136
Credit impaired	1,048	1,018
	53,217	**41,154**
Less: Allowance for credit losses	(1,202)	(1,172)
	52,015	**39,982**
Current	50,278	39,869
Non-current [(1)]	1,737	113
	52,015	**39,982**

(1) Represents amounts receivable pursuant to an out-licensing arrangement with a customer. As these amounts are not expected to be realised within twelve months from the end of the reporting date, they are disclosed as non-current.

During the year ended 31 March 2019, the Company entered into an arrangement with a bank for the sale of its trade receivables. Under the arrangement, the Company sells to the bank certain of its trade receivables forming part of its Global Generics segment, on a non-recourse basis. The receivables sold were mutually agreed upon with the bank after considering the credit worthiness and contractual terms with the customer including any gross to net adjustments due to rebates, discounts etc. from the contracted amounts. As a result, the receivables sold are generally lower than the total net amount of trade receivables. The Company has transferred substantially all the risks and rewards of ownership of such receivables sold to the bank and accordingly, the same are derecognised in the consolidated balance sheet. As on 31 March 2020 and 31 March 2019, the amount of trade receivables de-recognised pursuant to the aforesaid arrangement was ₹ 9,049 (US$ 120 millions) and ₹ 7,592 (US$ 110 millions), respectively.

In accordance with Ind AS 109, the Company uses the expected credit loss ("ECL") model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers. The details of changes in allowance for credit losses during the year ended 31 March 2020 and 31 March 2019 are as follows:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance at the beginning of the year	1,172	1,041
Provision made during the year, net of reversals	154	371
Trade receivables written off during the year and effect of changes in the foreign exchange rates	(124)	(240)
Balance at the end of the year	**1,202**	**1,172**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.6 C. Other financial assets

Particulars	As at 31 March 2020	As at 31 March 2019
I. Non-current assets		
Considered good, Unsecured		
Security deposits	613	562
Other assets	180	169
	793	**731**
II. Current assets		
Considered good, Unsecured		
Claims receivable	1,123	102
Other assets[1]	2,254	2,010
	3,377	**2,112**

[1] Others primarily includes security deposits, interest accrued but not due on investments and other advances.

2.6 D. Cash and cash equivalents

Particulars	As at 31 March 2020	As at 31 March 2019
Balances with banks		
In current accounts	1,636	1,958
In EEFC accounts	59	33
In term deposit with banks (original maturities less than 3 months)	232	111
Cash on hand	2	2
Other bank balances		
In unclaimed dividend accounts	86	84
In unclaimed fractional share pay order accounts	1	1
In unclaimed debentures and debenture interest account	25	27
LC and Bank guarantee margin money	12	12
Cash and cash equivalents in the consolidated balance sheet	**2,053**	**2,228**
Less: Bank overdraft used for cash management purposes (Refer note 2.10 B)	(91)	-
Cash and cash equivalents in the consolidated statement of cash flow (including restricted cash)	**1,962**	**2,228**
Restricted cash balances included above		
Balance in unclaimed dividend and debenture interest account	112	112
Other restricted cash balances	12	12

2.7 Other assets

Particulars	As at 31 March 2020	As at 31 March 2019
A. Non-current assets		
Unsecured, considered good		
Capital advances	158	192
Others	37	161
Dues from joint ventures and other related parties	14	54
	209	**407**
B. Current assets		
Unsecured, considered good		
Balances and receivables from statutory authorities [1]	4,445	4,398
Export benefits receivable[2]	2,652	2,363
Prepaid expenses	950	951
Dues from other related parties	50	41
Others[3]	2,327	2,671
Unsecured, considered doubtful		
Other advances	114	104
	10,538	**10,528**
Less: Allowance for doubtful advances	(114)	(104)
	10,424	**10,424**

[1] Balances and receivables from statutory authorities primarily consist of amounts recoverable towards the goods and service tax ("GST"), excise duty, and value added tax and from customs authorities of India.

[2] Export benefits receivables primarily consist of amounts receivable from various government authorities of India towards incentives on export sales made by the Company.

[3] Others primarily includes advances given to vendors, employees and other advances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.8 Inventories

Particulars	As at 31 March 2020	As at 31 March 2019
Raw materials (includes in transit 31 March 2020: ₹ 206; 31 March 2019: ₹ 43)	10,594	8,920
Work-in-progress	6,806	7,201
Finished goods	8,254	7,127
Stock-in-trade	6,873	7,842
Packing material, stores and spares	2,540	2,489
	35,067	**33,579**

During the year ended 31 March 2020, the Company recorded inventory write-down of ₹ 3,652 (31 March 2019 : ₹ 4,016) in the consolidated statement of profit and loss.

Following the Company's decision to voluntarily recall all of its ranitidine medications sold in United States due to confirmed contamination with N-Nitrosodimethylamine ("NDMA") above levels established by the U.S. FDA, the Company recognised ₹ 373 as inventory write downs of ranitidine during the year ended 31 March 2020. Furthermore, an amount of ₹ 239 was recognised (as a reduction from revenue) as a provision for refund liabilities arising out of the Company's recall decision.

2.9 Share capital

Particulars	As at 31 March 2020	As at 31 March 2019
Authorised share capital		
240,000,000 equity shares of ₹ 5/- each (31 March 2019: 240,000,000)	1,200	1,200
Issued equity capital		
166,172,282 equity shares of ₹ 5/- each fully paid-up (31 March 2019: 166,066,148)	831	830
Subscribed and fully paid-up		
166,172,082 equity shares of ₹ 5/- each fully paid-up (31 March 2019: 166,065,948)	831	830
Add: Forfeited share capital (e)	-	-
	831	**830**

a) Reconciliation of the equity shares outstanding is set out below:

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares/share capital	166,065,948	830	165,910,907	830
Add: Equity shares issued pursuant to employee stock option plan[(1)]	106,134	1	155,041	-*
Closing number of equity shares/share capital	**166,172,082**	**831**	**166,065,948**	**830**
Treasury shares[(2)]	395,950	1,006	217,976	535

* Rounded off to millions.

(1) During the years ended 31 March 2020 and 31 March 2019, equity shares were issued as a result of the exercise of vested options granted to employees pursuant to the Dr. Reddy's Employees Stock Option Scheme, 2002 and the Dr. Reddy's Employees Stock Option Scheme, 2007. All of the options exercised had an exercise price of ₹ 5, being equal to the par value of the underlying shares. Upon the exercise of such options, the amount of compensation cost (computed using the grant date fair value) previously recognised in the "share-based payment reserve" was transferred to "securities premium" in the consolidated statement of changes in equity.

(2) Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2018, the Dr. Reddy's Employees ESOS Trust (the"ESOS Trust") was formed to support the Dr. Reddy's Employees Stock Option Scheme, 2018 by acquiring, from the Company or through secondary market acquisitions, equity shares which are used for issuance to eligible employees upon exercise of stock options thereunder. During the year ended 31 March 2020, an aggregate of 1,150 equity shares were issued as a result of the exercise of vested options granted to employees pursuant to the Dr. Reddy's Employees Stock Option Scheme, 2018. All of the options exercised had an exercise price of ₹ 2,607 per share. Upon the exercise of such options, the amount of compensation cost (computed using the grant date fair value) previously recognised in the "share based payment reserve" was transferred to "share premium" in the consolidated statements of changes in equity. In addition, any difference between the carrying amount of treasury shares and the consideration received was recognised in the "share premium". As at 31 March 2020 and 31 March 2019, the ESOS Trust had outstanding 395,950 and 217,976 shares, respectively, which it purchased from the secondary market for an aggregate consideration of ₹ 1,006 and ₹ 535, respectively. Refer note 2.28 of these financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.

b) Terms/rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company as on the record date set for the shareholders meeting, shall have one vote in respect of each share held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.9 Share capital (continued)

Should the Company declare and pay any dividends, such dividends will be paid in Indian rupees to each holder of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. Indian law on foreign exchange governs the remittance of dividends outside India.

In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date.

Final dividends on equity shares (including dividend tax on distribution of such dividends, if any) are recorded as a liability on the date of their approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The details of dividends paid by the Company are as follows:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Dividend per share (in absolute ₹)	20	20
Dividend distribution tax on the dividend paid	602	682
Dividend paid during the year	3,314	3,320

At the Company's Board of Directors' meeting held on 20 May 2020, the Board proposed a dividend of ₹ 25 per share and aggregating to ₹ 4,154, which is subject to the approval of the Company's shareholders.

c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
Dr. Reddy's Holdings Limited	41,325,300	24.88	41,325,300	24.88
Life Insurance Corporation of India and their associates	8,468,983	5.10	6,486,864	3.91
Mitsubishi Stewart and their Associates* (*formerly First State Investments Management (UK) Limited, Commonwealth Bank of Australia, Stewart Investors and their associates*)	7,540,098	4.54	11,838,598	7.13

* Does not include ADR holding.

d) 232,837 (31 March 2019: 270,141) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Plan, 2002", 354,343 (31 March 2019: 261,215) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees ADR Stock Option Plan, 2007" and 375,775 (31 March 2019 :229,600) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Scheme, 2018". (Refer note 2.28)

e) Represents 200 equity shares of ₹ 5/- each, amount paid-up ₹ 500/- (rounded off to millions in the note above) forfeited due to non-payment of allotment money.

f) Aggregate number of shares bought back during the period of five years immediately preceding the reporting date:

Particulars	Year ended 31 March				
	2020	2019	2018	2017	2016
Ordinary shares of ₹ 5 each	-	-	-	5,077,504	-

2.10 Financial Liabilities

2.10 A. Non-current borrowings

Particulars	As at 31 March 2020	As at 31 March 2019
Unsecured		
Long-term loans from banks (a)	-	21,448
Secured		
Long-term maturities of lease liabilities	1,304	552
	1,304	**22,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.10 B. Current borrowings

Particulars	As at 31 March 2020	As at 31 March 2019
From Banks		
Unsecured		
Pre-shipment credit (e)	10,432	5,463
Other foreign currency borrowings (f)	6,009	6,662
Bank overdraft	91	-
	16,532	**12,125**

a) Summary of long-term borrowings is as follows:

Particulars	As at 31 March 2020		As at 31 March 2019	
	Non-Current	Current	Non-Current	Current
Foreign currency borrowing by the parent company	-	3,783	3,454	1,729
Foreign currency borrowing by the Swiss Subsidiary[1]	-	-	15,819	1,383
Foreign currency borrowing by the German Subsidiary[2]	-	-	2,175	1,087
Obligations under leases	1,304	483	552	57
	1,304	**4,266**	**22,000**	**4,256**

(1) Swiss subsidiary refers to Dr. Reddy's Laboratories, SA

(2) German subsidiary refers to Reddy Holding GmbH

During the year ended 31 March 2020, the Company repaid both the long-term borrowings of US$ 250 millions in the Swiss subsidiary and EUR 44 millions in the German Subsidiary.

All the foregoing loan agreements impose various financial covenants on the Company. As of 31 March 2020, the Company was in compliance with all such financial covenants.

b) The interest rate profiles of long-term borrowings (other than obligations under finance leases) as at 31 March 2020 and 31 March 2019 were as follows:

Particulars	As at 31 March 2020		As at 31 March 2019	
	Currency[1]	Interest Rate[2]	Currency[1]	Interest Rate[2]
Foreign currency borrowings	US$	1 Month LIBOR + 82.7 bps	US$	1 Month LIBOR + 70 to 105 bps
	-	-	EUR	0.81%

(1) "US$" means United States dollars and "EUR" means Euros.

(2) "LIBOR" means the London Inter-bank Offered Rate.

c) The aggregate maturities of long-term loans and borrowings, based on contractual maturities, as of 31 March 2020 and 31 March 2019 were as follows:

Particulars	As at 31 March 2020		
	Foreign currency loan	Obligations under leases	Total
Maturing in the year ending 31 March [1]			
2021	3,783	483	4,266
2022	-	359	359
2023	-	267	267
2024	-	249	249
2025	-	286	286
Thereafter	-	143	143
	3,783	**1,787**	**5,570**

(1) Long-term debt obligations disclosed in the above table do not reflect any netting of transaction costs amounting to ₹ 0.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.10 A & B. Borrowings (continued)

Particulars	As at 31 March 2019		
	Foreign currency loan	Obligations under finance leases	Total
Maturing in the year ending 31 March [1]			
2020	4,199	57	**4,256**
2021	6,621	65	6,686
2022	1,087	66	1,153
2023	13,831	70	13,901
2024	-	63	63
Thereafter	-	288	288
	25,738	**609**	**26,347**

(1) Long-term debt obligations disclosed in the above table do not reflect any netting of transaction costs amounting to ₹ 91.

d) The Company has leased buildings and vehicles under finance leases. Future minimum lease payments under finance leases as at 31 March 2019 were as follows:

Particulars	Present value of minimum lease payments	Interest	Future minimum lease payments
Not later than one year	60	49	109
Between one and five years	264	127	391
More than five years	285	38	323
	609	**214**	**823**

e) Short-term borrowings primarily consist of "pre-shipment credit" drawn by the parent company and other unsecured loans drawn by certain of its subsidiaries in Switzerland, the United States, Russia, Mexico, South Africa and Brazil which are repayable within 6 to 12 months from the date of drawdown.

f) The interest rate profile of short-term borrowings from banks is given below:

Particulars	As at 31 March 2020		As at 31 March 2019	
	Currency	Interest Rate	Currency	Interest Rate
Pre-shipment credit	US$	1 Month LIBOR + 12.5 to 16 bps	US$	1 Month LIBOR + 25 to 40 bps
	INR	1 Month T-Bill + 60 Bps	-	-
Other working capital borrowings	US$	1 Month/3 Month LIBOR + 55 to 78 bps	US$	1 Month LIBOR + 65 to 95 bps
	MXN	TIIE + 1.25%	MXN	TIIE + 1.25%
	ZAR	1 Month JIBAR + 120 Bps	ZAR	1 Month JIBAR + 120 Bps
	RUB	7.05%	RUB	8.22%
	BRL	7.25%	-	-
	INR	7.75%	-	-
	-	-	UAH	21.50%

(1) "INR" means Indian rupees, "US$" means United States Dollars, "RUB" means Russian roubles, "MXN" means Mexican pesos, "UAH" means Ukrainian hryvnia, "ZAR" means South African rand and "BRL" means Brazilian reals

(2) "LIBOR" means the London Inter-bank Offered Rate,"T-Bill" means India Treasury Bill, "TIIE" means the Equilibrium Inter-banking Interest Rate (Tasa de Interés Interbancaria de Equilibrio) and "JIBAR" means the Johannesburg Interbank Average Rate.

g) The Company had uncommitted lines of credit of ₹ 39,374 and ₹ 47,134 as of 31 March 2020 and 31 March 2019, respectively, from its banks for working capital requirements. The Company has the right to draw upon these lines of credit based on its working capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.10 A & B. Borrowings (continued)

h) Reconciliation of liabilities arising from financing activities

Particulars	Non-current borrowings [1]	Current borrowings	Total
Opening balance	26,256	12,125	38,381
Recognition of right-of-use liability on initial application of Ind AS 116	1,335	-	1,335
Recognition of right-of-use liability during the year	238	-	238
Payment of principal portion of lease liabilities	(482)	-	(482)
Borrowings made during the year	-	29,855	29,855
Borrowings repaid during the year	(22,918)	(25,620)	(48,538)
Effect of changes in foreign exchange rates	1,051	81	1,132
Others	90	-	90
Closing balance	**5,570**	**16,441**	**22,011**

[1] Does not include movement in bank overdraft and includes current portion.

2.10 C. Other financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
I. Other long-term liabilities		102
	-	**102**
II. Other current financial liabilities		
Current maturities of long-term debt	3,783	4,199
Current maturities of lease liabilities	483	57
Due to capital creditors	1,411	882
Interest accrued but not due on loans	30	15
Accrued expenses	18,024	15,178
Trade and security deposits received	172	179
Unclaimed dividends, debentures and debenture interest[1]	111	111
Others	2,992	2,049
	27,006	**22,670**
Current	27,006	22,670
Non- current	-	102
	27,006	**22,772**

[1] Unclaimed amounts are transferred to Investor Protection and Education Fund after seven years from the due date.

2.10 D. Trade payables

Particulars	As at 31 March 2020	As at 31 March 2019
Due to micro, small and medium enterprises	55	77
Others	15,193	13,594
	15,248	**13,671**

For details regarding the Company's exposure to currency and liquidity risks, see note no. 2.32 of these consolidated financial statements under "Liquidity risk".

Trade payables and other financial liabilities includes amount due to related party ₹ 91 and ₹ 80 as on 31 March 2020 and 31 March 2019, see note no. 2.24 of these consolidated financial statements.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.11 Provisions

Particulars	As at 31 March 2020	As at 31 March 2019
A. Non-current provisions		
Provision for employee benefits (Refer note 2.27)		
Long service award benefit plan	52	49
Pension, seniority and severance indemnity plans	113	160
Compensated absences	526	532
Other provisions (a)	54	52
	745	**793**
B. Current provisions		
Provision for employee benefits (Refer note 2.27)		
Gratuity	197	40
Long service award benefit plan	14	14
Pension, seniority and severance indemnity plans	23	12
Compensated absences	635	557
Other provisions (a)		
Refund liability	3,252	3,581
Others	548	585
	4,669	**4,789**

a) Details of changes in other provisions during the year ended 31 March 2020 are as follows:

Particulars	Refund liability[1]	Environmental liability[2]	Legal and others [3]	Total
Balance at the beginning of the year	3,581	52	585	4,218
Provision made during the year, net of reversals	2,675	-	(37)	2,638
Provision used during the year	(3,224)	-	-	(3,224)
Effect of changes in foreign exchange rates	220	2	-	222
Balance at end of the year	**3,252**	**54**	**548**	**3,854**
Current	3,252	-	548	3,800
Non- current	-	54	-	54
	3,252	**54**	**548**	**3,854**

[1] Refund liability is accounted for by recording a provision based on the Company's estimate of expected sales returns. See note 1.3 (m) of these consolidated financial statements for the Company's accounting policy on refund liability.

[2] As a result of the acquisition of a unit of The Dow Chemical Company in April 2008, the Company assumed a liability for contamination of the Mirfield site acquired of ₹ 39 (carrying value ₹ 54). The seller is required to indemnify the Company for this liability. Accordingly, a corresponding asset has also been recorded in the consolidated balance sheet.

[3] Primarily consists of provision recorded towards the potential liability arising out of a litigation relating to cardiovascular and anti-diabetic formulations. Refer to note 2.33 of these consolidated financial statements under "Product and patent related matters - Matters relating to National Pharmaceutical Pricing Authority - Litigation relating to Cardiovascular and Anti-diabetic formulations" for further details.

2.12 Other liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
A. Non-current liabilities		
Deferred revenue	1,956	2,002
Other non-current liabilities	99	77
	2,055	**2,079**
B. Current liabilities		
Salary and bonus payable	3,385	3,178
Statutory dues payable	980	722
Deferred revenue	1,242	590
Advance from customers	668	761
Others	237	218
	6,512	**5,469**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.13 Revenue from contracts with customers and trade receivables

Revenue from contracts with customers:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Sales	163,574	148,706
Service income	2,409	2,129
License fees[(1)(2)]	8,617	3,016
	174,600	**153,851**

(1) During the year ended 31 March 2020, the Company entered into a definitive agreement with Upsher-Smith Laboratories, LLC for the sale of its US and select territory rights for ZEMBRACE® SYMTOUCH® (sumatriptan injection) 3 mg and TOSYMRA® (sumatriptan nasal spray) 10 mg, (formerly referred to as "DFN-02") which formed part of its Proprietary Products segment. License fees includes an amount of ₹ 7,486 (US$ 108.7 millions) towards the aforesaid sale transaction. Refer to Note 2.38 of these consolidated financial statements for further details.

(2) License fees for the years ended 31 March 2019 primarily includes out-licensing revenue from Encore Dermatology Inc. Refer to Note 2.36 of these consolidated financial statements for further details.

Analysis of revenues by segments:

The following table shows the analysis of revenues (excluding other operating income) by segments:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Global Generics	138,123	122,903
PSAI	25,747	24,140
Proprietary products	7,949	4,750
Others	2,781	2,058
	174,600	**153,851**

Analysis of revenues within the Global Generics segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's Global Generics segment is given below:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Nervous System	26,825	19,726
Gastrointestinal	19,394	19,250
Oncology	18,245	18,357
Cardiovascular	14,729	15,106
Pain Management	13,808	13,806
Respiratory	10,433	8,130
Anti-Infective	9,402	7,073
Others	25,287	21,455
	1,38,123	**1,22,903**

Analysis of revenues within the PSAI segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's PSAI segment is given below:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cardiovascular	8,567	7,019
Pain Management	5,073	3,364
Nervous System	2,797	2,741
Oncology	1,798	2,212
Dermatology	1,370	1,622
Anti-Infective	1,097	1,247
Others	5,045	5,935
	25,747	**24,140**

Analysis of revenues by geography:

The following table shows the distribution of the Company's revenues (excluding other operating income) by country, based on the location of the customers:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
India	32,089	28,804
United States	76,028	69,299
Russia	16,900	15,299
Others	49,583	40,449
	174,600	**153,851**

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.13 Revenue from contracts with customers and trade receivables (continued)

Information about major customers

Revenues from two customers of the Company's Global Generics segment were ₹ 14,164 and ₹ 9,267, representing approximately 8% and 5% respectively, of the Company's total revenues for the year ended 31 March 2020.

Revenues from two customers of the Company's Global Generics segment were ₹10,639 and ₹ 10,024, each representing approximately 7%, of the Company's total revenues for the year ended 31 March 2019.

Details of significant gross to net adjustments relating to Company's North America Generics business (amounts in US$ millions)

A roll-forward for each major accrual for the Company's North America Generics business for the financial years ended 31 March 2019 and 31 March 2020 is as follows:

All values in US$ millions

Particulars	Chargebacks	Rebates	Medicaid	Refund Liability
Balance as at 1 April 2018	170	161	12	28
Current provisions relating to sales during the year[1]	1,415	461	18	29
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,457)	(530)	(19)	(27)
Balance as at 31 March 2019	**128**	**92**	**11**	**30**
Balance as at 1 April 2019	128	92	11	30
Current provisions relating to sales during the year[2]	1,468	319	20	21
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,440)	(331)	(20)	(27)
Balance as at 31 March 2020	**156**	**80**	**11**	**24**

* Currently, the Company does not separately track provisions and adjustments, in each case to the extent relating to prior years for chargebacks. However, the adjustments are expected to be non-material. The volumes used to calculate the closing balance of chargebacks represent approximately 1.3 months equivalent of sales, which corresponds to the pending chargeback claims yet to be processed.

** Currently, the Company does not separately track the credits and payments, in each case to the extent relating to prior years for chargebacks, rebates, medicaid payments or refund liability.

(1) Chargebacks and rebates provisions for the year ended 31 March 2019 and payments for the year ended 31 March 2019 were each lower as compared to the year ended 31 March 2018, primarily as a result of lower pricing rates per unit for chargebacks, and due to a reduction in the invoice price to wholesalers for certain of the Company's products.

(2) Chargebacks provisions for the year ended 31 March 2020 were higher compared to the year ended 31 March 2019, primarily as a result of higher sales volumes, which were partially offset due to a lower pricing rates per unit for chargebacks. Such lower pricing was primarily on account of a reduction in the invoice price to wholesalers for certain of the Company's products. The chargebacks payments for the year ended 31 March 2020 were lower compared to the year ended 31 March 2019, primarily as a result of higher pending chargebacks claims at 31 March 2020 as compared to 31 March 2019. The rebates provisions and the payments for the year ended 31 March 2020 were each lower as compared to the year ended 31 March 2019, primarily as a result of lower pricing rates per unit for rebates due to a reduction in the invoice price to wholesalers for certain of the Company's products which were partially offset by higher sales volumes during the year ended 31 March 2020 as compared to the year ended 31 March 2019.

The estimates of "gross-to-net" adjustments for the Company's operations in India and other countries outside of the United States relate mainly to refund liability in all such operations, and certain rebates to healthcare insurance providers are specific to the Company's German operations. The pattern of such refund liability is generally consistent with the Company's gross sales. In Germany, the rebates to healthcare insurance providers mentioned above are contractually fixed in nature and do not involve significant estimations by the Company.

The Company's overall refund liability as at 31 March 2020 relating to its North America Generics business was US$ 24 millions, as compared to a liability of US$ 30 millions as at 31 March 2019. This decrease in the Company's liability was primarily attributable to a lower refund liability allowance for the year ended 31 March 2020 as compared to the year ended 31 March 2019. Such allowance change was primarily due to certain product mix changes and recent trends in actual sales returns, together with the Company's historical experience and also the price reduction for certain products resulting into lower refund liability to be carried.

Details of refund liabilities:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance at the beginning of the year	3,581	3,210
Provision made during the year, net of reversals	2,675	3,592
Provision used during the year	(3,224)	(3,324)
Effect of changes in foreign exchange rates	220	103
Balance at end of the year	**3,252**	**3,581**
Current	3,252	3,581
Non-current	-	-
	3,252	**3,581**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.13 Revenue from contracts with customers and trade receivables (continued)

Details of contract asset:

As mentioned in the accounting policies for refund liability set forth in note 1.3 (m) of these consolidated financial statements, the Company recognises an asset, (i.e., the right to the returned goods) which is included in inventories for the products expected to be returned. The Company initially measures this asset at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. Along with re-measuring the refund liability at the end of each reporting period, the Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

As on 31 March 2020 and 31 March 2019, the Company had ₹ 23 and ₹ 16, respectively, as contract assets representing the right to returned goods.

Details of deferred revenue:

Tabulated below is the reconciliation of deferred revenue for the years ended 31 March 2020 and 31 March 2019:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance at the beginning of the year	2,592	3,319
Revenue recognised during the year	(1,250)	(815)
Milestone payment received during the year	1,856	88
Balance at end of the year	**3,198**	**2,592**
Current	1,242	590
Non-current	1,956	2,002
	3,198	**2,592**

Details of contract liabilities:

Particulars	As at 31 March 2020	As at 31 March 2019
Advance from customers	668	761
	668	**761**

2.14 Other operating income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Sale of spent chemicals	306	356
Scrap sales	167	179
Miscellaneous income, net	97	96
	570	**631**

2.15 Other income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income	888	770
Fair value gain on financial instruments measured at fair value through profit or loss	929	773
Gain on sale / disposal of property, plant and equipment and other intangible assets, net [(1)]	-	1,257
Foreign exchange gain, net	629	458
Miscellaneous income, net[(2)]	3,760	117
	6,206	**3,375**

[(1)] a) During the year ended 31 March 2019, the Company entered into an agreement with Neopharma Inc. for the sale of its formulations manufacturing facility and related assets in Bristol, Tennessee in the form of membership transfer. All the sale formalities were completed and the Company sold all of the issued and outstanding membership interests in Dr. Reddy's Laboratories Tennessee, LLC and certain related assets. (Refer note 2.1 of these consolidated financial statements for further details).

b) During the year ended 31 March 2019, the Company sold one of its API manufacturing business units located in Jeedimetla, Hyderabad to Therapiva Private Limited. This sale was done on a slump sale basis (as defined under section 2(42C) of Indian Income Tax Act, 1961) including all related property, plant and equipment, current assets, current liabilities, and transfer of employees. Gain on disposal of assets includes an amount of ₹ 423 representing the profit on sale of such business unit. (Refer note 2.1 of these consolidated financial statements for further details).

c) Gain on disposal of assets for the year ended 31 March 2019 includes an amount of ₹ 423 representing the profit on sale of an intangible asset forming part of the Company's Proprietary Products segment. (Refer note 2.3 of these consolidated financial statements for further details).

d) For the year ended 31 March 2019 ₹ 259 representing the profit on sale of intangible assets as other income, before adjusting the associated costs of ₹ 100, forming part of the Company's Proprietary Products segment. (Refer note 2.3 of these consolidated financial statements for further details).

[(2)] Miscellaneous income, net includes ₹ 3,457 (US$50 millions) received from Celgene pursuant to a settlement agreement entered into in April 2019. The agreement effectively settles any claim the Company or its affiliates may have had for damages under section 8 of the Canadian Patented Medicines (Notice of Compliance) Regulations in regard to the Company's ANDS for a generic version of REVLIMID ® brand capsules (Lenalidomide) pending before Health Canada.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.16 Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
Opening				
Work-in-progress	7,201		7,190	
Finished goods	7,127		6,875	
Stock-in-trade	7,842	22,170	5,351	19,416
Closing				
Work-in-progress	6,806		7,201	
Finished goods	8,254		7,127	
Stock-in-trade	6,873	21,933	7,842	22,170
		237		(2,754)

2.17 Employee benefits expense

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries, wages and bonus	28,563	28,617
Contribution to provident and other funds	2,504	2,438
Staff welfare expenses	2,120	2,033
Share-based payment expenses	615	474
	33,802	**33,562**

2.18 Depreciation and amortisation expense

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation of property, plant and equipment	8,624	8,312
Amortisation of other intangible assets	3,007	3,036
	11,631	**11,348**

2.19 Finance costs

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest on long-term borrowings	282	380
Interest on other borrowings	701	509
	983	**889**

2.20 Selling and other expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Consumption of stores, spares and other materials	5,512	4,524
Clinical trials and other R&D expenses	5,837	6,795
Advertisements	1,386	1,303
Commission on sales	227	229
Carriage outward	3,849	3,428
Other selling expenses	8,621	9,275
Legal and professional	4,219	4,395
Power and fuel	3,148	3,291
Repairs and maintenance		
Buildings	259	314
Plant and machinery	809	805
Others	2,037	1,910
Insurance	494	396
Travel and conveyance	1,648	1,698
Rent	260	776
Rates and taxes	1,012	757
Loss on sale / disposal of property, plant and equipment and other intangible assets, net	67	-
Corporate social responsibility and donations(1)	459	459
Allowance for credit losses, net (Refer note 2.6 B)	154	371
Allowance for doubtful advances, net	36	49
Non- Executive Directors' remuneration	108	80
Auditors' remuneration (Refer note 2.22)	18	16
Other general expenses	4,193	3,203
	44,353	**44,074**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.20 Selling and other expenses (continued)

(1) Details of corporate social responsibility expenditure in accordance with section 135 of the Companies Act, 2013:

Particulars	In Cash	Yet to be paid in cash	Total
Gross amount required to be spent by the Company during the year			255
Amount spent during the year ending on 31 March 2020	285	-*	285
Amount spent during the year ending on 31 March 2019	269	-*	269

* Rounded off to millions.

2.21 Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Employee benefits expense (included in note 2.17)	4,781	4,627
Other expenses (included in note 2.20)		
Materials and consumables	4,078	2,967
Clinical trials and other R&D expenses	5,837	6,795
	14,696	**14,389**

2.22 Auditors' remuneration

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Audit fees	15	13
Other charges- Certification fee	1	1
Reimbursement of out of pocket expenses	2	2
	18	**16**

2.23 Earnings per share (EPS)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Earnings		
Profit attributable to equity shareholders of the Company	**20,260**	**19,500**
Shares		
Number of equity shares at the beginning of the year (excluding treasury shares)	165,847,972	165,910,907
Effect of treasury shares held during the year	(154,020)	(100,672)
Effect of equity shares issued on exercise of stock options	64,432	103,801
Weighted average number of equity shares – Basic	165,758,384	165,914,036
Dilutive effect of stock options outstanding(1)	323,601	278,718
Weighted average number of equity shares – Diluted	166,081,985	166,192,754
Earnings per share of par value ₹ 5/- – Basic (₹)	**122.22**	**117.53**
Earnings per share of par value ₹ 5/- – Diluted (₹)	**121.99**	**117.33**

(1) As at 31 March 2020 and 31 March 2019, 475,575 and 272,700 options, respectively, were excluded from the diluted weighted average number of equity shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of stock options was based on quoted market prices for the year during which the options were outstanding.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.24 Related parties

a) In accordance with the provisions of Ind AS 24, *Related Party Disclosures* and the Companies Act, 2013, Company's Directors, members of the Company's Management Council and Company Secretary are considered as Key Managerial Personnel.

List of Key Managerial Personnel of the Company is as below:

1.	K Satish Reddy	Whole-time director (Chairman)
2.	G V Prasad	Whole-time director (Co-Chairman and Managing Director)
3.	Kalpana Morparia	Independent director
4.	Dr. Bruce LA Carter	Independent director
5.	Sridar Iyengar	Independent director
6.	Bharat Narotam Doshi	Independent director
7.	Prasad R Menon	Independent director
8.	Leo Puri (from 25 October 2018)	Independent director
9.	Shikha Sharma (from 31 January 2019)	Independent director
10.	Allan Oberman (from 26 March 2019)	Independent director
11.	Dr. Omkar Goswami (till 30 July 2019)	Independent director
12.	Anupam Puri (till 26 July 2019)	Independent director
13.	Hans Peter Hasler (till 14 June 2018)	Independent director
14.	Dr. K V S Ram Rao (till 1 October 2018)	Management council member
15.	M V Ramana	Management council member
16.	Saumen Chakraborty	Management council member
17.	Ganadhish Kamat	Management council member
18.	Anil Namboodiripad	Management council member
19.	Archana Bhaskar	Management council member
20.	Sanjay Sharma	Management council member
21.	Sauri Gudlavalleti (from 1 April 2018)	Management council member
22.	P Yugandhar (from 1 April 2018)	Management council member
23.	Erez Israeli (from 2 April 2018)	CEO and management council member
24.	Dr. Raymond de Vre (from 1 June 2018)	Management council member
25.	Deepak Sapra (from 1 October 2018)	Management council member
26.	Marc Kikuchi (from 1 February 2019)	Management council member
27.	Patrick Aghanian (from 7 October 2019)	Management council member
28.	Dr. Cartikeya Reddy (till 30 September 2018)	Management council member
29.	Alok Sonig (till 7 September 2018)	Management council member
30.	Dr. Amit Biswas (till 21 June 2018)	Management council member
31.	Sandeep Poddar	Company secretary

b) List of related parties with whom transactions have taken place during the current and/or previous year:

1.	K Samrajyam	Mother of Chairman
2.	K Deepti Reddy	Spouse of Chairman
3.	G Anuradha	Spouse of Co-chairman
4.	G Mallika Reddy	Daughter of Co-chairman
5.	G V Sanjana Reddy	Daughter of Co-chairman
6.	Akhil Ravi	Son-in-law of Co-chairman
7.	Kunshan Rotam Reddy Pharmaceuticals Company Limited	Enterprise over which the Company exercises joint control with other joint venture partners and holds 51.33% of equity shares
8.	DRES Energy Private Limited	Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares
9.	Dr. Reddy's Institute of Life Sciences	Enterprise over which whole-time directors have significant influence
10.	Stamlo Industries Limited	Enterprise controlled by whole-time directors
11.	Indus Projects Private Limited	Enterprise over which relatives of whole-time directors have significant influence
12.	CERG Advisory Private Limited	Enterprise controlled by (erstwhile) Key Managerial Personnel (till 30 July 2019)
13.	AverQ Inc., USA	Enterprise over which Key Managerial Personnel have significant influence
14.	Shravya Publications Pvt. Ltd.	Enterprise over which whole-time directors and their relatives have significant influence
15.	Cancelled Plans LLP	Enterprise over which relatives of whole-time directors have significant influence
16.	Araku Originals Private Limited	Enterprise over which whole-time directors have significant influence
17.	Dr. Reddy's Foundation	Enterprise over which whole-time directors and their relatives have significant influence
18.	Pudami Educational Society	Enterprise over which whole-time directors and their relatives have significant influence
19.	Green Park Hospitality Services Private Limited	Enterprise controlled by relative of a whole-time director
20.	Green Park Hotels and Resorts Limited	Enterprise controlled by relative of a whole-time director

Further, the Company contributes to the Dr. Reddy's Laboratories Gratuity Fund, which maintains the plan assets of the Company's Gratuity Plan for the benefit of its employees. Refer note 2.27 of these consolidated financial statements for information on transactions between the Company and the Gratuity Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.24 Related parties (continued)

c) The following is a summary of significant related party transactions:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Research and development services received		
Dr. Reddy's Institute of Life Sciences	105	97
Research and development services provided		
Kunshan Rotam Reddy Pharmaceuticals Company Limited	58	103
Contributions towards social development		
Dr. Reddy's Foundation	218	192
Pudami Educational Society	15	28
Total	**233**	**220**
Catering services		
Green Park Hospitality Services Private Limited	344	270
Facility management services		
Green Park Hospitality Services Private Limited	24	-
Hotel expenses		
Green Park Hotel and Resorts Limited	15	21
Stamlo Industries Limited	7	5
Total	**22**	**26**
Civil works		
Indus Projects Private Limited	101	106
Sales of goods		
Kunshan Rotam Reddy Pharmaceuticals Company Limited	14	23
Lease rentals paid to		
Key Managerial Personnel		
K Satish Reddy	13	13
Relatives of Key Managerial Personnel	22	21
Total	**35**	**34**
Lease rentals received		
DRES Energy Private Limited	1	-
Purchase of Solar power		
DRES Energy Private Limited	108	-
Salaries to relatives of Key Managerial Personnel	7	5
Other services received	4	1
Remuneration to Key Managerial Personnel		
Salaries and other benefits[1]	694	680
Contributions to defined contribution plans	35	35
Commission to directors	298	243
Share-based payments expense	168	101
Total	**1,195**	**1,059**

[1] Some of the Key Managerial Personnel of the Company are also covered under the Company's Gratuity Plan along with the other employees of the Company. Proportionate amounts of gratuity accrued under the Company's Gratuity Plan have not been separately computed or included in the above disclosure.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.24 Related parties (continued)

d) The Company has the following amounts due from/ to related parties:

Particulars	As at 31 March 2020	As at 31 March 2019
Due from related parties		
Key Managerial Personnel (towards rent deposits)	8	8
Green Park Hospitality Services Private Limited	47	75
Kunshan Rotam Reddy Pharmaceuticals Company Limited	3	11
DRES Energy Private Limited	17	20
Others	1	-
Total	**76**	**114**
Due to related parties		
Green Park Hospitality Services Private Limited	48	63
Indus Projects Private Limited	31	7
DRES Energy Private Limited	12	-
Green Park Hotel and Resorts Limited	-*	-*
Dr. Reddy's Institute of Life Sciences	-	10
Total	**91**	**80**

* Rounded off to millions.

2.25 Segment reporting

The Chief Operating Decision Maker ("CODM") evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by operating segments. The CODM reviews revenue and gross profit as the performance indicator for all of the operating segments, and does not review the total assets and liabilities of an operating segment. The Co-Chairman and Managing Director is the CODM of the Company.

The Company's reportable operating segments are as follows:

- Global Generics;
- Pharmaceutical Services and Active Ingredients ("PSAI");
- Proprietary Products; and
- Others

Global Generics: This segment consists of the Company's business of manufacturing and marketing prescription and over-the-counter finished pharmaceutical products ready for consumption by the patient, marketed under a brand name (branded formulations) or as generic finished dosages with therapeutic equivalence to branded formulations (generics). This segment includes the operations of the Company's biologics business.

Pharmaceutical Services and Active Ingredients: This segment primarily consists of the Company's business of manufacturing and marketing active pharmaceutical ingredients and intermediates, also known as "API", which are the principal ingredients for finished pharmaceutical products. Active pharmaceutical ingredients and intermediates become finished pharmaceutical products when the dosages are fixed in a form ready for human consumption such as a tablet, capsule or liquid using additional inactive ingredients. This segment also includes the Company's contract research services business and the manufacture and sale of active pharmaceutical ingredients and steroids in accordance with the specific customer requirements.

Proprietary Products: This segment consists of the Company's business that focuses on the research and development of differentiated formulations. The segment is expected to earn revenues arising out of monetisation of such assets and subsequent royalties, if any.

Others: This segment consists of the operations of the Company's wholly-owned subsidiary, Aurigene Discovery Technologies Limited ("ADTL"), a discovery stage biotechnology company developing novel and best-in-class therapies in the fields of oncology and inflammation ADTL works with established pharmaceutical and biotechnology companies through customised models of drug-discovery collaborations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.25 Segment reporting (continued)

The measurement of each segment's revenues, expenses and assets is consistent with the accounting policies that are used in preparation of the Company's consolidated financial statements.

Reportable segments	For the Year Ended 31 March 2020				
	Global Generics	PSAI	Proprietary Products	Others	Total
Revenue from operations	138,264	32,086	7,949	2,781	181,080
Less: Inter-segment revenue[1]	-	(5,910)	-	-	(5,910)
Revenue from operations	**138,264**	**26,176**	**7,949**	**2,781**	**175,170**
Gross profit	**78,449**	**6,219**	**7,744**	**1,626**	**94,038**
Less: Selling and other unallocable expense/ (income), net					75,742
Profit before tax and before share of equity accounted investees					**18,296**
Add: Share of profit of equity accounted investees					561
Profit before tax					**18,857**
Tax expense/(benefit)					(1,403)
Profit for the year					**20,260**

Reportable segments	For the Year Ended 31 March 2019				
	Global Generics	PSAI	Proprietary Products	Others	Total
Revenue from operations	123,056	30,403	4,750	2,058	160,267
Less: Inter-segment revenue[1]	-	(5,785)	-	-	(5,785)
Revenue from operations	**123,056**	**24,618**	**4,750**	**2,058**	**154,482**
Gross profit	**71,924**	**6,158**	**4,182**	**1,196**	**83,460**
Less: Selling and other unallocable expense/ (income), net					60,540
Profit before tax and before share of equity accounted investees					**22,920**
Add: Share of profit of equity accounted investees					438
Profit before tax					**23,358**
Tax expense					3,858
Profit for the year					**19,500**

[1] Inter-segment revenue represents sale from PSAI to Global Generics at cost.

Analysis of revenues within the Global Generics segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's Global Generics segment is given below:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Nervous System	26,825	19,726
Gastrointestinal	19,394	19,250
Oncology	18,245	18,357
Cardiovascular	14,729	15,106
Pain Management	13,808	13,806
Respiratory	10,433	8,130
Anti-Infective	9,402	7,073
Others	25,287	21,455
Total	**138,123**	**122,903**

Analysis of revenues within the PSAI segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's PSAI segment is given below:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cardiovascular	8,567	7,019
Pain Management	5,073	3,364
Nervous System	2,797	2,741
Oncology	1,798	2,212
Dermatology	1,370	1,622
Anti-Infective	1,097	1,247
Others	5,045	5,935
Total	**25,747**	**24,140**

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.25 Segment reporting (continued)

Analysis of revenues by geography:

The following table shows the distribution of the Company's revenues (excluding other operating income) by country, based on the location of the customers:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
India	32,089	28,804
United States	76,028	69,299
Russia	16,900	15,299
Others	49,583	40,449
Total	**174,600**	**153,851**

Analysis of assets by geography:

The following table shows the distribution of the Company's non-current assets (other than financial instruments and deferred tax assets) by country, based on the location of assets:

Particulars	As at 31 March 2020	As at 31 March 2019
India	56,900	58,959
Switzerland	18,151	33,537
United States	7,445	6,446
Germany	2,900	2,901
Others	5,809	5,738
Total	**91,205**	**107,581**

The following table shows the distribution of the Company's property, plant and equipment including capital work in progress and intangible assets acquired during the year (other than goodwill arising on business combination) by country, based on the location of assets:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
India	5,475	5,347
Switzerland	1,025	1,112
United States	296	215
Others	709	830
Total	**7,505**	**7,504**

Analysis of depreciation and amortisation, for arriving gross profit by reportable segments:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Global Generics	3,667	3,791
PSAI	2,776	2,876
Others	72	71
Total	**6,515**	**6,738**

Information about major customers

Revenues from two customers of the Company's Global Generics segment were ₹ 14,164 and ₹ 9,267 representing approximately 8% and 5% respectively, of the Company's total revenues for the year ended 31 March 2020.

Revenues from two customers of the Company's Global Generics segment were ₹ 10,639 and ₹ 10,024 each representing approximately 7 % of the Company's total revenues for the year ended 31 March 2019.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.26 Description of the Group

A. Subsidiaries, step-down subsidiaries, joint ventures and other consolidating entities of the parent company are listed below:

Entity	Country of incorporation	% of Direct/Indirect Ownership Interest
Subsidiaries		
Aurigene Discovery Technologies Limited	India	100
Cheminor Investments Limited	India	100
Dr. Reddy's Bio-Sciences Limited	India	100
Dr. Reddy's Farmaceutica Do Brasil Ltda.	Brazil	100
Dr. Reddy's Laboratories SA	Switzerland	100
Idea2Enterprises (India) Private Limited	India	100
Imperial Credit Private Limited	India	100
Industrias Quimicas Falcon de Mexico, S.A.de C.V.	Mexico	100
Reddy Antilles N.V. (Liquidated during the year)	Netherlands	100
Regkinetics Services Limited	India	100
Step-down subsidiaries		
Aurigene Discovery Technologies (Malaysia) SDN BHD	Malaysia	100[3]
Aurigene Discovery Technologies Inc.	USA	100[3]
Aurigene Pharmaceutical Services Limited, India (from 16 September 2019)	India	100[3]
beta Institut gemeinnützige GmbH	Germany	100[8]
betapharm Arzneimittel GmbH	Germany	100[8]
Chirotech Technology Limited	United Kingdom	100[2] [5]
DRL Impex Limited	India	100[15]
Dr. Reddy's Laboratories (Australia) Pty. Limited	Australia	100[10]
Dr. Reddy's Laboratories Canada, Inc.	Canada	100[10]
Dr. Reddy's Laboratories Chile SPA.	Chile	100[10]
Dr. Reddy's Laboratories (EU) Limited	United Kingdom	100[10]
Dr. Reddy's Laboratories Inc.	USA	100[10
Dr. Reddy's Laboratories International SA (merged with Dr. Reddy's Laboratories SA w.e.f 24 June 2019)	Switzerland	100[10]
Dr. Reddy's Laboratories Japan KK	Japan	100[10]
Dr. Reddy's Laboratories Kazakhstan LLP	Kazakhstan	100[10]
Dr. Reddy's Laboratories LLC	Ukraine	100[10]
Dr. Reddy's Laboratories Louisiana LLC	USA	100[6]
Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	Malaysia	100[10]
Dr. Reddy's Laboratories New York, Inc.	USA	100[10]
Dr. Reddy's Laboratories Philippines Inc. (from 9 May 2018)	Philippines	100[10]
Dr. Reddy's Laboratories (Proprietary) Limited	South Africa	100[10]
Dr. Reddy's Laboratories Romania S.R.L.	Romania	100[10]
Dr. Reddy's Laboratories SAS	Colombia	100[10]
Dr. Reddy's Laboratories Taiwan Limited	Taiwan	100[10]
Dr. Reddy's Laboratories Tennessee, LLC (till 1 October 2018)	USA	100[6]
Dr. Reddy's Laboratories (Thailand) Limited (from 13 June 2018)	Thailand	100[10]
Dr. Reddy's Laboratories (UK) Limited	United Kingdom	100[5]
Dr. Reddy's Research and Development B.V.	Netherlands	100[12]
Dr. Reddy's Singapore PTE Limited (liquidated during the year)	Singapore	100[10]
Dr. Reddy's Srl	Italy	100[11]
Dr. Reddy's New Zealand Limited	New Zealand	100[10]
Dr. Reddy's (WUXI) Pharmaceutical Co. Limited	China	100[10]
Dr. Reddy's Venezuela, C.A.	Venezuela	100[10]
Dr. Reddy's Laboratories B.V. (Formerly Eurobridge Consulting B.V.)	Netherlands	100[12]
Lacock Holdings Limited	Cyprus	100[10]
OOO Dr. Reddy's Laboratories Limited	Russia	100[10]
OOO DRS LLC	Russia	100[9]
Promius Pharma LLC	USA	100[6]
Reddy Holding GmbH	Germany	100[10]
Reddy Netherlands B.V.	Netherlands	100[10]
Reddy Pharma Iberia SAU	Spain	100[10]
Reddy Pharma Italia S.R.L	Italy	100[7]
Reddy Pharma SAS	France	100[10]

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.26 Description of the Group (continued)

Entity	Country of incorporation	% of Direct/Indirect Ownership Interest
Joint ventures		
DRANU LLC	USA	50[2] [13]
DRES Energy Private Limited	India	26[14]
Kunshan Rotam Reddy Pharmaceutical Company Limited	China	51.33[4]
Other consolidating entities		
Cheminor Employees Welfare Trust	India	Refer to footnote 16
Dr. Reddy's Employees ESOS Trust (from 27 July 2018)	India	Refer to footnote 16
Dr. Reddy's Research Foundation	India	Refer to footnote 16

(1) Indirectly owned through Dr. Reddy's Research and Development B.V.

(2) Entities under liquidation.

(3) Indirectly owned through Aurigene Discovery Technologies Limited.

(4) Kunshan Rotam Reddy Pharmaceutical Co. Limited is a subsidiary as per Indian Companies Act, 2013, as the Company holds a 51.33% stake. However, the Company accounts for this investment by the equity method and does not consolidate it in the Company's consolidated financial statements.

(5) Indirectly owned through Dr. Reddy's Laboratories (EU) Limited.

(6) Indirectly owned through Dr. Reddy's Laboratories Inc.

(7) Indirectly owned through Lacock Holdings Limited.

(8) Indirectly owned through Reddy Holding GmbH.

(9) Indirectly owned through OOO Dr. Reddy's Laboratories Limited (from January 2019), formerly subsidiary of Dr. Reddy's Laboratories B.V (Formerly Eurobridge consulting B.V.)

(10) Indirectly owned through Dr. Reddy's Laboratories SA.

(11) Indirectly owned through Reddy Pharma Italia S.R.L.

(12) Indirectly owned through Reddy Netherlands B.V.

(13) DRANU LLC is consolidated in accordance with guidance available in Ind AS 110.

(14) Accounted in accordance with Ind AS 111, *Joint Arrangements*.

(15) Indirectly owned through Idea2Enterprises (India) Private Limited.

(16) The Company does not have any equity interests in this entity, but has significant influence or control over it.

B. Additional information pursuant to para 2 of general instructions for the preparation of consolidated financial statements:

Sl. No.	Name of the entity	As at 31 March 2020		For the year ended 31 March 2020					
		Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in OCI		Share in total comprehensive income (TCI)	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated OCI	Amount	As % of consolidated TCI	Amount
	Parent								
	Dr. Reddy's Laboratories Limited	97.39	151,919	145.00	29,377	67.08	(436)	147.58	28,941
	Subsidiaries								
	India								
1	Aurigene Discovery Technologies Limited	0.53	826	4.50	912	70.45	(458)	2.32	454
2	Cheminor Investments Limited	-	1	-	-	-	-	-	-
3	Dr. Reddy's Bio-Sciences Limited	0.17	261	(0.22)	(44)	-	-	(0.22)	(44)
4	DRL Impex Limited	-	(2)	-	-	-	-	-	-
5	Idea2Enterprises (India) Private Limited	0.98	1,536	-	-	-	-	-	-
6	Imperial Credit Private Limited	0.02	24	-	1	-	-	0.01	1
7	Regkinetics Services Limited *(formerly Dr. Reddy's Pharma SEZ Limited)*	0.01	8	0.01	3	-	-	0.02	3
8	Aurigene Pharmaceutical Services Limited	-	(4)	(0.02)	(4)		-	(0.02)	(4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.26 Description of the Group (continued)

Sl. No.	Name of the entity	As at 31 March 2020		For the year ended 31 March 2020					
		Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in OCI		Share in total comprehensive income (TCI)	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated OCI	Amount	As % of consolidated TCI	Amount
	Foreign								
1	Aurigene Discovery Technologies (Malaysia) SDN BHD	0.02	38	0.01	2	-	-	0.01	2
2	Aurigene Discovery Technologies Inc.	-	1	-	-	-	-	-	-
3	beta Institut gemeinnützige GmbH	-	7	-	-	-	-	-	-
4	betapharm Arzneimittel GmbH	0.05	78	(0.14)	(29)	-	-	(0.15)	(29)
5	Chirotech Technology Limited	0.75	1,166	0.06	12	-	-	0.06	12
6	Dr. Reddy's Farmaceutica Do Brasil Ltda.	(0.10)	(160)	0.54	110	-	-	0.56	110
7	Dr. Reddy's Laboratories (Australia) Pty. Limited	(0.17)	(265)	0.16	32	-	-	0.16	32
8	Dr. Reddy's Laboratories (Canada) Inc.	0.22	350	0.24	48	-	-	0.24	48
9	Dr. Reddy's Laboratories Chile SPA. (from 16 June 2017)	(0.03)	(52)	(0.21)	(42)	-	-	(0.21)	(42)
10	Dr. Reddy's Laboratories (EU) Limited	1.66	2,594	2.09	424	-	-	2.16	424
11	Dr. Reddy's Laboratories Inc.	8.76	13,671	17.22	3,489	-	-	17.79	3,489
12	Dr. Reddy's Laboratories International SA	-	-	-	1	-	-	0.01	1
13	Dr. Reddy's Laboratories Japan KK	0.01	12	(0.01)	(2)	-	-	(0.01)	(2)
14	Dr. Reddy's Laboratories Kazakhstan LLP	0.06	90	(0.40)	(81)	-	-	(0.41)	(81)
15	Dr. Reddy's Laboratories LLC	0.04	60	(0.20)	(41)	-	-	(0.21)	(41)
16	Dr. Reddy's Laboratories Louisiana LLC	(1.37)	(2,135)	(7.64)	(1,547)	-	-	(7.89)	(1,547)
17	Dr. Reddy's Laboratories Malaysia Sdn. Bhd. (from 10 July 2017)	0.02	37	0.04	8	-	-	0.04	8
18	Dr. Reddy's Laboratories New York, Inc.	(1.39)	(2,174)	(2.18)	(442)	-	-	(2.25)	(442)
19	Dr. Reddy's Laboratories Philippines Inc. (from 9 May 2018)	-	-	(0.04)	(9)	-	-	(0.05)	(9)
20	Dr. Reddy's Laboratories (Proprietary) Limited	0.17	270	0.16	33	-	-	0.17	33
21	Dr. Reddy's Laboratories Romania S.R.L.	0.21	321	0.25	51	-	-	0.26	51
22	Dr. Reddy's Laboratories SA	29.72	46,356	(71.55)	(14,496)	57.38	(373)	(75.82)	(14,869)
23	Dr. Reddy's Laboratories SAS	0.04	70	(0.05)	(10)	-	-	(0.05)	(10)
24	Dr. Reddy's Laboratories Taiwan Ltd. (from 23 February 2018)	-	7	(0.05)	(10)	-	-	(0.05)	(10)
25	Dr. Reddy's Laboratories Tennessee, LLC	-	-	-	-	-	-	-	-
26	Dr. Reddy's Laboratories (Thailand) Limited (from 13 June 2018)	(0.03)	(44)	(0.29)	(58)	-	-	(0.30)	(58)
27	Dr. Reddy's Laboratories (UK) Limited	1.94	3,033	1.09	221	-	-	1.13	221
28	Dr. Reddy's Research and Development B.V. *(formerly Octoplus B.V.)*	(0.37)	(578)	0.64	129	-	-	0.66	129
29	Dr. Reddy's Singapore PTE Limited	-	-	-	-	-	-	-	-
30	Dr. Reddy's Srl	(0.47)	(727)	(0.21)	(42)	-	-	(0.21)	(42)
31	Dr. Reddy's New Zealand Limited	0.05	72	0.05	10	-	-	0.05	10
32	Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd. (from 2 June 2017)	0.03	40	0.04	9	-	-	0.05	9
33	Dr. Reddy's Venezuela, C.A.	(3.07)	(4,793)	(2.10)	(425)	-	-	(2.17)	(425)
34	Eurobridge Consulting B.V.	0.10	150	(0.62)	(126)	-	-	(0.64)	(126)
35	Industrias Quimicas Falcon de Mexico, S.A. de CV	0.49	758	1.08	219	4.61	(30)	0.96	189
36	Lacock Holdings Limited	0.22	345	(0.02)	(4)	-	-	(0.02)	(4)
37	OOO Dr. Reddy's Laboratories Limited	1.60	2,493	2.01	407	-	-	2.08	407
38	OOO DRS LLC	0.03	53	0.07	14	-	-	0.07	14
39	Promius Pharma LLC	-	7	(2.34)	(475)	-	-	(2.42)	(475)
40	Reddy Antilles N.V.	-	-	(0.20)	(40)	-	-	(0.20)	(40)
41	Reddy Holding GmbH	14.09	21,979	7.44	1,508	-	-	7.69	1,508
42	Reddy Netherlands B.V.	1.85	2,892	0.14	29	-	-	0.15	29
43	Reddy Pharma Iberia SA	0.10	154	(0.07)	(15)	-	-	(0.08)	(15)
44	Reddy Pharma Italia S.R.L	0.13	208	-	(1)	-	-	(0.01)	(1)
45	Reddy Pharma SAS	0.07	114	(0.17)	(35)	-	-	(0.18)	(35)

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.26 Description of the Group (continued)

Sl. No.	Name of the entity	As at 31 March 2020		For the year ended 31 March 2020					
		Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in OCI		Share in total comprehensive income (TCI)	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated OCI	Amount	As % of consolidated TCI	Amount
	Joint ventures								
	India								
1	DRES Energy Private Limited	-	-	(0.08)	(16)	-	-	(0.08)	(16)
	Foreign								
1	DRANU LLC	-	-	-	-	-	-	-	-
2	Kunshan Rotam Reddy Pharmaceutical Company Limited	-	-	2.85	577	-	-	2.94	577
	Other consolidating entities								
	India								
1	Cheminor Employees Welfare Trust	0.19	292	0.05	11	-	-	0.06	11
2	Dr. Reddy's Research Foundation	-	4	-	-	-	-	-	-
	Sub total	**154.72**	**241,363**	**96.93**	**19,643**	**199.51**	**(1,297)**	**93.55**	**18,346**
	Less: Effect of intercompany adjustments / eliminations	(54.72)	(85,375)	3.07	617	(99.51)	647	6.45	1,264
	Total	**100.00**	**155,988**	**100.00**	**20,260**	**100.00**	**(650)**	**100.00**	**19,610**

Note: Net assets and share in profit or loss for the Parent Company, subsidiaries, joint ventures and other consolidating entities are as per the standalone financial statements of the respective entities.

2.27 Employee benefits

Total employee benefit expenses, including share-based payments, incurred during the years ended 31 March 2020 and 31 March 2019 amounted to ₹ 33,802 and ₹ 33,562, respectively.

Gratuity benefits provided by the parent company

In accordance with applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Effective 1 September 1999, the Company established the Dr. Reddy's Laboratories Gratuity Fund (the "Gratuity Fund") to fund the Gratuity Plan. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund. Trustees administer the contributions made to the Gratuity Fund. Amounts contributed to the Gratuity Fund are invested in bonds issued by the Government of India and in debt securities and equity securities of Indian companies.

The components of gratuity cost recognised in the consolidated statement of profit and loss for the years ended 31 March 2020 and 31 March 2019 consist of the following:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current service cost	276	265
Interest on defined benefit liability	(4)	(2)
Gratuity cost recognised in consolidated statement of profit and loss	**272**	**263**

Details of the employee benefits obligations and plan assets are provided below:

Particulars	As at 31 March 2020	As at 31 March 2019
Present value of funded obligations	2,349	2,200
Fair value of plan assets	(2,160)	(2,174)
Net defined benefit liability recognised	**189**	**26**

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.27 Employee benefits (continued)

Details of changes in the present value of defined benefit obligations are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Defined benefit obligations at the beginning of the year	2,200	2,007
Current service cost	276	265
Interest on defined obligations	152	145
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	(96)	28
Actuarial loss/(gain) due to demographic assumptions	(48)	-*
Actuarial loss/(gain) due to experience changes	59	-*
Benefits paid	(194)	(245)
Defined benefit obligations at the end of the year	**2,349**	**2,200**

* Rounded off to millions.

Details of changes in the fair value of plan assets are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Fair value of plan assets at the beginning of the year	2,174	1,958
Employer contributions	14	294
Interest on plan assets	156	147
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	10	20
Benefits paid	(194)	(245)
Plan assets at the end of the year	**2,160**	**2,174**

Sensitivity Analysis:

Particulars	As at 31 March 2020
Defined benefit obligation without effect of projected salary growth	1,593
Add: Effect of salary growth	756
Defined benefit obligation with projected salary growth	2.349
Defined benefit obligation, using discount rate minus 50 basis points	2,419
Defined benefit obligation, using discount rate plus 50 basis points	2,282
Defined benefit obligation, using salary growth rate plus 50 basis points	2,418
Defined benefit obligation, using salary growth rate minus 50 basis points	2,282

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Gratuity plan are as follows:
The assumptions used to determine benefit obligations:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Discount rate	6.65%	7.45%
Rate of compensation increase	7.50%	8% per annum for the first year and 9% per annum thereafter

The assumptions used to determine gratuity cost:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Discount rate	7.45%	7.75%
Rate of compensation increase	8% per annum for the first year and 9% per annum thereafter	7% per annum for the first year and 9% per annum thereafter

Contributions: The Company expects to contribute ₹ 189 to the Gratuity Plan during the year ending 31 March 2021.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.27 Employee benefits (continued)

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation as of 31 March 2020 and 31 March 2019, by asset category, was as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Funds managed by insurers	99%	99%
Others	1%	1%

The expected future cash flows in respect of gratuity as at 31 March 2020 were as follows:

Particulars	Amount
Expected contributions	
During the year ended 31 March 2021 (estimated)	189
Expected future benefit payments	
31 March 2021	413
31 March 2022	301
31 March 2023	294
31 March 2024	273
31 March 2025	259
Thereafter	2,201

Pension plan of the Company's subsidiary, Industrias Quimicas Falcon de Mexico

All employees of the Company's Mexican subsidiary, Industrias Quimicas Falcon de Mexico ("Falcon"), are entitled to a pension benefit in the form of a defined benefit pension plan. The Falcon pension plan provides for payment to vested employees at retirement or termination of employment. Liabilities in respect of the pension plan are determined by an actuarial valuation, based on which the Company makes contributions to the pension plan fund. This fund is administered by a third party, who is provided guidance by a technical committee formed by senior employees of Falcon.

The components of net pension cost recognised in the consolidated statement of profit and loss for the years ended 31 March 2020 and 31 March 2019 consist of the following:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current service cost	11	13
Interest on defined benefit liability	16	15
Total cost recognised in consolidated statement of profit and loss	**27**	**28**

Details of the employee benefits obligations and plan assets are provided below:

Particulars	As at 31 March 2020	As at 31 March 2019
Present value of funded obligations	234	223
Fair value of plan assets	(128)	(70)
Net defined benefit liability recognised	**106**	**153**

Details of changes in the present value of defined benefit obligations are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Defined benefit obligations at the beginning of the year	223	243
Current service cost	11	13
Interest on defined obligations	25	22
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	50	(47)
Actuarial loss/(gain) due to experience changes	(8)	7
Benefits paid	(41)	(16)
Foreign exchanges differences	(26)	1
Defined benefit obligations at the end of the year	**234**	**223**

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.27 Employee benefits (continued)

Details of changes in the fair value of plan assets are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Fair value of plan assets at the beginning of the year	70	66
Employer contributions	113	16
Interest on plan assets	9	7
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	(7)	(3)
Benefits paid	(41)	(16)
Foreign exchanges differences	(16)	-*
Plan assets at the end of the year	**128**	**70**

* Rounded to the nearest millions.

Sensitivity Analysis:

Particulars	As at 31 March 2020
Defined benefit obligation without effect of projected salary growth	158
Add: Effect of salary growth	76
Defined benefit obligation with projected salary growth	234
Defined benefit obligation, using discount rate minus 50 basis points	244
Defined benefit obligation, using discount rate plus 50 basis points	224
Defined benefit obligation, using salary growth rate plus 50 basis points	245
Defined benefit obligation, using salary growth rate minus 50 basis points	224

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Falcon defined benefit plans are as follows:
The assumptions used to determine benefit obligations:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Discount rate	8.75%	11.25%
Rate of compensation increase	4.50%	4.50%

The assumptions used to determine defined benefit cost:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Discount rate	11.25%	9.00%
Rate of compensation increase	4.50%	4.50%

Contributions: The Company expects to contribute ₹ 32 to Falcon defined benefit plans during the year ending 31 March 2021.

Disaggregation of plan assets: The Falcon pension plan's weighted-average asset allocation as of 31 March 2020 and 31 March 2019, by asset category was as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Funds managed by insurers	51%	51%
Others	49%	49%

The expected future cash flows in respect of post-employment benefit plans in Mexico as at 31 March 2020 were as follows:

Particulars	Amount
Expected contribution	
During the year ended 31 March 2021 (estimated)	32
Expected future benefit payments	
31 March 2021	5
31 March 2022	5
31 March 2023	6
31 March 2024	11
31 March 2025	16
Thereafter	536

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.27 Employee benefits (continued)

Provident fund benefits

Certain categories of employees of the Company receive benefits from a provident fund, a defined contribution plan. Both the employee and employer each make monthly contributions to a government administered fund equal to 12% of the covered employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 812 and ₹ 740 to the provident fund plan during the years ended 31 March 2020 and 31 March 2019, respectively.

Superannuation benefits

Certain categories of employees of the Company participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. The Company makes monthly contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 82 and ₹ 84 to the superannuation plan during the years ended 31 March 2020 and 31 March 2019, respectively.

Other contribution plans

In the United States, the Company sponsors a defined contribution 401(k) retirement savings plan for all eligible employees who meet minimum age and service requirements. The Company contributed ₹ 177 and ₹ 212 to the 401(k) retirement savings plan during the years ended 31 March 2020 and 31 March 2019, respectively. The Company has no further obligations under the plan beyond its monthly matching contributions.

In the United Kingdom, certain social security benefits (such as pension, unemployment and disability) are funded by employers and employees through mandatory National Insurance contributions. The contribution amounts are determined based upon the employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 135 and ₹ 148 to the National Insurance during the years ended 31 March 2020 and 31 March 2019, respectively.

Compensated absences

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded by the Company towards this obligation was ₹ 1,161 and ₹ 1,089 as at 31 March 2020 and 31 March 2019, respectively.

2.28 Employee stock incentive plans

Dr. Reddy's Employees Stock Option Plan, 2002 (the "DRL 2002 Plan")

The Company instituted the DRL 2002 Plan for all eligible employees pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The DRL 2002 Plan covers all employees and directors (excluding promoter directors) of the parent company and its subsidiaries (collectively, "eligible employees"). The Nomination, Governance and Compensation Committee of the Board of the parent company (the "Committee") administers the DRL 2002 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2002 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2002 Plan, as amended at annual general meetings of shareholders held on 28 July 2004 and on 27 July 2005, provides for stock option grants in two categories:

Category A: 300,000 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: 1,995,478 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Under the DRL 2002 Plan, the exercise price of the fair market value options granted under Category A above is determined based on the average closing price for 30 days prior to the grant in the stock exchange where there is highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after obtaining the approval of the shareholders in the annual general meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.28 Employee stock incentive plans (continued)

After the stock split effected in the form of a stock dividend issued by the Company in August 2006, the DRL 2002 Plan provides for stock option grants in the above two categories as follows:

Particulars	Number of options reserved under category A	Number of options reserved under category B	Total
Options reserved under original Plan	300,000	1,995,478	2,295,478
Options exercised prior to stock dividend date (A)	94,061	147,793	241,854
Balance of shares that can be allotted on exercise of options (B)	205,939	1,847,685	2,053,624
Options arising from stock dividend (C)	205,939	1,847,685	2,053,624
Options reserved after stock dividend (A+B+C)	**505,939**	**3,843,163**	**4,349,102**

The term of the DRL 2002 plan was extended for a period of 10 years effective as of 29 January 2012 by the shareholders at the Company's Annual General Meeting held on 20 July 2012.

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended 31 March 2020 and 31 March 2019 is as follows:

Category A — Fair Market Value Options: There was no stock activity under this category during the years ended 31 March 2020 and 31 March 2019 and there were no stock options outstanding under this category as of 31 March 2020 and 31 March 2019.

Category B — Par Value Options: Stock options activity under this category during the years ended 31 March 2020 and 31 March 2019 was as set forth in the below table.

Particulars	For the Year Ended 31 March 2020			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	270,141	5.00	5.00	73
Granted during the year	49,796	5.00	5.00	90
Expired/forfeited during the year	(14,934)	5.00	5.00	-
Exercised during the year	(72,166)	5.00	5.00	-
Outstanding at the end of the year	**232,837**	**5.00**	**5.00**	**69**
Exercisable at the end of the year	**40,548**	**5.00**	**5.00**	**43**

Particulars	For the Year Ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	320,544	5.00	5.00	70
Granted during the year	122,372	5.00	5.00	90
Expired/forfeited during the year	(50,651)	5.00	5.00	-
Exercised during the year	(122,124)	5.00	5.00	-
Outstanding at the end of the year	**270,141**	**5.00**	**5.00**	**73**
Exercisable at the end of the year	**32,836**	**5.00**	**5.00**	**42**

The weighted average grant date fair value of options granted during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,746 and ₹ 2,195 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,681 and ₹ 2,302 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2020 and 31 March 2019 was ₹ 193 and ₹ 281, respectively. As of 31 March 2020, options outstanding had an aggregate intrinsic value of ₹ 725 and options exercisable had an aggregate intrinsic value of ₹ 126.

Dr. Reddy's Employees ADR Stock Option Plan, 2007 (the "DRL 2007 Plan"):

The Company instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2005. The DRL 2007 Plan became effective upon its approval by the Board of Directors on 22 January 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). The Committee administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.28 Employee stock incentive plans (continued)

The DRL 2007 Plan provides for option grants in two categories:

Category A: 382,695 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: 1,148,084 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Stock options activity under the DRL 2007 Plan for the above two categories of options during the years ended 31 March 2020 and 31 March 2019 was as follows:

Category A — Fair Market Value Options	For the Year Ended 31 March 2020			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	146,060	1,982.00/ 2,607.00	2,166.00	81
Granted during the year	61,700	2,814.00	2,814.00	90
Expired/forfeited during the year	(5,000)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**202,760**	**1,982.00/ 2,607.00/ 2,814.00**	**2,353.62**	**72**
Exercisable at the end of the year	**35,265**	**1,982.00 /2,607.00**	**2,150.81**	**51**

Category A — Fair Market Value Options	For the Year Ended 31 March 2019			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	149,160	1,982.00/ 2,607.00	2,176.00	90
Expired/forfeited during the year	(3,100)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**146,060**	**1,982.00/ 2,607.00**	**2,166.00**	**81**
Exercisable at the end of the year	**-**	**-**	**-**	**-**

The weighted average grant date fair value of options granted during the years ended 31 March 2020 and 31 March 2019 was ₹ 993 and ₹ 515 per option, respectively.

As of 31 March 2020, options outstanding had an aggregate intrinsic value of ₹ 156 and options exercisable had an aggregate intrinsic value of ₹ 27.

Category B — Par Value Options	For the Year Ended 31 March 2020			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	115,155	5.00	5.00	73
Granted during the year	89,282	5.00	5.00	90
Expired/forfeited during the year	(18,886)	5.00	5.00	-
Exercised during the year	(33,968)	5.00	5.00	-
Outstanding at the end of the year	**151,583**	**5.00**	**5.00**	**73**
Exercisable at the end of the year	**14,166**	**5.00**	**5.00**	**44**

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.28 Employee stock incentive plans (continued)

Category B — Par Value Options	For the Year Ended 31 March 2019			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	107,308	5.00	5.00	73
Granted during the year	70,730	5.00	5.00	90
Expired/forfeited during the year	(29,966)	5.00	5.00	-
Exercised during the year	(32,917)	5.00	5.00	-
Outstanding at the end of the year	**115,155**	**5.00**	**5.00**	**73**
Exercisable at the end of the year	**9,229**	**5.00**	**5.00**	**43**

The weighted average grant date fair value of options granted during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,747 and ₹ 2,056 respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,757 and ₹ 2,445 respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2020 and 31 March 2019 was ₹ 93 and ₹ 80, respectively. As of 31 March 2020, options outstanding had an aggregate intrinsic value of ₹ 472 and options exercisable had an aggregate intrinsic value of ₹ 44.

Dr. Reddy's Employees Stock Option Scheme, 2018 (the "DRL 2018 Plan")

The Company instituted the DRL 2018 Plan for all eligible employees pursuant to the special resolution approved by the shareholders at the Annual General Meeting held on 27 July 2018. The DRL 2018 Plan covers all employees and directors (excluding independent and promoter directors) of the parent company and its subsidiaries (collectively, "eligible employees"). Upon the exercise of options granted under the DRL 2018 Plan, the applicable equity shares may be issued directly by the Company to the eligible employee or may be transferred from the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") to the eligible employee. The ESOS Trust may acquire such equity shares through primary issuances by the Company and/or by way of secondary market acquisitions funded through loans from the Company. The Nomination, Governance and Compensation Committee of the Board of the parent company (the "Compensation Committee") administers the DRL 2018 Plan and grants stock options to eligible employees, but may delegate functions and powers relating to the administration of the DRL 2018 Plan to the ESOS Trust. The Compensation Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2018 Plan vest in periods ranging between the end of one and five years, and generally have a maximum contractual term of five years.

The DRL 2018 Plan provides for option grants having an exercise price equal to the fair market value of the underlying equity shares on the date of grant as follows:

Particulars	**Number of securities to be acquired from secondary market**	**Number of securities to be issued by the Company**	**Total**
Options reserved against equity shares	2,500,000	1,500,000	4,000,000
Options reserved against ADRs	-	1,000,000	1,000,000
Total	**2,500,000**	**2,500,000**	**5,000,000**

As at 31 March 2020, the outstanding shares purchased from secondary market are 395,950 shares for an aggregate consideration of ₹ 1,006.

Stock option activity under the DRL 2018 Plan during the years ended 31 March 2020 and 31March 2019 was as follows:

Fair Market Value Options	For the Year Ended 31 March 2020			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	229,600	2,607.00	2,607.00	84
Granted during the year	169,900	2,814.00/ 3,031.00	2,817.07	90
Expired/forfeited during the year	(22,575)	2,607.00/ 2,814.00/ 3,031.00	2,687.84	-
Exercised during the year	(1,150)	2,607.00	2,607.00	-
Outstanding at the end of the year	**375,775**	**2,607.00/ 2,814.00**	**2,697.12**	**75**
Exercisable at the end of the year	**53,100**	**2,607.00**	**2,607.00**	**53**

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.28 Employee stock incentive plans (continued)

Fair Market Value Options	**For the Year Ended 31 March 2019**			
Particulars	**Shares arising out of options**	**Range of exercise prices**	**Weighted average exercise price**	**Weighted average remaining useful life (months)**
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	235,700	2,607.00	2,607.00	90
Expired/forfeited during the year	(6,100)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**229,600**	**2,607.00**	**2,607.00**	**84**
Exercisable at the end of the year	**-**	**-**	**-**	**-**

The weighted average grant date fair value of options granted during the years ended 31 March 2020 and 31 March 2019 was ₹ 994 and ₹ 667 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2020 and 31 March 2019 was ₹ 2,914 and ₹ Nil per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2020 and 31 March 2019 was ₹ 0.35 and ₹ Nil, respectively. As of 31 March 2020, options outstanding had an aggregate intrinsic value of ₹ 159 and options exercisable had an aggregate intrinsic value of ₹ 22.

Valuation of stock options:

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted. The fair value of stock options granted under the DRL 2002 Plan, the DRL 2007 Plan and the DRL 2018 Plan has been measured using the Black–Scholes-Merton model at the date of the grant.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options granted, the expected term of an option (or "option life") is estimated based on the vesting term and contractual term, as well as the expected exercise behavior of the employees receiving the option. In respect of fair market value options granted, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity.

Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock-based compensation expense could be materially impacted in future years.

The estimated fair value of stock options is recognised in the consolidated statement of profit and loss on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

The weighted average inputs used in computing the fair value of options granted were as follows:

Particulars	**Grants made on**			
	26 January 2020	**31 October 2019**	**16 May 2019**	**16 May 2019**
Expected volatility	**27.00%**	**27.10%**	**28.25%**	29.29%
Exercise price	₹ 3,031.00	₹.5.00	₹ 2,814.00	₹ 5.00
Option life	5.0 Years	2.5 Years	5.0 Years	2.5 Years
Risk-free interest rate	6.61%	5.72%	7.14%	6.76%
Expected dividends	0.66%	0.72%	0.71%	0.71%
Grant date share price	₹ 3,031.00	₹ 2,783.20	₹ 2,801.00	₹ 2,801.00

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.28 Employee stock incentive plans (continued)

Particulars	Grants made on			
	31 January 2019	21 September 2018	26 July 2018	21 May 2018
Expected volatility	32.92%	33.98%	34.89%	32.97%
Exercise price	₹ 5.00	₹ 5.00/ ₹ 2,607.00	₹ 5.00	₹ 5.00/ ₹ 1,982.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	7.00%	7.90%	7.47%	7.46%
Expected dividends	0.74%	0.78%	0.94%	1.06%
Grant date share price	₹ 2,720.80	₹ 2,556.25	₹ 2,132.75	₹ 1,893.05

Share-based payment expense

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Equity settled share-based payment expense[1]	521	389
Cash settled share-based payment expense[2]	94	85
	615	**474**

[1] As of 31 March 2020, there was ₹ 515 and ₹ 519, respectively of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 1.93 years and 2.09 years, respectively.

[2] Certain of the Company's employees are eligible for share-based payment awards that are settled in cash. These awards entitle the employees to a cash payment, on the exercise date, subject to vesting upon satisfaction of certain service conditions which range from 1 to 4 years. The amount of cash payment is determined based on the price of the Company's ADSs at the time of vesting. As of 31 March 2020, there was ₹ 97 of total unrecognised compensation cost related to unvested awards. This cost is expected to be recognised over a weighted-average period of 1.93 years. This scheme does not involve dealing in or subscribing to or purchasing securities of the Company, directly or indirectly.

2.29 Income taxes

a) Income tax expense/(benefit) recognised in the consolidated statement of profit and loss

Income tax expense recognised in the consolidated statement of profit and loss consists of the following:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current taxes		
Domestic	5,157	3,003
Foreign	1,459	1,704
	6,616	4,707
Deferred taxes		
Domestic	(6,582)	244
Foreign	(1,437)	(1,093)
	(8,019)	(849)
Total income tax expense/(benefit) recognised in the consolidated statement of profit and loss	**(1,403)**	**3,858**

b) Income tax expense/(benefit) recognised directly in equity

Income tax expense/(benefit) recognised directly in equity consist of the following:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Tax effect on changes in fair value of investments	-	411
Tax effect on foreign currency translation differences	-	(15)
Tax effect on effective portion of change in fair value of cash flow hedges	(232)	69
Tax effect on actuarial gains/losses on defined benefit obligations	22	7
Total income tax expense/(benefit) recognised in the equity	**(210)**	**472**

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 Income taxes (continued)

c) Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended 31 March 2020 and 31 March 2019:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit before income taxes	**18,857**	**23,358**
Enacted tax rate in India	34.94%	34.94%
Computed expected tax expense	**6,589**	**8,161**
Effect of:		
Differences between Indian and foreign tax rates	3,375	(784)
Unrecognised deferred tax assets/(recognition of previously unrecognised deferred tax assets), net	(6,496)	458
Expenses not deductible for tax purposes	182	315
Reversal of earlier years' tax provisions	-	(282)
Income exempt from income taxes	(1,091)	(1,280)
Foreign exchange differences	(47)	(464)
Incremental deduction allowed for research and development costs[1]	(1,241)	(1,134)
Tax expense on distributed/undistributed earnings of subsidiary outside India	254	-
Write off of accounts receivables	-	(1,294)
Effect of change in tax laws and rate in jurisdictions outside India	(41)	3
Income from sale of capital assets	(2,620)	-
Others	(267)	159
Income tax expense /(benefit)	**(1,403)**	**3,858**
Effective tax rate	**(7.44)%**	**16.83%**

[1] India's Finance Act, 2016 incorporated an amendment that reduces the weighted deduction on eligible research and development expenditure in a phased manner from 200% to 150% commencing from 1 April 2017, and from 150% to 100% effective 1 April 2020.

The decrease in the Company's effective tax rate for the year ended 31 March 2020 as compared to the year ended 31 March 2019 was primarily on account of:

- recognition of a deferred tax asset related to the Minimum Alternate Tax ("MAT") credits in Dr. Reddy's Laboratories Limited, India on account of a reduction in the MAT rate from 21.55% to 17.47% pursuant to the recently enacted Taxation laws (Amendment) Act 2019 for the fiscal year ended 31 March 2020 and subsequent periods;
- recognition of deferred tax asset related to losses for impairment of certain product related intangibles of the Company;
- recognition of deferred tax asset pursuant to planned restructuring activity between the group companies; and
- non taxability of income from sale of capital assets as it is set off against the carried forward capital loss.

d) Unrecognised deferred tax assets and liabilities

The details of unrecognised deferred tax assets and liabilities are summarised below:

Particulars	As at 31 March 2020	As at 31 March 2019
Deductible temporary differences, net	387	5,479
Operating tax loss carry-forward	3,926	3,567
	4,313	**9,046**

During the year ended 31 March 2020, the Company recognised deferred tax assets of ₹ 5,092 on certain deductible temporary differences, as the Company believes that it is probable that there will be available taxable profits against which such temporary differences can be utilised.

During the year ended 31 March 2020, the Company did not recognise deferred tax assets of ₹ 359 on operating tax losses.

Deferred income taxes are not provided on undistributed earnings of ₹ 23,615 as at 31 March 2020, of subsidiaries, where it is expected that earnings of the subsidiaries will not be distributed in the foreseeable future. Generally, the Company indefinitely reinvests all of the accumulated undistributed earnings of subsidiaries, and accordingly, has not recorded any deferred taxes in relation to such undistributed earnings of its subsidiaries.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 Income taxes (continued)

e) Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred tax assets/(liabilities):		
Inventory	3,197	3,302
Minimum Alternate Tax*	6,247	1,630
Trade receivables	904	801
Operating tax loss and interest loss carry-forward	3,399	298
Current liabilities and provisions	630	701
Property, plant and equipment	(2,638)	(2,950)
Investments	65	197
Others	375	(135)
Net deferred tax assets	**12,179**	**3,844**

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income Tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. If in any year the Company pays liability as per MAT, then it is entitled to claim credit of MAT paid over and above the normal tax liability in the subsequent years. The MAT credit is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years starting from the succeeding fiscal year in which such credit was generated.

In assessing whether the deferred income tax assets will be realised, management considers whether some portion or all of the deferred income tax assets will not be realised. The ultimate realisation of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible differences and tax loss carry forwards. Recoverability of deferred tax assets is based on estimates of future taxable income. Any changes in such future taxable income would impact the recoverability of deferred tax assets.

Operating loss carry forward consists of business losses, unabsorbed depreciation and unabsorbed interest carry-forwards. A portion of this total loss can be carried indefinitely and the remaining amounts expire at various dates ranging from 2021 through 2027.

f) Movement in deferred tax assets and liabilities during the years ended 31 March 2020 and 31 March 2019

The details of movement in deferred tax assets and liabilities are summarised below:

Particulars	As at 1 April 2019	Recognised in the consolidated statement of profit and loss	Recognised in equity	As at 31 March 2020
Deferred tax assets/(liabilities)				
Inventory	3,302	(105)	-	3,197
Minimum Alternate Tax	1,630	4,617	-	6,247
Trade receivables	801	103	-	904
Operating tax loss and interest loss carry-forward	298	3,101	-	3,399
Current liabilities and provisions	701	(281)	210	630
Property, plant and equipment	(2,950)	312	-	(2,638)
Investments	197	(132)	-	65
Others	(135)	510	-	375
Net deferred tax assets/(liabilities)	**3,844**	**8,125**	**210**	**12,179**

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 Income taxes (continued)

Particulars	As at 1 April 2018	Recognised in the consolidated statement of profit and loss	Recognised in equity	As at 31 March 2019
Deferred tax assets/(liabilities)				
Inventory	1,805	1,497	-	3,302
Minimum Alternate Tax	1,630	-	-	1,630
Trade receivables	737	64	-	801
Operating tax loss and interest loss carry-forward	112	186	-	298
Current liabilities and provisions	656	110	(65)	701
Property, plant and equipment	(2,224)	(726)	-	(2,950)
Investments	693	(85)	(411)	197
Others	46	(181)		(135)
Net deferred tax assets/(liabilities)	**3,455**	**865**	**(476)**	**3,844**

The amounts recognised in the consolidated statement of profit and loss for the years ended 31 March 2020 and 31 March 2019 include ₹ 106 and ₹ 16 respectively, which represent exchange differences arising due to foreign currency translations.

2.30 Operating leases

The Company has leased offices and vehicles under various operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under these leases was ₹ 905 for the year ended 31 March 2019.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

Particulars	As at 31 March 2019
Less than one year	405
Between one and five years	797
More than five years	89
Total	**1,291**

Commencing 1 April 2019, upon adoption of Ind AS 116, "*Leases*", majority of leases for which the Company is lessee become balance sheet liability with corresponding right-of-use assets recognised in the Balance sheet

Upon adoption of the new standard, a portion of the annual operating lease costs, which was previously fully recognised as a functional expense, is recorded as finance cost.

2.31 Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments as at 31 March 2020 and 31 March 2019 were as follows:

Particulars	As at 31 March 2020		As at 31 March 2019	
	Total carrying value	Total fair value/ amortised cost	Total carrying value	Total fair value/ amortised cost
Financial assets				
Cash and cash equivalents	2,053	2,053	2,228	2,228
Investments[(1)]	24,015	24,015	23,342	23,342
Trade receivables	52,015	52,015	39,982	39,982
Derivative financial instruments	1,105	1,105	360	360
Other financial assets	4,170	4,170	2,843	2,843
Total	**83,358**	**83,358**	**68,755**	**68,755**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Financial instruments (continued)

Particulars	As at 31 March 2020		As at 31 March 2019	
	Total carrying value	Total fair value/ amortised cost	Total carrying value	Total fair value/ amortised cost
Financial liabilities				
Trade payables	15,248	15,248	13,671	13,671
Long-term borrowings	1,304	1,304	22,000	22,000
Short-term borrowings	16,532	16,532	12,125	12,125
Derivative instruments	1,602	1,602	68	68
Other financial liabilities	27,006	27,006	22,772	22,772
Total	**61,692**	**61,692**	**70,636**	**70,636**

(1) Interest accrued but not due on investments is included in other financial assets.

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2020:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	13,832	-	-	13,832
FVTOCI - Financial asset - Investment in equity securities	303	-	-	303
FVTOCI - Financial asset - Investment in market linked debentures	1,993	-	-	1,993
Derivative financial instruments – net gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[1]	-	(497)	-	(497)

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2019:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	16,240	-	-	16,240
FVTOCI - Financial asset - Investment in equity securities	791	-	-	791
Derivative financial instruments – net gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[1]	-	292	-	292

(1) The Company enters into derivative financial instruments with various counterparties, principally financial institutions and banks. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward option and swap contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black-Scholes-Merton models (for option valuation), using present value calculations. The models incorporate various inputs including foreign exchange forward rates, interest rate curves and forward rate curves.

As at 31 March 2020 and 31 March 2019, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Derivative financial instruments

The Company had a derivative financial asset and derivative financial liability of ₹ 1,105 and ₹ 1,602, respectively, as of 31 March 2020 as compared to derivative financial asset and derivative financial liability of ₹ 360 and ₹ 68, respectively, as of 31 March 2019 towards these derivative financial instruments.

Details of gain/(loss) recognised in respect of derivative contracts

The following table presents details in respect of the gain/(loss) recognised in respect of derivative contracts during the applicable year ended :

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Net gain/ (loss) recognised as part of consolidated statement of profit and loss in respect of foreign exchange derivative contracts and cross currency interest rate swaps contracts	155	(257)
Net gain/(loss) recognised in equity in respect of hedges of highly probable forecast transactions	(951)	180
Net gain/(loss) reclassified from equity and recognised as component of revenue occurrence of forecasted transaction	(50)	(524)

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Financial instruments (continued)

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a loss of ₹ 721 as at 31 March 2020, as compared to a gain of ₹ 229 as at 31 March 2019.

Outstanding foreign exchange derivative contracts

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2020:

Category	Instrument	Currency[(1)]	Cross Currency[(1)]	Amounts in millions	Buy/Sell
Hedges of recognised assets and liabilities	Forward contract	US$	INR	US$ 148	Sell
	Forward contract	RUB	INR	RUB 5,968	Sell
	Forward contract	GBP	INR	GBP 9	Sell
	Forward contract	AUD	INR	AUD 4	Sell
	Forward contract	CHF	INR	CHF 200	Sell
	Forward contract	ZAR	INR	ZAR 71	Sell
	Forward contract	CHF	US$	CHF 200	Buy
	Forward contract	EUR	GBP	EUR 3	Sell
	Forward contract	EUR	US$	EUR 6	Buy
	Forward contract	GBP	US$	GBP 38	Buy
	Forward contract	US$	AUD	US$ 5	Buy
	Forward contract	US$	BRL	US$ 6	Buy
	Forward contract	US$	CLP	US$ 4	Buy
	Forward contract	US$	COP	US$ 4	Buy
	Forward contract	US$	KZT	US$ 11	Buy
	Forward contract	US$	MXN	US$ 2	Buy
	Forward contract	US$	RON	US$ 7	Buy
	Forward contract	US$	RUB	US$ 6	Buy
	Forward contract	US$	UAH	US$ 19	Buy
	Option contract	US$	INR	US$ 140	Sell
Hedges of highly probable forecast transactions	Option contract	US$	INR	US$ 270	Sell

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2019:

Category	Instrument	Currency[(1)]	Cross Currency[(1)]	Amount in millions	Buy/Sell
Hedges of recognised assets and liabilities	Forward contract	US$	INR	US$ 261	Sell
	Forward contract	RUB	INR	RUB 2,710	Sell
	Forward contract	GBP	INR	GBP 18	Sell
	Forward contract	US$	RUB	US$ 30	Buy
	Forward contract	GBP	US$	GBP 23	Buy
Hedges of highly probable forecast transactions	Forward contract	RUB	INR	RUB 1,350	Sell
	Option contract	US$	INR	US$ 300	Sell

(1) "INR" means Indian Rupees, "US$" means United States dollars, "RON" means Romanian new leus, "GBP" means U.K. pounds sterling, "AUD" means Australian dollars, "CHF" means Swiss francs, "ZAR" means South African rands, "EUR" means Euros, "BRL" means Brazilian reals, "CLP" means Chilean pesos, "COP" means Colombian pesos, "KZT" means Kazakhstan tenges, "MXN" means Mexican pesos, "UAH" means Ukrainian hryvnias and "RUB" means Russian roubles.

The table below summarises the periods when the cash flows associated with highly probable forecast transactions that are classified as cash flow hedges are expected to occur:

Particulars	As at 31 March 2020	As at 31 March 2019
Cash flows in United States dollars		
Not later than one month	2,648	2,420
Later than one month and not later than three months	5,297	4,841
Later than three months and not later than six months	7,945	7,261
Later than six months and not later than one year	4,540	6,225
	20,430	**20,747**
Cash flows in Russian roubles		
Not later than one month	-	161
Later than one month and not later than three months	-	320
Later than three months and not later than six months	-	480
Later than six months and not later than one year	-	480
	-	**1,441**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.31 Financial instruments (continued)

Hedges of changes in the interest rates

Consistent with its risk management policy, the Company uses interest rate swaps (including cross currency interest rate swaps) to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

A net gain/loss of ₹ Nil, representing the changes in the fair value of interest rate swaps used as hedging instrument in a cash flow hedge is recognised in the statement of other comprehensive income. For balance interest rate swaps, the changes in fair value (including cross currency interest rate swaps) are recognised as part of the foreign exchange gains and losses and finance costs. Accordingly the Company has recorded, as part of consolidated statement of profit and loss, a net gain of ₹ 33 and a net loss of ₹ 0 for the year ended 31 March 2020 and 31 March 2019 respectively.

The Company had outstanding interest swap arrangements that hedged a portion of interest rate risk arising from floating rate, dollar denominated foreign currency borrowing of ₹ Nil and US$ 50 millions as at 31 March 2020 and 31 March 2019, respectively.

2.32 Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimise potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

a) Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short-term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in United States dollars, Russian roubles, U.K pounds sterling and Euros) and foreign currency borrowings (in United States dollars, Russian roubles, South African rands, Mexican pesos and Brazilian reals). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in Indian rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. Consequently, the Company uses both derivative and non-derivative financial instruments, such as foreign exchange forward contracts, option contracts, currency swap contracts and foreign currency financial liabilities, to mitigate the risk of changes in foreign currency exchange rates in respect of its highly probable forecast transactions and recognised assets and liabilities.

The details in respect of the outstanding foreign exchange forward and option contracts are given in note 2.31 to these consolidated financial statements.

In respect of the Company's forward and option contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- a ₹ 1,203/(1,740) increase/(decrease) in the Company's hedging reserve and a ₹ 2,070/(1,745) increase/(decrease) in the Company's profit from such contracts, as at 31 March 2020;
- a ₹ 1,872/(1,349) increase/(decrease) in the Company's hedging reserve and a ₹ 1,789/(1,873) increase/(decrease) in the Company's profit from such contracts, as at 31 March 2019.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.32 Financial risk management (continued)

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2020:

Particulars	United States dollars	Euros	Russian roubles	Others[1]	Total
Assets					
Cash and cash equivalents	365	43	4	135	547
Investments	24	-	-	-	24
Trade receivables	31,931	705	989	317	33,942
Other financial assets	921	15	3	153	1,092
Total	**33,241**	**763**	**996**	**605**	**35,605**
Liabilities					
Trade payables	1,579	379	-	37	1,995
Long-term borrowings	469	-	1	40	510
Short-term borrowings	7,316	-	-	-	7,316
Other financial liabilities	7,950	208	56	470	8,684
Total	**17,314**	**587**	**57**	**547**	**18,505**

(1) Others primarily consists of U.K. pounds sterling, Swiss francs, Romanian new leus Chinese Yuans (Renminbi), Canadian Dollars and Ukrainian hryvnia.

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2019:

Particulars	United States dollars	Euros	Russian roubles	Others[1]	Total
Assets					
Cash and cash equivalents	339	30	58	418	845
Investments	20	-	-	-	20
Trade receivables	20,524	437	7,290	2,969	31,220
Other assets	298	18	68	138	522
Total	**21,181**	**485**	**7,416**	**3,525**	**32,607**
Liabilities					
Trade payables	2,260	987	-	299	3,546
Long-term borrowings	3,453	-	3	-	3,456
Short-term borrowings	7,538	-	1,387	307	9,232
Other financial liabilities	5,207	105	1,509	985	7,806
Total	**18,458**	**1,092**	**2,899**	**1,591**	**24,040**

(1) Others primarily consists of U.K. pounds sterling, Swiss francs, Romanian new leus, Chinese Yuans (Renminbi), Canadian Dollars and Ukrainian hryvnia.

For the years ended 31 March 2020 and 31 March 2019, every 10% depreciation/appreciation in the exchange rate between the Indian rupee and the respective currencies for the above mentioned financial assets/liabilities would affect the Company's net profit by ₹ 1,710 and ₹ 857, respectively.

Interest rate risk

As of 31 March 2020, the Company had loans with floating interest rates as follows: ₹ 10,971 of loans carrying a floating interest rate ranging from 1 Month LIBOR plus 12.5 bps to 1 Month LIBOR plus 82.7 bps; ₹ 4,000 of loans carrying a floating interest rate of 1 Month India Treasury Bill plus 60 bps; ₹ 1,627 of loans carrying a floating interest rate of 3 Month LIBOR plus 55 bps; ₹ 1,579 of loans carrying a floating interest rate of TIIE+1.25%, and ₹ 63 of loans carrying a floating interest rate of 1 Month JIBAR plus 120 bps.

As of 31 March 2019, the Company had loans with floating interest rates as follows: ₹ 31,154 of loans carrying a floating interest rate ranging from 1 Month LIBOR plus 25 bps to 1 Month LIBOR plus 105 bps; ₹ 72 of loans carrying a floating interest rate of 1 Month JIBAR plus 120 bps; and ₹ 1,749 of loans carrying a floating interest rate of TIIE+1.25%. These loans expose the Company to risk of changes in interest rates. The Company's treasury department monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary.

For details of the Company's short-term and long-term loans and borrowings, including interest rate profiles, refer note 2.10 A and B of these consolidated financial statements.

For the years ended 31 March 2020 and 31 March 2019, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR, Treasury Bill, JIBAR and TIIE) applicable to its loans and borrowings would affect the Company's net profit by ₹ 41 and ₹ 93, respectively.

The carrying value of the Company's borrowings, interest component of which was designated in a cash flow hedge, was ₹ Nil and ₹ 3,458 as of 31 March 2020 and as on 31 March 2019, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.32 Financial risk management (continued)

The Company's investments in term deposits (i.e., certificates of deposit) with banks and short-term liquid mutual funds are for short durations, and therefore do not expose the Company to significant interest rates risk.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of 31 March 2020, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of expected losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

Details of financial assets – not due, past due and impaired

None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) with banks, were past due or impaired as at 31 March 2020. The Company's credit period for trade receivables payable by its customers generally ranges from 20 - 180 days.

The ageing of trade receivables is given below:

Particulars	As at 31 March 2020	As at 31 March 2019
Neither past due nor impaired	45,864	33,874
Past due but not impaired		
Less than 365 days	6,305	6,262
More than 365 days	1,048	1,018
	53,217	**41,154**
Less : Allowance for credit losses	(1,202)	(1,172)
Total	**52,015**	**39,982**

See Note 2.6 B of these consolidated financial statements for the activity in the allowance for credit losses.

Other than trade receivables, the Company has no significant class of financial assets that is past due but not impaired.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.32 Financial risk management (continued)

As of 31 March 2020 and 31 March 2019, the Company had uncommitted lines of credit from banks of ₹ 39,374 and ₹ 47,134 respectively.

As of 31 March 2020, the Company had working capital of ₹ 53,850, including cash and cash equivalents of ₹ 2,053, investments in term deposits with banks, bonds and commercial paper of ₹ 7,862, investments in marked linked debentures of ₹ 1,993 and investments in mutual funds of ₹ 13,832.

As of 31 March 2019, the Company had working capital of ₹ 52,128, including cash and cash equivalents of ₹ 2,228, investments in term deposits with banks (i.e., deposits having original maturities of more than 3 months), bonds and commercial paper of ₹ 6,289 and investments in mutual funds of ₹ 16,240.

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long-term borrowings and obligations under leases, which have been disclosed in note 2.10 A to these consolidated financial statements) as at 31 March 2020:

Particulars	2021	2022	2023	2024	Thereafter	Total
Trade payables	15,248	-	-	-	-	15,248
Short-term borrowings	16,532	-	-	-	-	16,532
Derivative instruments	1,602	-	-	-	-	1,602
Other financial liabilities	27,006	-	-	-	-	27,006

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long-term borrowings and obligations under finance leases, which have been disclosed in note 2.10 A to these consolidated financial statements) as at 31 March 2019:

Particulars	2020	2021	2022	2023	Thereafter	Total
Trade payables	13,671	-	-	-	-	**13,671**
Short-term borrowings	12,125	-	-	-	-	**12,125**
Derivative instruments	68	-	-	-	-	**68**
Other financial liabilities	22,670	17	17	17	51	**22,772**

2.33 Contingent liabilities and commitments

A. Contingent liabilities (claims against the Company not acknowledged as debts)

The Company is involved in disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. The more significant matters are discussed below. Most of the claims involve complex issues. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. This is due to a number of factors, including: the stage of the proceedings (in many cases trial dates have not been set) and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. In these cases, the Company discloses information with respect to the nature and facts of the case.

The Company also believes that disclosure of the amount sought by plaintiffs, if that is known, would not be meaningful with respect to those legal proceedings.

Although there can be no assurance regarding the outcome of any of the legal proceedings or investigations referred to in this Note, the Company does not expect them to have a materially adverse effect on its financial position, as it believes that the likelihood of loss in excess of amounts accrued (if any) is not probable. However, if one or more of such proceedings were to result in judgements against the Company, such judgements could be material to its results of operations in a given period.

(i) Product and patent related matters

Launch of product

On 14 June 2018, the U.S. FDA granted the Company final approval for buprenorphine and naloxone sublingual film, 2 mg/0.5 mg, 4 mg/1 mg, 8 mg/2 mg, and 12 mg/3 mg dosages, a therapeutic equivalent generic version of Suboxone® sublingual film. The U.S. FDA approval came after the conclusion of litigation in the U.S. District Court for the District of Delaware (the "Delaware District Court"), where the Delaware District Court held that patents covering Suboxone® sublingual film would not be infringed by the Company's commercial launch of its generic sublingual film product. In light of the favourable decision from the Delaware District Court, the Company launched its generic sublingual film product in the U.S. immediately following the U.S. FDA approval on 14 June 2018. On 12 July 2019, the U.S. Court of Appeals for the Federal Circuit ("the Court of Appeals") affirmed the Delaware District Court's ruling that the Company's generic version of Suboxone® sublingual films did not infringe the two remaining patents at issue in the Delaware Disrtict Court's case (U.S. patent numbers 8,603,514 and 8,015,150).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

After the Delaware District Court's decision, Indivior filed a second lawsuit against the Company alleging infringement of three additional U.S. patents (numbers 9,687,454, 9,855,221 and 9,931,305) in the U.S. District Court for the District of New Jersey (the "New Jersey District Court"), styled Indivior Inc. et al. v. Dr. Reddy's Laboratories S.A., Civil Action No. 2:17-cv-07111 (D.N.J.). Following the launch, on 15 June 2018, Indivior filed an emergency application for a temporary restraining order and preliminary injunction against the Company in the New Jersey District Court. Indivior's motion alleged that the Company's generic sublingual film product infringed one of three U.S. patents (number 9,931,305) at issue in the New Jersey District Court. Pending a hearing and decision on the injunction application, the New Jersey District Court initially issued a temporary restraining order against the Company with respect to further sales, offer for sales, and imports of its generic sublingual film product in the United States. Subsequently, on 14 July 2018, the New Jersey District Court granted a preliminary injunction in favour of Indivior. Under the order, Indivior was required to and did post a bond of $72 to pay the costs and damages sustained by the Company if it was found to be wrongfully enjoined. The Company immediately appealed the decision, and the Court of Appeals agreed to expedite the appeal.

On 20 November 2018, the Court of Appeals issued a decision vacating the preliminary injunction. The Court of Appeals denied Indivior's petition for rehearing on 4 February 2019.

Indivior subsequently filed two emergency motions in the Court of Appeals to stay issuance of the mandate and to keep the preliminary injunction in place, which the Court of Appeals denied. Indivior then petitioned the U.S. Supreme Court to stay issuance of the mandate.

Indivior's petition was denied by the Chief Justice of the U.S. Supreme Court on 19 February 2019, and the mandate was issued on the same day. The Company resumed sales of its generic sublingual film product after the mandate was issued.

On 19 February 2019, the New Jersey District Court entered a stipulated order of dismissal of Indivior's claims under U.S. patent number 9,855,221. On 5 November 2019, the New Jersey District Court issued its claim construction decision construing certain terms in U.S. patent numbers 9,931,305 and 9,687,454. After such claim construction decision, on 8 January 2020, the New Jersey District Court entered a stipulated order that the Company's generic sublingual film product does not infringe the asserted claims in U.S. patent number 9,931,305. In the stipulated order, Indivior reserved the ability to appeal the New Jersey District Court's claim construction order. The Company has filed a motion requesting the New Jersey District Court enter partial final judgement in the Company's favour relating to the allegations of infringement of U.S. patent number 9,931,305.

On 11 November 2019, a Magistrate Judge in the District of New Jersey granted the Company leave to file a counterclaim against Indivior that alleges that Indivior engaged in anticompetitive conduct by making false or misleading statements to the New Jersey District Court during the preliminary injunction proceedings in violation of federal antitrust laws. Indivior has appealed the Magistrate Judge's decision to the New Jersey District Court. Indivior has also filed a motion requesting that the New Jersey District Court bifurcate and stay the antitrust case until after the completion of Indivior's infringement case regarding the only remaining asserted patent (U.S. patent number 9,687,454).

The parties continue to litigate Indivior's allegation that the Company's generic sublingual film products infringe any valid claim of U.S. patent number 9,687,454, with such litigation ongoing before the New Jersey District Court and the Patent Trial and Appeal Board ("PTAB"). In the PTAB, on 13 November 2018, the Company filed two petitions for inter-partes review challenging the validity of certain claims of U.S. patent number 9,687,454 before the PTAB. On 13 June 2019, the PTAB agreed to institute inter-partes review on one of the two petitions filed by the Company.

The PTAB heard oral argument in the pending inter- partes review challenge on 3 March 2020. A final decision is expected from the PTAB by June 2020.

The Company intends to vigorously defend its positions and pursue a claim for damages caused by the preliminary injunction. Any liability that may arise on account of this litigation is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

Matters relating to National Pharmaceutical Pricing Authority

Norfloxacin, India litigation

The Company manufactures and distributes Norfloxacin, a formulations product, and in limited quantities, the active pharmaceutical ingredient norfloxacin. Under the Drugs (Prices Control) Order (the "DPCO"), the National Pharmaceutical Pricing Authority (the "NPPA") established by the Government of India had the authority to designate a pharmaceutical product as a "specified product" and fix the maximum selling price for such product. In 1995, the NPPA issued a notification and designated Norfloxacin as a "specified product" and fixed the maximum selling price. In 1996, the Company filed a statutory Form III before the NPPA for the upward revision of the maximum selling price and a writ petition in the Andhra Pradesh High Court (the "High Court") challenging the validity of the designation on the grounds that the applicable rules of the DPCO were not complied with while fixing the maximum selling price. The High Court had previously granted an interim order in favour of the Company; however it subsequently dismissed the case in April 2004.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

The Company filed a review petition in the High Court in April 2004 which was also dismissed by the High Court in October 2004. Subsequently, the Company appealed to the Supreme Court of India, New Delhi (the "Supreme Court") by filing a Special Leave Petition.

During the year ended 31 March 2006, the Company received a notice from the NPPA demanding the recovery of the price charged by the Company for sales of Norfloxacin in excess of the maximum selling price fixed by the NPPA, which was ₹ 285 including interest.

The Company filed a writ petition in the High Court challenging this demand order. The High Court admitted the writ petition and granted an interim order, directing the Company to deposit 50% of the principal amount claimed by the NPPA, which was ₹ 77. The Company deposited this amount with the NPPA in November 2005. In February 2008, the High Court directed the Company to deposit an additional amount of ₹ 30, which was deposited by the Company in March 2008. In November 2010, the High Court allowed the Company's application to include additional legal grounds that the Company believed strengthened its defense against the demand. For example, the Company added as grounds that trade margins should not be included in the computation of amounts overcharged, and that it was necessary for the NPPA to set the active pharmaceutical ingredient price before the process of determining the ceiling on the formulation price. In October 2013, the Company filed an additional writ petition before the Supreme Court challenging the inclusion of Norfloxacin as a "specified product" under the DPCO. In January 2015, the NPPA filed a counter affidavit stating that the inclusion of Norfloxacin was based upon the recommendation of a committee consisting of experts in the field. On 20 July 2016, the Supreme Court remanded the matters concerning the inclusion of Norfloxacin as a "specified product" under the DPCO back to the High Court for further proceedings. During the three months ended 30 September 2016, the Supreme Court dismissed the Special Leave Petition pertaining to the fixing of prices for Norfloxacin formulations.

During the three months ended 31 December 2016, a writ petition pertaining to Norfloxacin was filed by the Company with the Delhi High Court. The matter has been adjourned to 11 June 2020 for hearing.

Based on its best estimate, the Company has recorded a provision for potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

Litigation relating to Cardiovascular and Anti-diabetic formulations

In July 2014, the NPPA, pursuant to the guidelines issued in May 2014 and the powers granted by the Government of India under the Drugs (Price Control) Order, 2013, issued certain notifications regulating the prices for 108 formulations in the cardiovascular and antidiabetic therapeutic areas. The Indian Pharmaceutical Alliance ("IPA"), in which the Company is a member, filed a writ petition in the Bombay High Court challenging the notifications issued by the NPPA on the grounds that they were ultra vires, ex facie and ab initio void. The Bombay High Court issued an order to stay the writ in July 2014. On 26 September 2016, the Bombay High Court dismissed the writ petition filed by the IPA and upheld the validity of the notifications/orders passed by the NPPA in July 2014. Further, on 25 October 2016, the IPA filed a Special Leave Petition with the Supreme Court, which was dismissed by the Supreme Court.

During the three months ended 31 December 2016, the NPPA issued show-cause notices relating to allegations that the Company exceeded the notified maximum prices for 11 of its products. The Company has responded to these notices.

On 20 March 2017, the IPA filed an application before the Bombay High Court for the recall of the judgement of the Bombay High Court dated 26 September 2016. This recall application filed by the IPA was dismissed by the Bombay High Court on 4 October 2017. Further, on 13 December 2017, the IPA filed a Special Leave Petition with the Supreme Court for the recall of the judgement of the Bombay High Court dated 4 October 2017, which was dismissed by Supreme Court on 10 January 2018.

During the three months ended 31 March 2017, the NPPA issued notices to the Company demanding payments relating to the foregoing products for the allegedly overcharged amounts, along with interest. On 13 July 2017, in response to a writ petition which the Company had filed, the Delhi High Court set aside all the demand notices of the NPPA and directed the NPPA to provide a personal hearing to the Company and pass a speaking order. A personal hearing in this regard was held on 21 July 2017. On 27 July 2017, the NPPA passed a speaking order along with the demand notice directing the Company to pay an amount of ₹ 776. On 3 August 2017, the Company filed a writ petition challenging the speaking order and the demand notice. Upon hearing the matter on 8 August 2017, the Delhi High Court stayed the operation of the demand order and directed the Company to deposit ₹ 100 and furnish a bank guarantee for ₹ 676. Pursuant to the order, the Company deposited ₹ 100 on 13 September 2017 and submitted a bank guarantee of ₹ 676 dated 15 September 2017 to the Registrar General, Delhi High Court. On 22 November 2017, the Delhi High Court directed the Union of India to file a final counter affidavit within six weeks, subsequent to which the Company could file a rejoinder. On 10 May 2018, the counter affidavit was filed by the Union of India. The Company subsequently filed a rejoinder and both were taken on record by the Delhi High Court. The matter has been adjourned to 16 June 2020 for hearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

Based on its best estimate, the Company has recorded a provision of ₹ 268 under "Selling and other expenses" as a potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

However, if the Company is unsuccessful in such litigation, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and could potentially include penalties, which amounts are not readily ascertainable.

Other product and patent related matters

Child resistant packaging matter complaint under the False Claims Act ("FCA")

In May 2012, the Consumer Product Safety Commission (the "CPSC") requested that Dr. Reddy's Laboratories Inc., a wholly-owned subsidiary of the Company in the United States, provide certain information with respect to compliance with requirements of special packaging for child resistant blister packs for 6 products sold by the Company in the United States during the period commencing in 2002 through 2011. The Company provided the requested information. The CPSC subsequently alleged in a letter dated 30 April 2014 that the Company had violated the Consumer Product Safety Act (the "CPSA") and the Poison Prevention Packaging Act (the "PPPA") and that the CPSC intended to seek civil penalties. Specifically, the CPSC asserted, among other things, that from or about 14 August 2008 through 1 June 2012, the Company sold prescription drugs having unit dose packaging that failed to comply with the CPSC's special child resistant packaging regulations under the PPPA and failed to issue general certificates of conformance. In addition, the CPSC asserted that the Company violated the CPSA by failing to immediately advise the CPSC of the alleged violations. The Company disagrees with the CPSC's allegations.

Simultaneously, the U.S. Department of Justice (the "DOJ") began to investigate a sealed complaint which was filed in the United States District Court for the Eastern District of Pennsylvania under the Federal False Claims Act ("FCA") related to these same issues (the "FCA Complaint"). The Company cooperated with the DOJ in its investigation. The DOJ and all States involved in the investigation declined to intervene in the FCA Complaint. On 10 November 2015, the FCA Complaint was unsealed and the plaintiff whistleblowers, who are two former employees of the Company, proceeded without the DOJ's and applicable States' involvement. The unsealed FCA Complaint relates to the 6 blister pack products originally subject to the investigation and also 38 of the Company's generic prescription products sold in the U.S. in various bottle and cap packaging.

The Company filed its response to the FCA Complaint on 23 February 2016 in the form of a motion to dismiss for failure to state a claim upon which relief can be granted. On 26 March 2017, the Court granted the Company's motion to dismiss, dismissing the FCA Complaint and allowing the plaintiffs one more chance to refile this complaint in an attempt to plead sustainable allegations.

On 29 March 2017, the plaintiffs filed their final amended FCA Complaint, which the Company opposed and during the three months ended 31 March 2018, the Company obtained dismissal of the FCA Complaint with prejudice. The plaintiffs filed a petition with the Court requesting that the Court reconsider its decision to dismiss the FCA Complaint with prejudice, and that request was denied.

The parallel investigation by the CPSC under the CPSA and the PPPA was referred by the CPSC to the DOJ's office in Washington, D.C. in April 2016, with the recommendation that the DOJ initiate a civil penalty action against the Company. The CPSC matter referred to the DOJ relates to five of the blister pack products.

On 18 January 2018, the Company and the DOJ entered into a settlement of the action and agreed to a consent decree providing for a civil penalty of US$5 millions (₹ 319), and injunctive relief. The settlement was without adjudication of any issue of fact or law, and the Company has not admitted any violations of law pursuant to this settlement.

During the three months ended 31 March 2018, the Company obtained dismissal of the FCA Complaint with prejudice. The plaintiffs subsequently filed a petition with the Court requesting that the Court reconsider its decision to dismiss the FCA Complaint with prejudice, and that request was denied.

In June 2018, the plaintiffs filed their Notice of Appeal to the Third Circuit Court of Appeals. During the three months ended September 2018, the plaintiffs and the DOJ settled and thus this appeal was dismissed. The plaintiffs then filed an application for recovery of attorneys' fees from the Company under the "alternative remedy doctrine." The Company made opposing filings to this and in response the plaintiffs withdrew their application.

The Company believes that the likelihood of any liability that may arise on account of the FCA Complaint is not probable. Accordingly, no provision has been made in these consolidated financial statements.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

Namenda Litigation

In August 2015, Sergeants Benevolent Assoc. Health & Welfare Fund ("Sergeants") filed suit against the Company in the United States District Court for the Southern District of New York. Sergeants alleged that certain parties, including the Company, violated federal antitrust laws as a consequence of having settled patent litigation related to the Alzheimer's drug Namenda® (memantine) tablets during a period from about 2009 until 2010. Sergeants seeks to represent a class of "end payor" purchasers of Namenda® tablets (i.e., insurers, other third-party payors and consumers).

Sergeants seeks damages based upon an allegation made in the complaint that the defendants entered into patent settlements regarding Namenda® tablets for the purpose of delaying generic competition and facilitating the brand innovator's attempt to shift sales from the original immediate release product to the more recently introduced extended release product. The Company believes that the complaint lacks merit and that the Company's conduct complied with all applicable laws and regulations.

Defendants' motions to dismiss were denied. Discovery is ongoing.

On 5 November 2019 plaintiffs MSP Recovery Claims, Series LLC and MSPA Claims 1, LLC filed suit against the Company and other drug manufacturers in the United States District Court for the Southern District of New York. The claims in this complaint were similar in nature to the claims in the Sergeants lawsuit, and those cases were coordinated for discovery purposes. On 14 April 2020, with the consent of the Company and the other defendants, plaintiffs MSP Recovery Claims, Series LLC and MSPA Claims 1, LLC voluntarily dismissed their claims without prejudice.

Other class action complaints containing similar allegations to the Sergeants complaint have also been filed in the U.S. District Court for the Southern District of New York. However, apart from the Sergeants case described above, there are no such class actions that are pending and that name the Company as a defendant.

In addition, the State of New York filed an antitrust case in the U.S. District Court for the Southern District of New York. The case brought by the State of New York contained some (but not all) of the allegations set forth in the class action complaints, but the Company was not named as a party. The case brought by the State of New York was dismissed by stipulation on 30 November 2015.

The Company believes that the likelihood of any liability that may arise on account of alleged violation of federal antitrust laws is not probable. Accordingly, no provision has been made in these consolidated financial statements.

Ranitidine Recall and Litigation

On 1 October 2019, the Company initiated a voluntary nationwide retail (at the retail level for over-the-counter products and at the consumer level for prescription products) of all of its ranitidine medications sold in the United States due to the presence of N-Nitrosodimethylamine ("NDMA") above levels established by the U.S. FDA. NDMA is classified as a probable human carcinogen (a substance that could cause cancer) based on results from laboratory tests. On 1 November 2019, the U.S. FDA issued a statement indicating that it had found levels of NDMA in ranitidine from its testing generally that were "similar to the levels you would expect to be exposed to if you ate common foods like grilled or smoked meats." See https://www.fda.gov/news-events/press-announcements/statement-new-testing-results-including-low-levels-impurities-ranitidine-drugs. The U.S. FDA has indicated that its investigation and testing continue. On 1 April 2020, the U.S. FDA issued a press release announcing that it was requesting manufacturers to withdraw all prescription and over-the-counter ranitidine drugs from the market immediately. The U.S. FDA stated that it "has determined that the impurity in some ranitidine products increases over time and when stored at higher than room temperatures may result in consumer exposure to unacceptable levels of this impurity." See https://www.fda.gov/safety/medical-product-safety-information/all-ranitidine-products-zantac-press-release-fda-requests-removal?utm_campaign=FDA%20MedWatch.

One of the Company's US subsidiaries and one Swiss subsidiary were initially named as a defendant in one class action complaint in the Northern District of Illinois related to ranitidine (the "White Putative Class Action"), which was later transferred to the Southern District of Florida as a related action in the ranitidine multidistrict litigation ("MDL"). Plaintiffs in the White Putative Class Action do not allege that they have suffered any injury arising from the ingestion of the Company's ranitidine, but sought certification of a nationwide class of all individuals who used prescription or over-the-counter ranitidine manufactured by the Company and who have not been diagnosed with cancer. The White Putative Class Action was dismissed without prejudice as to the Company's US subsidiary and Swiss subsidiary on 2 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

One of the Company's US subsidiaries has been named as a defendant, along with several other pharmaceutical manufacturers and retailers, in seventeen individual injury lawsuits, which are part of the ranitidine MDL. All seventeen cases involve personal injury allegations relating to the Plaintiff's use of ranitidine. The lawsuits involve claims for design defect, failure to warn, negligence, breach of express warranties, and breach of implied warranties. The plaintiffs in the various personal injury lawsuits seek to recover unspecified compensatory damages, punitive damages, interest, and attorneys' fees as allowed by law. One of the Company's US subsidiaries was also named as a defendant, along with several other pharmaceutical manufacturers and retailers, in a class action complaint, which is also part of the ranitidine MDL. The class action complaint does not allege that plaintiffs suffered personal injuries by taking ranitidine, but rather that they suffered economic losses stemming from the purchase of ranitidine, which was purportedly worth less than they paid due to the levels of NDMA contained therein.

Multiple other putative class actions and individual injury lawsuits against other ranitidine manufacturers and sellers have been filed and comprise the MDL. While various interested party filings have predicted thousands of ranitidine-related lawsuits will be filed, it is not possible at this time to accurately predict the scope of the litigation as a whole or the extent of the Company's role or involvement in ranitidine-related litigation.

The Company denies any wrongdoing and intends to vigorously defend against these claims. The Company believes that all of the aforesaid complaints and asserted claims are without merit and intends to vigorously defend itself against the allegations. Also, any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in these consolidated financial statements of the Company.

Class Action and Other Civil Litigation on Pricing/Reimbursement Matters

On 30 December 2015 and on 4 February 2016, respectively, a class action complaint (the "First Pricing Complaint") and another complaint (not a class action) (the "Second Pricing Complaint") were filed against the Company and eighteen other pharmaceutical defendants in State Court in the Commonwealth of Pennsylvania. In these actions, the class action plaintiffs allege that the Company and other defendants, individually or in some cases in concert with one another, have engaged in pricing and price reporting practices in violation of various Pennsylvania state laws. More specifically, the plaintiffs allege that: (1) the Company provided false and misleading pricing information to third party drug compendia companies for the Company's generic drugs, and such information was relied upon by private third party payers that reimbursed for drugs sold by the Company in the United States, and (2) the Company acted in concert with certain other defendants to unfairly raise the prices of generic divalproex sodium ER (bottle of 80, 500 mg tablets ER 24H) and generic pravastatin sodium (bottle of 500, 10 mg tablets).

The First Pricing Complaint was removed to the U.S. District Court for the Eastern District of Pennsylvania (the "E.D.P.A. Federal Court") and, pending the outcome of the First Pricing Complaint, the Second Pricing Complaint was stayed. On 25 September 2017, the E.D.P.A. Federal Court dismissed all the claims of the plaintiffs in the First Pricing Complaint and denied leave to amend such complaint as futile. Subsequent to this decision, the plaintiffs' right to appeal the dismissal of the First Pricing Complaint expired.

Further, on 17 November 2016, certain class action complaints were filed against the Company and a number of other pharmaceutical companies as defendants in the E.D.P.A. Federal Court. Subsequently, these complaints were consolidated into one amended complaint as part of a multi-district, multi product litigation pending with the E.D.P.A. Federal Court. These complaints allege that the Company and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets and divalproex sodium extended-release tablets in the United States.

In March 2017, plaintiffs agreed by stipulation to dismiss Dr. Reddy's Laboratories Inc. and Dr. Reddy's Laboratories Limited from the actions related to pravastatin sodium tablets without prejudice. The Company denies any wrongdoing and intends to vigorously defend against these allegations.

In response to the consolidated new complaint, the Company filed a motion to dismiss in October 2017. The plaintiffs filed opposition to the motion to dismiss in December 2017 and a reply was filed by the Company in January 2018. In October 2018, the Court denied the motion to dismiss on the grounds that the allegations pled leave open the possibility of conspiracy. Therefore, discovery will proceed to look into this possibility.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Also any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

2.33 Contingent liabilities and commitments (continued)

United States Antitrust Multi-District Litigation:

The following cases against the Company's U.S. subsidiary, Dr. Reddy's Laboratories, Inc., have been filed and are pending and consolidated in *In re Generic Pharmaceutical Pricing Antitrust Litigation, MDL 2724, 14-MD-2724 (Eastern District of Pennsylvania)*, Multi District Litigation ("MDL") in the Eastern District of Pennsylvania ("MDL-2724"):

a) U.S. States Attorneys General Antitrust Complaints:

On 30 October 2017, the Attorneys General of forty-nine U.S. States, the Commonwealth of Puerto Rico and the District of Columbia, filed an Amended Complaint in the United States District Court for the Eastern District of Pennsylvania, against eighteen generic pharmaceutical companies (including the Company's U.S. subsidiary) with respect to fifteen generic drugs, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the fifteen named drugs. The Company's U.S. subsidiary is specifically named as a defendant with respect to two generic drugs (meprobamate and zoledronic acid), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" with respect to the other thirteen generic drugs named. The Amended Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and the consumer protection and antitrust laws of each of the jurisdictions that are plaintiffs.

The Amended Complaint seeks injunctive relief, statutory penalties, punitive damages, and recovery of treble damages, plus attorney's fees and costs, against all named defendants on a joint and several basis, on behalf of the plaintiff jurisdictions and their citizens and inhabitants. The Company denies any wrongdoing and intends to vigorously defend against the claims asserted.

On 10 May 2019, the Attorneys General of forty-nine U.S. States, the Commonwealth of Puerto Rico and the District of Columbia, filed a Complaint in the United States District Court for the District of Connecticut against twenty-one generic pharmaceutical companies (including the Company's U.S. subsidiary) and fifteen individual defendants, with respect to 116 generic drugs, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the 116 named drugs. Under the MDL rules, this action will be designated a related "tag along" action and will be transferred to and become a part of the MDL-2724.

The Company's U.S. subsidiary is specifically named as a defendant with respect to five generic drugs (ciprofloxacin HCL tablets, glimepiride tablets, oxaprozin tablets, paricalcitol and tizanidine), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" with respect to the other thirteen generic drugs named. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and the consumer protection and antitrust laws of each of the jurisdictions that are plaintiffs. The Complaint seeks injunctive relief, statutory penalties, punitive damages, and recovery of treble damages, plus attorney's fees and costs, against all named defendants on a joint and several basis, on behalf of the plaintiff jurisdictions and their citizens and inhabitants. The Company denies any wrongdoing and intends to vigorously defend against the claims asserted.

b) Divalproex Antitrust Class Action Cases Filed by Direct Payor Plaintiffs, End Payor Plaintiffs and Indirect Reseller Plaintiffs Classes:

Since 17 November 2016, certain class action complaints on behalf of Direct Purchaser Plaintiffs, Indirect Reseller Plaintiffs and End Payor Plaintiffs classes were filed against the Company's U.S. subsidiary, Dr. Reddy's Laboratories, Inc., and a number of other pharmaceutical defendants in the United States District Court for the District of Pennsylvania, alleging that the Company's U.S. subsidiary and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of divalproex ER tablets in the United States. The actions allege violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and of state consumer protection and antitrust laws and asserts claims of unjust enrichment under a total of thirty-one States and the District of Columbia. The actions seek injunctive relief and recovery of treble damages, punitive damages, plus attorney's fees and costs, on a joint and several basis, on behalf of the plaintiff classes. The Company denies any wrongdoing and intends to vigorously defend against these class action claims.

c) Pravastatin Antitrust Class Action Cases Filed by Direct Payor Plaintiffs, End Payor Plaintiffs and Indirect Reseller Plaintiffs Classes:

Since 17 November 2016, certain class action complaints on behalf of Direct Purchaser Plaintiffs, Indirect Reseller Plaintiffs and End Payor Plaintiffs classes were filed against the Company and a number of other pharmaceutical defendants in the United States District Court for the District of Pennsylvania, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets in the United States. The Company's U.S. subsidiary has been dismissed from these actions, without prejudice, in exchange for a tolling agreement with the plaintiffs suspending the statute of limitations as to the claims asserted. The Company denies any wrongdoing and intends to vigorously defend against these claims.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

d) Antitrust "Overarching Conspiracy" Cases Filed by Direct Payor Plaintiffs, End Payor Plaintiffs and Indirect Reseller Plaintiffs Classes:
In June 2018, three class action complaints were filed in the MDL-2724 by Direct Purchaser Plaintiffs, Indirect Resellers Plaintiffs and End Payor Plaintiffs classes. All three complaints allege conspiracies in restraint of trade in violation of Sections 1 of the Sherman Act, and violations of thirty-one State antitrust statutes, and consumer protection statutes and asserts claims of unjust enrichment seeking injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. They allege an "overarching conspiracy" among the named defendants involving fifteen drugs and, with slight variations, name approximately twenty-five generic pharmaceutical manufacturers including the Company's U.S. subsidiary, Dr. Reddy's Laboratories, Inc.

The drug-specific allegations against the Company's U.S. subsidiary involve two of the fifteen drugs, meprobamate and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaints. The complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of thirty-one States' antitrust statutes and consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

e) Antitrust Case Filed by The Kroger Co., Albertsons Companies, LLC, and H.E. Butt Grocery Company, L.P.:

On 22 January 2018, each of the Kroger Co., Albertsons Companies, LLC, and H.E. Butt Grocery Company, L.P., filed a complaint against the Company's U.S. subsidiary and thirty-one other companies alleging that they had engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the thirty named generic drugs. The Company's U.S. subsidiary is specifically named as a defendant with respect to three generic drugs (divalproex ER, meprobamate and zoledronic acid), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" claim with respect to the other generic drugs named.

This action alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and seeks injunctive relief and recovery of treble damages, punitive damages, plus attorney's fees and costs, against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these class action claims.

f) Antitrust Case Filed by Humana Inc.:
On 3 August 2018, Humana, Inc., filed a complaint against the Company's U.S. subsidiary and thirty-nine other companies alleging that they had engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of twenty-nine named generic drugs. The Company's U.S. subsidiary is specifically named as a defendant with respect to one generic drugs (divalproex ER), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" claim with respect to the other generic drugs named. The complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of thirty-one States' antitrust statutes and consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

g) Antitrust Case Filed by Marion Diagnostic Center, LLC, and Marion Healthcare, LLC:
On 25 September 2018, Marion Diagnostic Center, LLC, and Marion Healthcare, LLC, filed a complaint in the MDL-2724, on behalf of themselves and a class of all direct purchasers from distributors, against the Company's U.S. subsidiary and twenty-two other defendants, including a major distributor of pharmaceutical products, involving a total of sixteen generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to sixteen generic drugs. The Company's U.S. subsidiary is specifically named with respect to two drugs: meprobamate and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaints. The complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of twenty-four States' antitrust statutes and consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

h) Antitrust Case Filed by United Healthcare Services, Inc.:
On 16 January 2019, United Healthcare Services, Inc., filed a complaint against the Company's U.S. subsidiary and forty-two other defendants, involving a total of thirty generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to the thirty drugs. The Company's U.S. subsidiary is specifically named with respect to four drugs: divalproex ER, meprobamate, pravastatin and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaints. The complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of the thirty States' antitrust laws and consumer protection statutes, and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, and attorney's fees and cost against all defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

i) Pennsylvania Court of Common Pleas Praecipe For a Writ of Summons Filed by 87 End Payor Entities consisting of Blue Cross Blue Shield entities and other health insurance companies and HMO entities:

On 19 July 2019, a Praecipe For a Writ of Summons for a tort action was filed in the Pennsylvania Court of Common Pleas of Philadelphia County, First Judicial District of Pennsylvania, Civil Trial Division, by 87 Blue Cross Blue Shield entities, and other health insurance companies and HMO entities, against the Company's U.S. subsidiary and 69 other defendants (consisting of 51 other pharmaceutical companies and 17 individuals). These 87 plaintiffs had been previously encompassed by the End Payor Plaintiff class actions in the MDL. Only a Praecipe of Writ of Summons has been filed. No complaint has been filed and, therefore, the potential claims have not been asserted or delineated in any manner, including what drugs any such claims may relate to. A complaint may, at some point, be filed encompassing the claims asserted by the End Payor Plaintiffs in the MDL actions. On 12 December 2019, an Order of the Court of Common Pleas placed the matter "in Deferred Status Pending Further Developments in Related Federal Multidistrict Litigation." Because no Complaint has been filed setting forth any claims, and because the action has been placed into Deferred Status, no response is required by the Company's subsidiary at this time.

j) Antitrust Case Filed by United Healthcare Services, Inc.:

On 11 October 2019, United Healthcare Services, Inc. filed a second complaint (which substantially tracks the second complaint filed by the State Attorneys General on 10 May 2019) against the Company's U.S. subsidiary and twenty-four other defendants in the United States District Court for the District of Minnesota with respect to 116 generic drugs, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the 116 named drugs. Under the MDL rules, this action will be designated a related "tag along" action and will be transferred to and become a part of the MDL-2724.

The Company's U.S. subsidiary is specifically named as a defendant with respect to five generic drugs (ciprofloxacin HCL tablets, glimepiride tablets, oxaprozin tablets, paricalcitol and tizanidine), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" with respect to the other generic drugs named. The complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of the Minnesota antitrust laws, and various other state antitrust and consumer protection laws, and asserts claims for unjust enrichment.

The complaint seeks injunctive relief, statutory penalties, punitive damages, and recovery of treble damages, plus attorney's fees and costs, against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

k) Antitrust "Overarching Conspiracy" Cases Filed by Direct Payor Plaintiffs, End Payor Plaintiffs and Indirect Reseller Plaintiffs Classes:

On 19 December 2019, a new class action complaint was filed by the End Payor Plaintiffs. The complaint alleges a conspiracy in restraint of trade in violation of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of twenty-eight States' antitrust statutes and twenty-nine States' consumer protection statutes, and asserts claims of unjust enrichment. The complaint, seeks injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs. The complaint alleges an "overarching conspiracy" among the named defendants involving one hundred and thirty-five drugs and, with slight variations, names approximately thirty-six generic pharmaceutical manufacturers, including the Company's U.S. subsidiary.

The drug-specific allegations against the Company's U.S. subsidiary involve eight of the one hundred thirty-five drugs, including allopurinol, ciprofloxacin HCL, fluconazone, glimepiride, oxaprozine, paricalcitol, ranitiding HCL and tizanidine. The Company denies any wrongdoing and intends to vigorously defend against these claims.

On 19 December 2019, a new class action complaint was filed by certain pharmacy and hospital indirect purchaser plaintiffs. The complaint alleges a conspiracy in restraint of trade in violation of Sections 1 and 3 of the Sherman Act, 15 U.S.C. §1 and §3, and violations of forty-three States' antitrust statutes and consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks, injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. The complaint alleges an "overarching conspiracy" among the named defendants involving one hundred and sixty-two drugs and, with slight variations, names approximately twenty-eight generic pharmaceutical manufacturers, including the Company's U.S. subsidiary, as well as seven pharmaceutical distributor defendants and sixteen individual defendants.

The drug-specific allegations against the Company's U.S. subsidiary involve nineteen drugs, including allopurinol, capecitabine, ciprofloxacin HCL, divalproex ER, eszopiclone, fenofibrate, glimepiride, isotrotinoin, lamotrigine ER, meprobamate, metoprolol ER, montelukast granules, omeprazole sodium bicarbonate, oxaprozine, paricalcitol, sumatriptan, tizanidine HCL, valganciclovir and zoledronic acid. The Company denies any wrongdoing and intends to vigorously defend against these claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

l) Antitrust Case Filed by Fourteen New York State Counties:

On 19 December 2019, a new class action complaint was filed by certain pharmacy and hospital indirect purchaser plaintiffs. The complaint alleges a conspiracy in restraint of trade in violation of Sections 1 and 3 of the Sherman Act, 15 U.S.C. §1 and §3, and violations of forty-three States' antitrust statutes and consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. The complaint alleges an "overarching conspiracy" among the named defendants involving one hundred and sixty-two drugs and, with slight variations, names approximately twenty-eight generic pharmaceutical manufacturers, including the Company's U.S. subsidiary as well as seven pharmaceutical distributor defendants and sixteen individual defendants. The drug-specific allegations against the Company's U.S. subsidiary involve nineteen drugs, allopurinol, capecitabine, ciprofloxacin HCL, divalproex ER, eszopiclone, fenofibrate, glimepiride, isotrotinoin, lamotrigine ER, meprobamate, metoprolol ER, montelukast granules, omeprazole sodium bicarbonate, oxaprozine, paricalcitol, sumatriptan, tizanidine HCL, valganciclovir and zoledronic acid. The Company denies any wrongdoing and intends to vigorously defend against these claims.

m) Antitrust Case Filed by Health Care Services, Inc.:

On 11 December 2019, Health Care Services, Inc. filed a complaint against the Company's U.S. subsidiary and thirty-eight other defendants, involving a total of one hundred twenty-eight generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to these drugs. The Company's U.S. subsidiary is specifically named with respect to eight drugs: ciprofloxacin HCL, divalproex ER, glimepiride, meprobamate, oxaprozine, paricalcitol, tizanidine and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaint. The complaint alleges violations of Sections 1 and 2 of the Sherman Act, 15 U.S.C. §1 and §2, and violations of thirty-one States' antitrust laws, and twenty-seven States' consumer protection statutes, and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, and attorney's fees and costs against all defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

n) Antitrust Case Filed by MSP Recovery Claims, Series LLC, MAO-MSO Recovery II, LLC, and MSPA Claims I, LLC (collectively "MSP Recovery"), as Assignees of certain Medicare Advantage Plans:

On 16 December 2019, MSP Recovery filed a complaint against the Company's U.S. subsidiary and twenty-five other defendants, involving a total of sixteen generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to the sixteen drugs. The Company's U.S. subsidiary is specifically named with respect to one drug: Divalproex ER.

Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaint.

The complaint alleges violations of Sections 1 and 3 of the Sherman Act, 15 U.S.C. §1 and §3, and violations of twenty-eight States' antitrust laws and twenty-three States' consumer protection statutes, and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, and attorney's fees and costs against all defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

o) Antitrust Case Filed by Molina Healthcare Inc.:

On 27 December 2019, Molina Healthcare Inc. filed a complaint against the Company's U.S. subsidiary and forty-one other defendants, involving a total of one hundred twenty-eight generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to these drugs. The Company's U.S. subsidiary is specifically named with respect to eight drugs: ciprofloxacin HCL, divalproex ER, glimepiride, meprobamate, oxaprozine, paricalcitol, tizanidine and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaint. The complaint alleges violations of Sections 1 and 2 of the Sherman Act, 15 U.S.C. §1 and §2, and violations of eleven States' antitrust laws and consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, and attorney's fees and costs against all defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

p) Antitrust Case Filed by Harris Countv, Texas:

On 1 March 2020, Harris County, Texas filed a Complaint against the Company's U.S. Subsidiary and forty-two other defendants, involving a total of one hundred twenty-eight generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to the one hundred eighty-seven drugs. The case is in the process of being transferred to the MDL proceeding. The Company's U.S. subsidiary is specifically named with respect to twenty drugs: allopurinol, amoxicillin, ciprofloxacin HCL, divalproex ER, famotidine, fenofibrate, fluconazole, fluoxetine, glimepiride, glycopyrrolate, levalbuterol meprobamate, naproxen, ondansetron, oxaprozine, pravastatin sodium, raloxifene HCL, ranitidine, tizanidine and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all the drugs named in the complaints. The Complaint alleges violations of Sections 1 of the Sherman Act, 15 U.S.C. §1, violations of twenty-eight State's antitrust laws, violations of the Texas Deceptive Trade Practices Act and Texas Free Enterprise and Antitrust Act and asserts claims of unjust enrichment and civil conspiracy. The Complaint seeks injunctive relief, recovery of treble damages, punitive damages, disgorgement, and attorney's fees and costs against all defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

q) Pennsylvania Court of Common Pleas Praecipe For a Writ of Summons Filed by 7 End Payor Entities consisting of Blue Cross Blue Shield entities and other health insurance companies:

On 6 May 2020, a Praecipe For a Writ of Summons for a tort action was filed in the Pennsylvania Court of Common Pleas of Philadelphia County, First Judicial District of Pennsylvania, Civil Trial Division, by 7 Blue Cross Blue Shield entities and other health insurance companies, against the Company's U.S. subsidiary and 69 other defendants (consisting of 51 other pharmaceutical companies and 17 individuals). These 7 plaintiffs had been previously encompassed by the End Payor Plaintiff class actions in the MDL. Only a Praecipe of Writ of Summons has been filed. No complaint has been filed and, therefore, the potential claims have not been asserted or delineated in any manner, including what drugs any such claims may relate to. A complaint may, at some point, be filed encompassing the claims asserted by the End Payor Plaintiff class actions in the MDL actions. It is anticipated that this action will be placed in Deferred Status Pending Further Developments in the related MDL case. Because no Complaint has been filed setting forth any claims, and because it is expected that the action will be placed into Deferred Status, no response is required by the Company's subsidiary at this time.

The Company believes that the aforesaid asserted claims in subsections a) though q) above are without merit and intends to vigorously defend itself against the allegations. Also, any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

(ii) Civil litigation with Mezzion

On 13 January 2017, Mezzion Pharma Co. Ltd. and Mezzion International LLC (collectively, "Mezzion") filed a complaint in the New Jersey Superior Court against the Company and its wholly owned subsidiary in the United States. The complaint pertains to the production and supply of the active pharmaceutical ingredient ("API") for udenafil (a patented compound) and an udenafil finished dosage product during a period from calendar years 2007 to 2015. Mezzion alleges that the Company failed to comply with the U.S. FDA's current Good Manufacturing Practices ("cGMP") at the time of manufacture of the API and finished dosage forms of udenafil and, consequently, that this resulted in a delay in the filing of a NDA for the product by Mezzion.

In this regard, the Company filed a motion to dismiss Mezzion's complaint on the technical grounds that the Court lacks jurisdiction over the Company. In January 2018, the Court denied the Company's motion to dismiss the complaint on the jurisdictional matter. The Company's interlocutory appeal of said denial, was also denied.

The Commercial Court, Hyderabad has accepted the request of the Company to withdraw the suit, in view of the Court granting the Company's motion to file a counterclaim in the action.

The Company denies any wrongdoing or liability in this regard, and intends to vigorously defend against the claims asserted in Mezzion's complaint. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

(iii) Securities Class Action Litigation

On 25 August 2017, a securities class action lawsuit was filed against the Company, its Chief Executive Officer and its Chief Financial Officer in the United States District Court for the District of New Jersey. The Company's Co-Chairman, its Chief Operating Officer, and Dr. Reddy's Laboratories, Inc., were also subsequently named as defendants in the case. The operative complaint alleges that the Company made false or misleading statements or omissions in its public filings, in violation of U.S. federal securities laws, and that the Company's share price dropped and its investors were affected. On 9 May 2018, the Company and other defendants filed a motion to dismiss the complaint in the United States District Court for the District of New Jersey.

On 25 June 2018, the plaintiffs filed an opposition to the motion to dismiss and, on 25 July 2018, a further reply in support of the motion to dismiss was filed by the Company. In August 2018, oral argument on the motion to dismiss was heard by the Court.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

On 21 March 2019, the District Court issued its decision granting in part and denying in part the motion to dismiss. Pursuant to that decision, the Court dismissed the plaintiffs claims with respect to seventeen out of the twenty two alleged misstatements and omissions.

On 15 May 2020, Dr. Reddy's Laboratories Limited, Dr. Reddy's Laboratories, Inc., and certain of the Company's current or former directors and officers, have entered into a Stipulation and Agreement of Settlement (the "Stipulation") with lead plaintiff the Public Employees' Retirement System of Mississippi in the putative securities class action filed against the defendants in the United States District Court for the District of New Jersey. As consideration for the settlement of the class action, the Company has agreed to pay US$ 9 millions. The settlement is subject to the approval of the court and may be terminated prior to court approval pursuant to the grounds for termination set forth in the Stipulation. Subject to the terms of the Stipulation, in exchange for the settlement consideration, lead plaintiff and members of the settlement class who do not opt-out of this settlement would release, among other things, the claims that were asserted, or that they could have asserted, in this class action. In entering into the settlement, the defendants do not admit, and explicitly deny, any liability or wrongdoing of any kind.

Subject to the terms of the Stipulation, the settlement resolves the remainder of the litigation.

As the Company is adequately insured with respect to the aforesaid liability, the settlement did not have any impact on the Company's consolidated statement of profit and loss for the year ended 31 March 2020.

The amount payable to the plaintiffs on account of the settlement and the corresponding receivable from the insurer have been presented under "other current financial assets" and "other current financial liabilities", respectively in the consolidated balance sheet of the Company as at 31 March 2020.

(iv) Glenmark Litigation

In November 2017, the Company received a letter from Glenmark Farmaceutica Ltda and Glenmark Pharmaceuticals Limited (collectively "Glenmark") for invocation of arbitration under a distribution agreement and a deed of assignment relating to a product between the Company and Glenmark. Glenmark alleged that the non-supply of the product by the Company severely affected the value of the intellectual property and goodwill and asserted claims to recover the loss along with interest and penalties from the Company.

In March 2018, an arbitrator was appointed by the Supreme Court of India at Glenmark's request. In July 2018, Glenmark filed a claim statement against the Company and in September 2018, the Company filed a reply against the claim along with a counterclaim.

Glenmark filed a reply to the counter claim of the Company in November 2018 and the issues were finalised. Inspection of documents along with the filing of the statement of admissions and denials was completed in December 2018.The Company was asked to submit the list of witnesses by 5 March 2019.

Affidavits in chief examination were filed by witnesses of the Company and Glenmark. The cross examination of the witnesses of Glenmark was completed and that of the Company commenced and continued in November and December 2019. The parties have agreed to settle the disputes for an amount of ₹ 50 payable by the Company to Glenmark.

Accordingly, during the three months ended 31 December 2019, the Company recognised the provision of ₹ 50 representing the probable outflow on account of settlement of litigation. The such provision is recognised as part of "Selling and other expenses".

The Settlement Deed entered into between the parties was confirmed as an arbitral award dated 11 February 2020 by the arbitrator and the issue remains closed.

(v) Other matters

Civil Investigative Demand from the Office of the Attorney General, State of Texas

On or about 10 November 2014, Dr. Reddy's Laboratories, Inc., one of the Company's subsidiaries in the United States, received a Civil Investigative Demand ("CID") from the Office of the Attorney General, State of Texas (the "Texas AG") requesting certain information, documents and data regarding sales and price reporting in the U.S. marketplace of certain products for the period of time between 1 January 1995 and the date of the CID. The Company responded to all of the Texas AG's requests to date, and it understands that the investigation is continuing.

Subpoena duces tecum from the Office of the Attorney General, California

On 3 November 2014, Dr. Reddy's Laboratories, Inc. received a subpoena duces tecum to appear before the Office of the Attorney General, California (the "California AG") and produce records and documents relating to the pricing of certain products. A set of five interrogatories related to pricing practices was served as well. On 18 July 2016, the California AG sent a letter to inform Dr. Reddy's Laboratories, Inc. that, in light of the information which had been provided, no further information would be requested at such time in response to this subpoena.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

Subpoenas from the U.S. Department of Justice ("DOJ") and the office of the Attorney General for the State of Connecticut

On 6 July 2016 and 7 August 2016, Dr. Reddy's Laboratories, Inc. received subpoenas from the DOJ (Anti-trust Division) and the office of the Attorney General for the State of Connecticut, respectively, seeking information relating to the marketing, pricing and sale of certain of our generic products and any communications with competitors about such products. On 15 May 2018, another subpoena was served on Dr. Reddy's Laboratories, Inc. by the DOJ (False Claims Division) seeking similar information. The Company has been cooperating, and intends to continue to fully cooperate, with these inquiries.

Civil Investigative Demand from the Civil Division of the DOJ

On 15 May 2018, Dr. Reddy's Laboratories, Inc. received a Civil Investigative Demand from the Civil Division of the DOJ, enquiring whether there have been any violations of the U.S. False Claims Act. This query arose from allegations that generic pharmaceutical manufacturers, including us, have engaged in market allocation or price fixing agreements, or paid illegal remuneration, and caused false claims to be submitted in violation of the U.S. False Claims Act. The Company has been cooperating, and intends to continue to fully cooperate with the DOJ in responding to the demand and cooperate with the investigation.

(vi) Environmental matters

Land pollution

The Indian Council for Environmental Legal Action filed a writ in 1989 under Article 32 of the Constitution of India against the Union of India and others in the Supreme Court of India for the safety of people living in the Patancheru and Bollaram areas of Medak district of the then existing undivided state of Andhra Pradesh. The Company has been named in the list of polluting industries. In 1996, the Andhra Pradesh District Judge proposed that the polluting industries compensate farmers in the Patancheru, Bollaram and Jeedimetla areas for discharging effluents which damaged the farmers' agricultural land. The compensation was fixed at ₹ 0.0013 per acre for dry land and ₹ 0.0017 per acre for wet land. Accordingly, the Company has paid a total compensation of ₹ 3. The Andhra Pradesh High Court disposed of the writ petition on 12 February 2013 and transferred the case to the National Green Tribunal ("NGT"), Chennai, India. The interim orders passed in the writ petitions will continue until the matter is decided by the NGT. The NGT has, through its order dated 30 October 2015, constituted a Fact Finding Committee. The NGT has also permitted the alleged polluting industries to appoint a person on their behalf in the Fact Finding Committee. However, the Company, along with the alleged polluting industries, has challenged the constitution and composition of the Fact Finding Committee. The NGT has directed that until all the applications challenging the constitution and composition of the Fact Finding Committee are disposed of, the Fact Finding Committee shall not commence its operation.

The NGT, Chennai in a judgement dated 24 October 2017, disposed of the matter. The Bulk Drug Manufacturers Association of India ("BDMAI"), in which the Company is a member, subsequently filed a review petition against the judgement on various aspects.

The NGT, Delhi, in a judgement dated 16 November 2017 in another case in which the Company is not a party, stated that the moratorium imposed in the Patancheru and Bollaram areas shall continue until the Ministry of Environment, Forest and Climate Change passes an order keeping in view the needs of the environment and public health. The Company filed an appeal challenging this judgement.

The High Court of Hyderabad heard the Company's appeal challenging this judgement in July 2018 and directed the respondents to file their response within a period of four weeks. During the three months ended 30 September 2018, the respondents filed counter affidavits and the matter has now been adjourned for final hearing.

The appeal came up for hearing before the High Court of Hyderabad on 25 October 2018 and has been adjourned for further hearing.

On 24 April 2019, based upon the judgement of the NGT, Chennai dated 24 October 2017, the Government of Telangana has issued G.O.Ms. No 24 of 2019 that allows for expansion of production of all kinds of existing industrial units located within the stretch of Patancheru – Bollaram upon depositing an amount equivalent to 1% of the annual turnover of the respective unit for the concluded financial year i.e., 31 March 2019. Accordingly, the Company made a provision of ₹ 29.4, representing the probable cost of expansion, during the year ended 31 March 2019.

During the three months ended September 2019, the Telangana State Pollution Control Board ("TSPCB") has issued Operational Guidelines basis the NGT, Chennai Order dated 24 October 2017, G.O.Ms. No. 24 dated 24 April 2019 and G.O.Ms. No. 31 dated 24 May 2019 and sought to recover retrospectively an amount of 0.5% of the annual turnover from financial year 2016-2017 to 2018-2019 for all the industrial units situated in Patancheru and Bollaram for the purposes of restoration of the said effected area. The Company has four industrial units situated in Patancheru and Bollaram. The Consent For Operation ("CFO") for change of product mix application filed by one of the industrial unit of the Company has been recommended for issuance of CFO with change of product mix only upon payment of 0.5% of the annual turnover from financial year 2016-2017 to 2018- 2019 to the TSPCB. The Company intends to vigorously defend itself against the Operational Guidelines.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

In November 2019, demand notices were issued by the TSPCB for collection of Corpus Fund of 0.5 % as remediation fee on the previous year turnover as per Operational Guidelines dated 3 August 2019 issued by TSPCB under the guise of G O Ms No 24 dated 24 April 2019 and G O Ms No 31 dated 24 May 2019 and basis the judgement of NGT, Chennai dated 24 October 2017 for the years 2015-2016 to 2018 -2019 received by CTO-1, CTO-2 and CTO-3 of the Company.

On 22 November 2019, The Hon'ble High Court of Judicature at Hyderabad issued an Interim Order which stayed the demand on the condition that the Company deposit ₹ 60 as the remediation fee for the previous year 2018-2019 payable in the year 2019-2020. The deposit of ₹ 60 was made and the Interim Order is continuing. The matter was adjourned to 22 April 2020 but has been delayed as a result of the closure of the Court due to the COVID-19 lockdown and a new date has not yet been rescheduled.

The Company believes that any additional liability that might arise in this regard is not probable. Accordingly, no provision relating to these claims has been made in the financial statements.

Water pollution and air pollution

During the year ended 31 March 2012, the Company, along with 14 other companies, received a notice from the Andhra Pradesh Pollution Control Board (the "APP Control Board") to show cause as to why action should not be initiated against them for violations under the Indian Water Pollution Act and the Indian Air Pollution Act. Furthermore, the APP Control Board issued orders to the Company to (i) stop production of all new products at the Company's manufacturing facilities in Hyderabad, India without obtaining a "Consent for Establishment", (ii) cease manufacturing products at such facilities in excess of certain quantities specified by the APP Control Board and (iii) furnish a bank guarantee to assure compliance with the APP Control Board's orders.

The Company appealed the APP Control Board orders to the Andhra Pradesh Pollution Appellate Board (the "APP Appellate Board"). The APP Appellate Board, on the basis of a report of a fact-finding advisory committee, recommended to the Andhra Pradesh Government to allow expansion of units fully equipped with Zero-Liquid Discharge ("ZLD") facilities and otherwise found no fault with the Company (on certain conditions).

The APP Appellate Board's decision was challenged by one of the petitioners that was pending in the National Green Tribunal, (the "NGT"), Delhi.

Separately, the Andhra Pradesh Government, following recommendations of the APP Appellate Board, published a notification in July 2013 that allowed expansion of production of all types of existing bulk drug and bulk drug intermediate manufacturing units subject to the installation of ZLD facilities and the outcome of cases pending in the NGT. Importantly, the notification directed pollution load of industrial units to be assessed at the point of discharge (if any) as opposed to the point of generation.

In September 2013, the Ministry of Environment and Forests, based on the revised Comprehensive Environment Pollution Index, issued a notification that re-imposed a moratorium on expansion of industries in certain areas where some of the Company's manufacturing facilities are located. This notification overrides the Andhra Pradesh Government's notification that conditionally permitted expansion.

The appeals filed by Mr. K. Chidambaram against the Orders of the Appellate Authority, Andhra Pradesh are disposed off as the same do not survive for consideration as the G.O. based on which the then APPCB had passed its order which was subject matter of appeal before the Appellate Authority has itself been amended vide order 25 July 2013. However, the NGT, Delhi has passed a direction for the issue of pollution to be considered by the Joint Committee of Central Pollution Control Board, National Environmental Engineering Institute ("NEERI"), and the Telangana State Pollution Control Board to ascertain the present status of pollution issues in the Medak, Ranga Reddy, Mahaboobnagar and Nalagonda districts in the State of Telangana particularly in the Patancheru and Bollaram industrial clusters and file a report within three months before the NGT, Delhi.

(vii) Fuel Surcharge Adjustments

The Andhra Pradesh Electricity Regulatory Commission (the "APERC") passed various orders approving the levy of Fuel Surcharge Adjustment ("FSA") charges for the period from 1 April 2008 to 31 March 2013 by power distribution companies from all the consumers of electricity in the then existing undivided state of Andhra Pradesh, India where the Company's headquarters and principal manufacturing facilities are located. Separate writ petitions filed by the Company for various periods, challenging and questioning the validity and legality of this levy of FSA charges by the APERC, are pending before the High Court of Andhra Pradesh and the Supreme Court of India.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

The total amount approved by APERC for collection by the power distribution companies from the Company in respect of FSA charges for the period from 1 April 2008 to 31 March 2013 is ₹ 482. After taking into account all of the available information and legal provisions, the Company has recorded ₹ 219 as the potential liability towards FSA charges. However, the Company has paid, under protest, an amount of ₹ 354 as demanded by the power distribution companies as part of monthly electricity bills. The Company remains exposed to additional financial liability should the orders passed by the APERC be upheld by the Courts.

During the three months ended 30 June 2016, the Supreme Court of India dismissed the Special Leave Petition filed by the Company in this regard for the period from 1 April 2012 to 31 March 2013. As a result, for the quarter ended 30 June 2016, the Company recognised an expenditure of ₹ 55 (by de-recognising the payments under protest) representing the FSA charges for the period from 1 April 2012 to 31 March 2013.

(viii) Direct taxes related matters

The Company is contesting various disallowances by the Indian Income Tax authorities. The associated tax impact for disallowances being more likely than not to be accepted by Tax authorities is ₹ 2,291, and accordingly, no provision is made in these financial statements as of 31 March 2020.

During the years ended 31 March 2014, 2015 and 2016, Industrias Quimicas Falcon de Mexico, S.A. de CV, a wholly-owned subsidiary of the Company in Mexico, received a notice from Mexico's Tax Administration Service, Servicio de Administracion Tributaria ("SAT"), with respect to disallowance on account of transfer pricing adjustments pertaining to the calendar years ended 31 December 2006, 31 December 2007 and 31 December 2008. The associated tax impact is ₹ 686 (MXN 213 millions) and profit share impact is ₹ 81 (MXN 25 millions). The Company filed administrative appeals with the SAT by challenging these disallowances and, during February and March 2017, the Company received orders of the SAT confirming these disallowances by dismissing its administrative appeals. The Company disagrees with the SAT's disallowances and filed an appeal with the Tribunal Federal de Justicia Administrativa (Federal Tax and Administrative Court of Mexico) in March and April 2017.

The Company believes that it is more likely than not that it would prevail over the SAT in this litigation. Accordingly, no provision has been made in these consolidated financial statements as of 31 March 2020.

(ix) Indirect taxes related matters

Distribution of input service tax credits

The Central Excise Authorities have issued various demand notices to the Company objecting to the Company's methodology of distributing input service tax credits claimed for one of the Company's facilities. The below table shows the details of each such demand notice, the amount demanded and the current status of the Company's responsive actions.

Period covered under the notice	Amount demanded	Status
March 2008 to September 2009	₹ 102 plus penalties of ₹ 102 and interest	Refer to below footnote[1]
October 2009 to March 2011	₹ 125 plus penalties of ₹ 100 and interest	Refer to below footnote[1]
April 2011 to March 2012	₹ 51 plus penalties of ₹ 5 and interest	Refer to below footnote[1]
April 2012 to March 2013	₹ 54 plus penalties of ₹ 5 and interest	Refer to below footnote[1]
April 2013 to March 2014	₹ 69 plus penalties of ₹ 6 and interest	Refer to below footnote[1]
April 2014 to March 2015	₹ 108 plus penalties of ₹ 11 and interest	Refer to below footnote[1]
April 2015 to March 2016	₹ 157 plus interest and penalties	Hearing has taken place and order awaited
April 2016 to June 2017	₹ 307 plus interest and penalties	Hearing has taken place and order awaited

[1] Pursuant to the appeal before Customs, Excise and Service Tax Appellate Tribunal, Hyderabad ("CESTAT"), the CESTAT has passed the order during the year in favour of the Company by setting aside the demand notices of the Central Excise Authorities as unsustainable

The Company believes that the likelihood of any liability that may arise on account of the allegedly inappropriate distribution of input service tax credits is not probable. Accordingly, no provision relating to these claims has been made in these consolidated financial statements as of 31 March 2020.

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.33 Contingent liabilities and commitments (continued)

Value Added Tax ("VAT") matter

The Company has received various demand notices from the Government of Telangana's Commercial Taxes Department objecting to the Company's methodology of calculation of VAT input credit. The below table shows the details of each of such demand notice, the amount demanded and the current status of the Company's responsive actions.

Period covered under the notice	Amount demanded	Status
April 2006 to March 2009	₹ 66 plus 10% penalty	The State VAT Appellate Tribunal has remanded the matter to the assessing authority to re-compute the eligibility and penalty orders are set-aside. The Company filed appeal against the same with the High Court, Telangana.
April 2009 to March 2011	₹ 59 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal - The matter was remanded to the original adjudicating authority with a direction to re-calculate the eligibility for the year ended 31 March 2010.
April 2011 to March 2014	₹ 27 plus 10% penalty	The Appellate Deputy Commissioner issued an order partially in favour of the Company

The Company has recorded a provision of ₹ 51 as of 31 March 2020, and believes that the likelihood of any further liability that may arise on account of the ongoing litigation is not probable.

Notices from Commissioner of Goods and Services Tax, India

In the months of November 2019 and January 2020, the Commissioner of Goods and Services Tax, India issued notices to the Company alleging that the Company has irregularly availed input tax credit of ₹ 337. The Company is in the process of responding to the notices. The Company believes that it has correctly distributed and availed the input tax credit within the provisions of the applicable act.

The Company has recorded a provision of ₹ 26 as on 31 March 2020 and believes that the likelihood of any further liability that may arise on account of the allegedly inappropriate claims to credits is not probable. Accordingly, no further provision was made in these consolidated financial statements.

Others

Additionally, the Company is in receipt of various demand notices from the Indian Sales and Service Tax authorities. The disputed amount is ₹ 319. The Company has responded to such demand notices and believes that the chances of any liability arising from such notices are less than probable. Accordingly, no provision is made in these consolidated financial statements as of 31 March 2020.

(x) Others

Additionally, the Company is involved in other disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. Except as discussed above, the Company does not believe that there are any such contingent liabilities that are expected to have any material adverse effect on its consolidated financial statements.

B. Commitments:

Particulars	As at 31 March 2020	As at 31 March 2019
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)	4,888	2,495

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.34 Collaboration agreement with Curis, Inc.

On 18 January 2015, Aurigene Discovery Technologies Limited ("Aurigene"), a wholly-owned subsidiary of the parent company, entered into a Collaboration, License and Option Agreement (the "Collaboration Agreement") with Curis, Inc. ("Curis") to discover, develop and commercialise small molecule antagonists for immuno-oncology and precision oncology targets.

Under the Collaboration Agreement, Aurigene has the responsibility for conducting all discovery and preclinical activities, including Investigational New Drug ("IND") enabling studies and providing Phase 1 clinical trial supply, and Curis is responsible for all clinical development, regulatory and commercialisation efforts worldwide, excluding India and Russia. The Collaboration Agreement provides that the parties will collaborate exclusively in immuno-oncology for an initial period of approximately two years, with the option for Curis to extend the broad immuno-oncology exclusivity.

As partial consideration for the collaboration, pursuant to a Stock Purchase Agreement dated 18 January 2015, Curis issued to Aurigene 17.1 millions shares of its common stock, representing 19.9% of its outstanding common stock immediately prior to the transaction (approximately 16.6% of its outstanding common stock immediately after the transaction). Such shares were initially subject to a lock-up agreement. However, as of 31 March 2017, lock-up restrictions were released on all of the aforementioned 17.1 millions shares. In connection with the issuance of such shares, Curis and Aurigene entered into a Registration Rights Agreement dated 18 January 2015 which provides for certain registration rights with respect to resale of the shares. The common stock of Curis is listed for quotation on the NASDAQ Global Market.

The fair value of the shares of Curis common stock on the date of the Stock Purchase Agreement was ₹ 1,452 (US$ 23.5 millions).

Revenues under the Collaboration Agreement consist of upfront consideration (including the shares of Curis common stock) and the development and commercial milestone payments described below, which are deferred and recognised as revenue over the period for which Aurigene has continuing performance obligations.

Under the Collaboration Agreement, Aurigene is entitled to development and commercial milestone payments as follows:

- for the first two programs: up to US$ 52.5 millions per program, including US$ 42.5 millions for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any;
- for the third and fourth programs: up to US$ 50 millions per program, including US$ 42.5 millions for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any; and
- for any program thereafter: up to US$ 140.5 millions per program, including US$ 87.5 millions for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

In addition, Curis has agreed to pay Aurigene royalties, ranging between high single digits to 10%, on its net sales in territories where it commercialises products. Furthermore, Aurigene is entitled to receive a share of Curis' revenues from sublicenses, which share varies based upon specified factors such as the sublicensed territory, whether the sublicense revenue is royalty based or non-royalty based and, in some cases, the stage of the applicable molecule and product at the time the sublicense is granted.

On 7 September 2016, the Collaboration Agreement was amended to provide for the issuance to Aurigene of approximately 10.2 millions additional shares of Curis common stock in lieu of receiving up to US$ 24.5 millions of milestone and other payments from Curis that could have become due under the Collaboration Agreement. These shares of Curis common stock are recorded at US$ 1.84 per share, which is equal to the market price of such shares of common stock on the date of issuance, amounting to an aggregate market value of ₹ 1,247 (US$ 18.8 millions).

These additional shares are also subject to a lock-up agreement, which is similar to the lock-up for the original Curis shares the Company received. However, this lock-up remains effective until 7 September 2018, with shares being released from such lock-up in 25% increments on each of 7 March 2017, 7 September 2017, 7 March 2018 and 7 September 2018, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of 31 March 2020, lock-up restrictions were released on an aggregate of 10.2 millions of such additional shares of Curis common stock, representing 100% of the shares which Aurigene received from Curis in 2016.

In May 2018, Curis completed a 1-for-5 reverse stock split of its common stock. After giving effect to such stock split, the total number of Curis equity shares held by the Company is 5.47 millions.

The Company has evaluated the transaction under Ind AS 28, *Investments in Associates and Joint Ventures*, and believes that the Company does not have any significant influence with respect to Curis. Accordingly, all of the shares of Curis common stock are classified as instruments at FVTOCI. Accordingly, loss of ₹ 2,407 arising from changes in the fair value of such shares of common stock was recognised in other comprehensive income as of 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.35.A Update on the warning letter from the U.S. FDA

The Company received a warning letter dated 5 November 2015 from the U.S. FDA relating to current Good Manufacturing Practices ("cGMPs") deviations at its active pharmaceutical ingredient ("API") manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The contents of the warning letter emanated from Form 483 observations that followed inspections of these sites by the U.S. FDA in November 2014, January 2015 and February-March 2015.

Tabulated below are the further updates with respect to the aforementioned sites:

Month and year	Update
February, March and April 2017	The U.S. FDA completed the re-inspection of the aforementioned manufacturing facilities. During the re-inspections, the U.S. FDA issued three observations with respect to the API manufacturing facility at Miryalaguda, two observations with respect to the API manufacturing facility at Srikakulam and thirteen observations with respect to the Company's oncology formulation manufacturing facility at Duvvada.
June 2017	The U.S. FDA issued an Establishment Inspection Report ("EIR") which indicated that the inspection of the Company's API manufacturing facility at Miryalaguda was successfully closed.
November 2017	The Company received EIRs from the U.S. FDA for the oncology manufacturing facility at Duvvada which indicated that the inspection status of this facility remained unchanged.
February 2018	The Company received EIRs from the U.S. FDA for API manufacturing facility at Srikakulam which indicated that the inspection status of this facility remained unchanged.
June 2018	The Company requested the U.S. FDA to schedule a re-inspection of the oncology formulation manufacturing facility at Duvvada.
October 2018	The re-inspection was completed for the oncology formulation manufacturing facility at Duvvada and the U.S. FDA issued a Form 483 with eight observations.
November 2018	The Company responded to the observations identified by the U.S. FDA for the oncology formulation manufacturing facility at Duvvada in October 2018.
February 2019	The U.S. FDA issued an EIR indicating successful closure of the audit of the oncology formulation manufacturing facility at Duvvada.

With respect to the API manufacturing facility at Srikakulam, subsequent to the receipt of EIR in February 2018, the Company was asked, in October 2018, to carry out certain detailed investigations and analyses and the Company submitted the results of the investigations and analyses. As part of the review of the response by the U.S. FDA, certain additional follow on queries were received by the Company, and the Company responded to all such queries in January 2019.

In February 2019, the Company received certain other follow on questions from the U.S. FDA and the Company responded to these questions in March 2019. The U.S. FDA completed the audit on 28 January 2020. The Company was issued a Form 483 with 5 observations and responded to the observations in February 2020. In May 2020, the Company received an EIR from the U.S. FDA, for the above-referred facility, indicating closure of the audit and classifying the inspection of this facility as Voluntary Action Indicated ("VAI").With this, all facilities under warning letter are now determined as VAI.

Inspection of other facilities:

Tabulated below are the details of the U.S. FDA inspections at other facilities of the Company carried out during the financial years ended 31 March 2020 and 31 March 2019:

Located in India

Month and year	Unit	Details of observations
June 2018	API Srikakulam Plant (SEZ)	No observations were noted. An EIR indicating the closure of audit for this facility was issued by the U.S FDA in August 2018.
November 2018	Formulations Srikakulam Plant (SEZ) Unit II	No observations were noted. An EIR indicating the closure of audit for this facility was issued by the U.S. FDA in February 2019.
January 2019	Formulations Srikakulam Plant (SEZ) Unit I	Four observations were noted. The Company responded to the observations and an EIR indicating the closure of audit for this facility was issued by the U.S. FDA in April 2019.
January 2019	API manufacturing Plant at Miryalaguda, Nalgonda	One observation was noted. The Company responded to the observation. In May 2019, an EIR was issued by the U.S. FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI.
January 2019	Formulations manufacturing facility at Bachupally, Hyderabad	Eleven observations were noted. The Company responded to the observations in January 2019. In April 2019, an EIR was issued by the U.S. FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI.
March 2019	Aurigene Discovery Technologies Limited, Hyderabad	No observations noted. In June 2019, the Company received an EIR from the U.S.FDA indicating the closure of audit for this facility.
June 2019	Formulations manufacturing plants, Duvvada {Vizag SEZ plant 1 (FTO VII) and Vizag SEZ plant 2(FTO IX)}	Two observations were noted. The Company responded to the observations. In September 2019, an EIR was issued by the U.S. FDA indicating the closure of audit of these facilities.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.35.A Update on the warning letter from the U.S. FDA (continued)

Month and year	Unit	Details of observations
July 2019	API Hyderabad plant 2, Bollaram, Hyderabad	Five observations were noted during U.S.FDA inspection. The Company responded to the observations in August 2019. In October 2019, an EIR was issued by the U.S.FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI.
August 2019	Formulations manufacturing plant, (Vizag SEZ plant 1), Duvvada, Visakhapatnam (FTO VII)	Eight observations were noted. The Company responded to the observations in September 2019 and is awaiting an EIR. In February 2020, an EIR was issued by the U.S. FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI.
August 2019	Formulations manufacturing facility at Shreveport, Louisiana, U.S.A	No observations were noted. In October 2019, an EIR was issued by the U.S.FDA indicating the closure of the audit and the inspection classification of the facility was determined as No Action Initiated ("NAI")
October 2019	API Srikakulam plant (SEZ), Andhra Pradesh	Four observations were noted. The Company responded to the observations in November 2019 and is awaiting an EIR.
February 2020	Formulations Srikakulam Plant (SEZ) Unit I	No observations were noted. In May 2020, an EIR was issued by the U.S.FDA indicating the closure of the audit and the inspection classification of the facility was determined as NAI
February 2020	Formulations manufacturing facility at Bachupally, Hyderabad (FTO Unit III)	One observation was noted. The Company responded to the observation in March 2020 and is awaiting an EIR. In May 2020, an EIR was issued by the U.S.FDA indicating the closure of the audit.
February 2020	Integrated Product Development Organisation (IPDO) at Bachupally, Hyderabad	No observation was noted. The Company is awaiting an EIR.
March 2020	API manufacturing Plant at Miryalaguda, Nalgonda	Three observations were noted. The Company responded to the observations in March 2020. In April 2020, an EIR was issued by the U.S. FDA indicating the closure of audit and the inspection classification of the facility was determined as VAI

2.35.B Inspection by the regulatory authority of Bavaria, Germany

In August 2017, the Company's German subsidiary betapharm Arzneimittel GmbH received a letter from a regulatory authority of Bavaria, Germany (the Regierung von Oberbayern, which is the Central Authority for Supervision of Medicinal Products in Bavaria of the Upper Bavarian government) (the "Regulator"), that the GMP compliance certificate for the Company's formulations manufacturing facility at Bachupally, Hyderabad was not renewed as the result of GMP compliance deviations identified in an inspection. Consequently, this manufacturing facility was not permitted to export products to the European Union (the "EU") until satisfactory resolution of the issues identified in the inspection and renewal of the facility's GMP compliance certificate. The manufacturing facility was re-inspected in January 2018 and the status of non-compliance was withdrawn. The facility is now permitted to dispatch approved products to the EU.

Furthermore, in September 2017, the Regulator concluded an inspection of the Company's formulations manufacturing facility at Duvvada, Visakhapatnam, with zero critical and six major observations. Products manufactured at the facility are not currently exported to the EU. The Company submitted a Corrective and Preventive Action Plan ("CAPA") to the Regulator. The Regulator accepted it and permitted the Company to start production from this facility for the EU market.

In November 2018, the Regulator concluded the follow-on inspection of the manufacturing facility at Duvvada, which is now considered compliant and its EU-GMP certification continues to remain active with one specific exclusion of a new product. The Company submitted a Corrective and Preventive Action Plan ("CAPA") to the Regulator to address the remaining issues affecting this excluded product.

In March 2019, the facility was re-inspected by the Regulator and considered to be fully compliant.

2.36 Agreements with Encore Dermatology, Inc.

During the year ended 31 March 2019

The Company entered into an agreement with Encore Dermatology, Inc. ("Encore") for the sale and assignment of its US rights relating to its dermatology brands, Sernivo® (betamethasone dipropionate) Spray, 0.05%, Promiseb® Topical Cream and Trainex® 0.05% (triamcinolone acetonide ointment, USP).

All the performance obligations were satisfied by 31 March 2019, and accordingly the Company recognised ₹ 1,807 as revenue and ₹ 159 representing the profit on sale of intangible assets as other income after adjusting the associated costs.

This transaction pertains to the Company's Proprietary Products segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.36 Agreements with Encore Dermatology, Inc. (continued)

During the year ended 31 March 2018

During the year ended 31 March 2018, the Company entered into an agreement with Encore for out-licensing one of its products, DFD-06. The consideration for this arrangement consists of up to ₹ 1,301 (US$ 20 millions) in upfront payments and amounts contingent upon satisfaction of certain approval milestones, plus up to US$ 12.5 millions contingent upon satisfaction of certain patent and commercial milestones. In addition, the Company is entitled to royalties on net sales. As all of the performance obligations relating to the approval milestones were met, and consequently, revenue of ₹ 1,301 (US$ 20 millions) was recognised.

2.37 Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt. The capital gearing ratio as on 31 March 2020 and 31 March 2019 was 12 % and 22%, respectively.

2.38 Definitive agreement with Upsher-Smith Laboratories, LLC

On 14 June 2019, the Company entered into a definitive agreement with Upsher-Smith Laboratories, LLC, pursuant to which the Company agreed to sell, at the closing thereunder, its U.S. and select territory rights for ZEMBRACE® SYMTOUCH® (sumatriptan injection) 3 mg and TOSYMRA® (sumatriptan nasal spray) 10 mg, (formerly referred to as "DFN-02"), which were commercialised through its wholly owned subsidiary, Promius Pharma, LLC.

Under the agreement, the Company received US$ 70 millions as upfront consideration at the closing thereunder, and is entitled to receive up to US$ 40.5 millions in payments contingent upon the achievement of near term milestones and additional financial objectives, including those based upon existing contractual obligations and inventory. In addition, the Company will be entitled to receive sales based royalties on a quarterly basis.

In July 2019, upon the closing of the transaction, the Company recognised ₹ 7,486 (US$ 108.7 millions) as a license fee forming part of revenue in accordance with guidance available under Ind AS 115, *Revenue from Contracts with Customers*. The costs associated with this transaction were ₹ 328, and were recognised in the consolidated statement of profit and loss.

2.39 Merger of Dr. Reddy's Holdings Limited into Dr. Reddy's Laboratories Limited

The Board of Directors, at its meeting held on 29 July 2019, has approved the amalgamation (the "Scheme") of Dr. Reddy's Holdings Limited ("DRHL"), an entity held by the Promoter Group, which holds 24.88% of Dr. Reddy's Laboratories Limited (the "Company") into the Company. This is subject to the approval of shareholders, stock exchanges, the National Company Law Tribunal and other relevant regulators.

The Scheme will lead to simplification of the shareholding structure and reduction of shareholding tiers.

The Promoter Group cumulatively would continue to hold the same number of shares in the Company, pre- and post the amalgamation. All costs, charges and expenses relating to the Scheme will be borne out of the surplus assets of DRHL. Further, any expense, if exceeding the surplus assets of DRHL, will be borne directly by the Promoters.

The Scheme also provides that the Promoters of the Company will jointly and severally indemnify, defend and hold harmless the Company, its directors, employees, officers, representatives, or any other person authorised by the Company (excluding the Promoters) for any liability, claim, or demand, which may devolve upon the Company on account of this amalgamation.

The Scheme of Amalgamation of DRHL with the Company was filed with BSE and NSE (Stock Exchanges) for their consideration and approval. No observation letters were received from the stock exchanges on the basis of no comments received from SEBI on 11 October 2019. The Company has filed an application with the Hon'ble National Company Law Tribunal ("NCLT") Hyderabad, seeking direction for conducting court convened meetings of the shareholders and unsecured creditors. The Hon'ble NCLT vide its order dated 22 November 2019 directed the Company to conduct meetings of the shareholders' and creditors. The NCLT also appointed the Chairpersons and Scrutinizers for the respective meetings. The notice convening the shareholders and unsecured creditors meetings on 2 January 2020, were circulated within statutory timelines for approval of Scheme of Amalgamation of DRHL with the Company.

The resolutions were passed with the requisite majority of shareholders (99.98%) and unsecured creditors (100%) at the respective shareholders and unsecured creditors meetings held on 2 January 2020. The petition for approval of the Merger has been filed with NCLT on 9 January 2020. The next NCLT hearing is on 3 June 2020.

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.40 Definitive agreement with Wockhardt Limited

In February 2020, the Company signed a Business Transfer Agreement (“BTA”) with Wockhardt Limited (“Wockhardt”) to acquire select divisions of its branded generics business in India and the territories of Nepal, Sri Lanka, Bhutan and Maldives for a consideration of ₹ 18,500.

The business comprises of a portfolio of 62 brands in multiple therapy areas, such as respiratory, neurology, venous malformations, dermatology, gastroenterology, pain and vaccines. This entire portfolio would be transferred to the Company, along with related sales and marketing teams, the manufacturing plant located in Baddi, Himachal Pradesh and all plant employees (together the “Business Undertaking”).

The acquisition of these assets are subject to certain closing conditions such as approval from Shareholders’ and Lenders’ of Wockhardt and other requisite approvals under applicable statutes.

The transaction is expected to be closed in the first quarter of the financial year 2020-21.

2.41 Restructuring of pharmaceutical services business

The Board of directors of the Company, in their meeting held on 27 March 2020, had approved the plan for restructuring of the Company’s pharmaceutical services business that involves setting up a wholly owned subsidiary (this was already set up before approval) and transferring all the tangible and intangible assets, contracts, permission, consents, rights, registrations, personnel & employees, other assets & liabilities on a slump sale basis to the newly incorporated wholly owned subsidiary. As at 31 March 2020, the transfer of business is yet to be completed. Hence, the Company did not derecognise any asset or liability associated with the proposed transfer. However, an amount of ₹ 1,264 representing the tax impact on likely capital gain that might arise upon completion of the transaction is recognised as deferred tax asset as the Company has sufficient carry forward capital losses.

As the transaction is between the group companies, no further disclosures are made in this regard.

2.42 Impact of COVID – 19

The threats posed by the coronavirus outbreak are multifold. In many countries, businesses are being forced to cease or limit their operations for long or indefinite period of time. Even in India the outbreak has been declared an epidemic or pandemic and on 24 March 2020, the Government of India ordered a nationwide lockdown, limiting movement of population of India as a preventive measure against the COVID-19 pandemic. As a result most of the businesses are dealing with lost revenue and disrupted supply chains. The disruption to global supply chains due to factory shutdowns has already exposed the vulnerabilities of many organisations.

However, as the Company operates in the industry that is considered essential, the operations were continuing during lockdown by ensuring appropriate measures.

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of receivables, goodwill, intangible assets, investments and other assets. For this purpose, the Company considered internal and external sources of information up to the date of approval of these financial statements. The Company has also used the principles of prudence in applying judgements, estimates and assumptions including sensitivity analysis and based on the current estimates, the Company expects to fully recover the carrying amount of receivables, goodwill, intangible assets, investments and other assets.

As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

2.43 Subsequent events

There are no significant events that occurred after the balance sheet date.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place : Hyderabad
Date : 20 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy’s Laboratories Limited**

K Satish Reddy	Chairman, DIN: 00129701
G V Prasad	Co-Chairman & Managing Director, DIN: 00057433
Erez Israeli	Chief Executive Officer
Saumen Chakraborty	Chief Financial Officer
Sandeep Poddar	Company Secretary

EXTRACT OF AUDITED IFRS CONSOLIDATED FINANCIAL STATEMENTS

EXTRACT OF IFRS CONSOLIDATED FINANCIAL STATEMENTS

We have adopted IFRS as issued by International Accounting Standards Board (IASB) for preparing our financial statements for the purpose of filings with SEC. We have furnished all our interim financial reports of fiscal 2020 with SEC which were prepared under IFRS. The Annual Report in Form 20-F will also be made available at the Company's website. A hard copy of such Annual Report in Form 20-F will be made available to the shareholders, free of charge, upon request. For details visit www.drreddys.com.

The extract of the consolidated financial statements prepared under IFRS has been provided here under.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(All amounts in Indian Rupees millions, except share data and per share data)

Particulars	As at 31 March 2020	As at 31 March 2019
ASSETS		
Current assets		
Cash and cash equivalents	2,053	2,228
Other investments	23,687	22,529
Trade and other receivables	50,278	39,869
Inventories	35,066	33,579
Derivative financial instruments	1,105	360
Tax assets	4,379	3,400
Other current assets	13,802	12,536
Total current assets	130,370	114,501
Non-current assets		
Property, plant and equipment	52,332	54,088
Goodwill	3,994	3,902
Other intangible assets	27,659	44,367
Trade and other receivables	1,737	113
Investment in equity accounted investees	2,763	2,529
Other investments	328	813
Deferred tax assets	12,214	4,168
Other non-current assets	844	946
Total non-current assets	101,871	110,926
Total assets	**232,241**	**225,427**
Liabilities and equity		
Current liabilities		
Trade and other payables	16,659	14,553
Short-term borrowings	16,441	12,125
Long-term borrowings, current portion	4,266	4,256
Provisions	3,800	4,166
Tax liabilities	573	181
Derivative financial instruments	1,602	68
Bank overdraft	91	-
Other current liabilities	29,382	24,351
Total current liabilities	72,814	59,700
Non-current liabilities		
Long-term borrowings	1,304	22,000
Deferred tax liabilities	275	610
Provisions	54	52
Other non-current liabilities	2,806	2,868
Total non-current liabilities	4,439	25,530
Total liabilities	77,253	85,230
Equity		
Share capital	831	830
Treasury shares	(1,006)	(535)
Share premium	8,495	8,211
Share-based payment reserve	1,233	990
Capital redemption reserve	173	173
Retained earnings	144,247	128,646
Other components of equity	1,015	1,882
Total equity	154,988	140,197
Total liabilities and equity	**232,241**	**225,427**

CONSOLIDATED INCOME STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenues	**174,600**	**153,851**	**142,028**
Cost of revenues	80,591	70,421	65,724
Gross profit	**94,009**	**83,430**	**76,304**
Selling, general and administrative expenses	50,129	48,680	46,857
Research and development expenses	15,410	15,607	18,265
Impairment of non-current assets	16,767	210	53
Other income, net	(4,290)	(1,955)	(788)
Total operating expenses	78,016	62,542	64,387
Results from operating activities (A)	15,993	20,888	11,917
Finance income	2,461	2,280	2,897
Finance expense	(983)	(1,163)	(817)
Finance income, net (B)	1,478	1,117	2,080
Share of profit of equity accounted investees, net of tax (C)	561	438	344
Profit before tax [(A)+(B)+(C)]	18,032	22,443	14,341
Tax (expense)/benefit, net	1,466	(3,648)	(4,535)
Profit for the year	**19,498**	**18,795**	**9,806**
Earnings per share:			
Basic earnings per share of ₹ 5/- each	117.63	113.28	59.13
Diluted earnings per share of ₹ 5/- each	117.40	113.09	59.00

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(All amounts in Indian Rupees millions, except share data and per share data)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Profit for the year	19,498	18,795	9,806
Other comprehensive income/(loss)			
Items that will not be reclassified to the consolidated income statement:			
Changes in the fair value of financial instruments	(469)	(403)	-
Actuarial gains on post-employment benefit obligations	57	10	39
Tax impact on above items	(22)	(414)	(12)
Total of items that will not be reclassified to the consolidated income statement	(434)	(807)	27
Items that will be reclassified subsequently to the consolidated income statement:			
Changes in fair value of financial instruments	(7)	-	(5,160)
Foreign currency translation adjustments	311	(53)	(32)
Foreign currency translation reserve re-classified to the income statement on disposal of foreign operation	-	(113)	-
Effective portion of changes in fair value of cash flow hedges, net	(951)	180	(82)
Tax impact on above items	232	(55)	1,394
Total of items that will be reclassified subsequently to the consolidated income statement	(415)	(41)	(3,880)
Other comprehensive loss for the year, net of tax	(849)	(848)	(3,853)
Total comprehensive income for the year	**18,649**	**17,947**	**5,953**

GLOSSARY

INR	Indian Rupees
ADR	American Depository Receipt
AGM	Annual General Meeting
ANDA	Abbreviated New Drug Application
API	Active Pharmaceutical Ingredient
AS	Accounting Standards
BR	Business Responsibility
BSE	Bombay Stock Exchange
CDP	Carbon Disclosure Project
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHIP	Community Health Intervention Programme
CII	Confederation of Indian Industry
CIN	Corporate Identity Number
CIS	Commonwealth of Independent States
COBE	Code Of Business Conduct and Ethics
CPS	Custom Pharmaceutical Services
CPCB	Central Pollution Control Board
CSIM	Centre for Social Initiative and Management
CSR	Corporate Social Responsibility
CTO	Chemical Technical Operations
CUSIP	Committee on Uniform Security Identification Procedures
DIN	Director's Identification Number
DMF	Drug Master File
DP	Depository Participant
DRF	Dr. Reddy's Foundation
DRFHE	Dr. Reddy's Foundation for Health and Education
EBITDA	Earnings Before Interest, Taxes, Depreciation And Amortization
EGM	Extraordinary General Meeting
EIR	Establishment Inspection Report
EM	Emerging Markets
EPS	Earnings Per Share
ERM	Enterprise Risk Management
ESOP	Employees Stock Option Plan
FAQ	Frequently Asked Questions
FIRM COUNCIL	Finance, Investment and Risk Management Council
FTL	Full Truck Load
FTO	Formulation Technical Operations
FY	Financial Year
GDR	Global Depository Receipt
GG	Global Generics
GHG	Green House Gas
GMP	Good Manufacturing Practices
HR	Human Resources
HVAC	Heat, Ventilation and Air Conditioning
HOC	Heat of Compression
ICAI	Institute of Chartered Accountants of India
IDMA	Indian Drug Manufacturers Association
ICOFR	Internal Control Over Financial Reporting
IEPF	Investor Education and Protection Fund
IFRS	International Financial Reporting Standards
IMS	IMS Health Inc.
Ind AS	Indian Accounting Standards
IP	Intellectual Property
IPA	Indian Pharmaceutical Alliance
IPDO	Integrated Product Development Organisation
ISIN	International Securities Identification Number
JPY	Japanese Yen
KARV	Kallam Anji Reddy Vidyalaya
KAR-VJR	Kallam Anji Reddy – Vocational Junior College
KMP	Key Managerial Personnel
KPI	Key Performance Indicators
KW	Kilo Watt
LED	Light Emitting Diode
MC	Management Council
MD	Managing Director
MD&A	Management Discussion & Analysis
MEO	Mandal Education Officer
NAG	North America Generics
NCLT	National Company Law Tribunal
NGO	Non-Governmental Organisation
NICE	Neonatal Intensive Care and Emergencies
NPPA	National Pharmaceutical Pricing Authority
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
NVG	National Voluntary Guidelines
NYSE	New York Stock Exchange Inc.
OP	Out Patient
OTC	Over-the-counter
PAT	Profit After Tax
PBT	Profit Before Tax
PP	Proprietary Products
PSAI	Pharmaceuticals Services and Active Ingredients
PwD	People with Disablities
RD	Regional Director
R&D	Research and Development
RoCE	Return on Capital Employed
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEZ	Special Economic Zone
SG&A	Selling, General and Administrative
SIP	School Improvement Program
SMP	Senior Management Personnel
SPCB	State Pollution Control Board
SS	Secretarial Standards
UK	United Kingdom
US/USA	United States of America
USD/$	United States Dollar
USFDA	United States Food and Drugs Administration

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 36th annual general meeting (AGM) of the members of Dr. Reddy's Laboratories Limited (CIN: L85195TG1984PLC004507) will be held on Thursday, 30 July 2020 at 9.00 am through Video Conferencing (VC) facility/Other Audio Visual Means (OAVM), to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the financial statements (standalone and consolidated) of the company for the year ended 31 March 2020, including the audited balance sheet as at 31 March 2020 and the statement of profit and loss of the company for the year ended on that date along with the reports of the board of directors and auditors thereon.
2. To declare dividend on the equity shares for the financial year 2019-20.
3. To reappoint Mr. K Satish Reddy (DIN: 00129701), as a director, who retires by rotation, and being eligible offers himself for the reappointment.

SPECIAL BUSINESS:

4. TO APPROVE THE REAPPOINTMENT OF MR. G V PRASAD (DIN: 00057433) AS WHOLE-TIME DIRECTOR DESIGNATED AS CO-CHAIRMAN AND MANAGING DIRECTOR.

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 198, 203 and any other applicable provisions, if any, of the Companies Act, 2013, the relevant Rules made thereunder, read with Schedule V of the said Act (including any statutory modifications and re-enactment thereof, for the time being in force), consent of the members of the company be and is hereby accorded for the reappointment of Mr. G V Prasad (DIN: 00057433) as whole-time director designated as co-chairman and managing director of the company for a further period of five years with effect from 30 January 2021 to 29 January 2026, liable to retire by rotation, on below terms and conditions including remuneration with authority to the board of directors to alter, modify and vary the terms and conditions including his designation and remuneration and/or perquisites payable or to be provided (including any monetary value thereof) to Mr. G V Prasad, to the extent the board of directors may at its discretion deem fit:

(A) SALARY**:** ₹ 12,00,000 per month plus an increase of up to 5% of the salary after completion of every year, as may be decided by the NGCC and/or the board;

(B) PERQUISITES:

Category A:

1. Housing: Rent free accommodation or house rent allowance of ₹ 6,00,000 per month (50% of salary);
2. Medical reimbursement for self and family as per the rules of the company, value not exceeding ₹ 15,000 per annum; and
3. Leave travel assistance, as per the rules of the company and value not exceeding ₹ 12,00,000 per annum.

Category B:

Contribution to provident fund, superannuation fund or annuity fund as per the rules of the company. These will not be included in the computation of the ceiling on perquisites or remuneration to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half-a-month's salary for each completed year of service.

Encashment of leave will not be included in the computation of the ceiling on perquisites.

Category C:

1. Chauffeur driven cars for company's business; and
2. Telephone at residence and mobile phone for company's business.

(C) COMISSION:

In addition to the salary and perquisites, a commission will also be payable to Mr. Prasad up to 0.75% of the net profits of the company calculated in the manner referred to in Section 198 of the Companies Act, 2013, as may be decided by the board of directors of the company, every year.

RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year during his tenure, the company shall remunerate Mr. Prasad, as minimum remuneration by way of salary, perquisites or any other allowance as specified above and in accordance with the applicable provisions of the Companies Act, 2013 and the Rules made thereunder."

5. TO APPROVE THE CONTINUATION OF DIRECTORSHIP OF MR. PRASAD R MENON (DIN:00005078), INDEPENDENT DIRECTOR, IN TERMS OF REGULATION 17(1A) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution:

"RESOLVED THAT pursuant to the Regulation 17(1A) and any other applicable Regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modifications and re-enactment thereof, for the time being in force, approval of the members of the company be and is hereby accorded for continuation of directorship of Mr. Prasad R Menon

(DIN: 00005078) as a non-executive independent director, who will attain the age of seventy five years, up to the expiry of his present term i.e. 29 October 2022 on the existing terms and conditions."

6. TO RATIFY THE REMUNERATION PAYABLE TO COST AUDITORS, M/S. SAGAR & ASSOCIATES, COST ACCOUNTANTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2021.

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Sagar & Associates, cost accountants (Firm Registration No. 000118) appointed by the board of directors of the company as cost auditors for the financial year ending 31 March 2021, be paid a remuneration of ₹ 700,000/- (Rupees seven lakhs) per annum plus out of pocket expenses, at actuals and applicable taxes.

RESOLVED FURTHER THAT the board of directors of the company be and are hereby authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution."

NOTES:

1) The statement pursuant to Section 102(1) of the Companies Act, 2013 and the Rules made thereunder in respect of the special business set out in the notice, Secretarial Standard on General Meetings (SS-2), wherever applicable, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) wherever applicable, is annexed hereto. The board of directors of the company at its meeting held on 20 May 2020 concluded that the special businesses under item number 4 to 6, are critical and considered unavoidable, and hence need to be transacted at the 36th AGM of the company.

2) In view of the continuing COVID-19 pandemic, for maintaing social distancing norms and pursuant to General Circular No.s 14/2020, 17/2020 and 20/2020 dated 8 April 2020, 13 April 2020 and 5 May 2020, respectively, issued by the Ministry of Corporate Affairs (MCA) and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12 May 2020 issued by the Securities and Exchange Board of India (collectively referred to as 'the Circulars') permitted the holding of AGM through VC/OAVM, without the physical presence of the members at a common venue. Accordingly, the 36th AGM of the company will be convened through VC/OAVM in compliance with the provisions of the Companies Act, 2013 and Rules made thereunder, Listing Regulations read with the aforesaid Circulars. The deemed venue for the 36th AGM shall be the registered office of the company i.e. 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500034, India.

3) In line with the circulars, the company is providing VC/OAVM facility to its members to attend the AGM. The facility for attending the AGM virtually will be made available for 1,000 members on first come first served basis. This will not include large members (i.e. members with 2% or more shareholding), promoters, institutional investors, directors, key managerial personnel, the chairpersons of the audit committee, nomination, governance and compensation committee and stakeholders' relationship committee, auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

4) The VC/OAVM facility for members to join the meeting, shall be kept open 30 minutes before the start of the AGM and shall be closed on expiry of 30 minutes after start of the AGM. Members can attend the AGM through VC/OAVM by following the instructions mentioned in this notice.

5) The facility for appointment of proxies by members is not available as the AGM will be held through VC/OAVM and physical attendance of the members is dispensed with pursuant to the aforesaid Circulars.

6) Corporate members whose authorized representatives are intending to attend the meeting are requested to send to the company at shares@drreddys.com a certified copy of the board resolution authorizing such representative to attend the AGM through VC/OAVM, and cast their votes through e-voting.

7) Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

8) The requirement to place the matter relating to the appointment of statutory auditors for ratification by members at every AGM is omitted vide notification dated 7 May 2018 issued by the Ministry of Corporate Affairs, New Delhi. Accordingly, resolution for ratification of the appointment of statutory auditors who were appointed for a period of five years at the 32nd AGM held on 27 July 2016 is not proposed at this AGM.

9) The statutory registers including register of directors and key managerial personnel and their shareholding, the register of contracts or arrangements in which directors are interested maintained under the Companies Act, 2013 and all other documents referred to in the notice will be available for inspection in electronic mode. Members who wish to inspect the register are requested to write to the company by sending e-mail to shares@drreddys.com

10) In accordance with the aforesaid Circulars, the notice of the AGM along with the annual report for the financial year 2019-20 has been sent only through electronic mode to the members who have registered their e-mail addresses with the company/depository participants. Members may note that the notice of AGM and annual report are also available on the company's website: www.drreddys.com. The notice of AGM and annual report will also be available on website of NSDL (www.evoting.nsdl.com) and on the website of Stock Exchanges (www.bseindia.com) and (www.nseindia.com).

11) In accordance with the aforesaid Circulars, no physical copy of the notice of the AGM and the annual report for the financial year 2019-20 has been sent to members who have not registered their e-mail addresses with the company/depository participants. The members will be entitled to a physical copy of the annual report for the financial year 2019-20, free of cost, upon sending a request to the company secretary at 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500 034, once normalcy is restored.

12) In accordance with the Circulars, members who have not registered their e-mail address may register their e-mail address on www.drreddys.com/investors/investor-services/shareholder-information or with their depository participant or send their consent at shares@drreddys.com along with their folio no./DP ID client ID and valid e-mail address for registration.

13) Pursuant to Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015, Regulation 44 of the Listing Regulations and the aforesaid Circulars, the company is pleased to offer voting by electronic means to the members to cast their votes electronically on all resolutions set forth in this notice. The detailed instructions for e-voting and attending the AGM through VC/OAVM are given as a separate attachment to this notice.

14) Members, desiring any information relating to the financials from the management or the statutory auditors, are requested to write to the company at an early date.

15) The certificate from the auditors of the company certifying that the company's 'Dr. Reddy's Employees Stock Option Scheme, 2002', 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007' and 'Dr. Reddy's Employees Stock Option Scheme, 2018' are being implemented in accordance with the SEBI Regulations and the resolution passed by the members, is required to be placed at the AGM. Such certificate will be available for inspection by the members in electronic mode before and during the AGM. Members who wish to inspect the certificate are requested to write to the company by sending e-mail to shares@drreddys.com

16) Members are requested to intimate immediately, any change in their address to their depository participants with whom they are maintaining their demat accounts. If the shares are held in physical form, change in address has to be intimated to the company's registrar and transfer agent (RTA), Bigshare Services Private Limited, 306, Right Wing, 3rd Floor, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road, Hyderabad 500 082, Telangana, India Tel: +91-40-2337 4967, Fax: +91-40-2337 0295, e-mail ID: bsshyd@bigshareonline.com

17) SEBI has mandated the submission of permanent account number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form should submit their PAN to the company or its RTA.

18) The register of members and share transfer books of the company will remain closed from Wednesday, 15 July 2020 to Friday, 17 July 2020 (both days inclusive).

19) The board of directors of the company at their meeting held on 20 May 2020 have recommended a dividend of ₹ 25/- per equity share of face value of ₹ 5/- each as final dividend for the financial year 2019-20. Dividend, if declared, at the 36th AGM, will be paid on or after 4 August 2020, subject to deduction of tax at source to those members whose names appear on the register of members of the company as of end of the day on 14 July 2020.

20) In terms of Schedule I of the Listing Regulations, listed companies are required to use the Reserve Bank of India's approved electronic mode of payment such as electronic clearance service (ECS), LECS (Local ECS)/RECS (Regional ECS)/NECS (National ECS), direct credit, real time gross settlement, national electronic fund transfer (NEFT), etc. for making payments like dividend etc. to the members.

    Accordingly, members holding securities in demat mode are requested to update their bank details with their depository participants. Members holding securities in physical form should send a request updating their bank details, to the company's RTA.

    In compliance with the aforesaid Circulars and upon normalization of the postal services, the company shall dispatch by post the dividend warrants to those members who have not registered their bank mandate with company.

21) Pursuant to the changes introduced by the Finance Act 2020 ('the Act'), dividend income will be taxable in the hands of the members w.e.f. 1 April 2020 and the company is required to deduct tax at source (TDS) from dividend paid to members at the prescribed rates:

For Resident Members, taxes shall be deducted at source under Section 194 of the Act, as follows:

Valid PAN of member available with the company	7.5% or as notified by the Government of India
Members without PAN/invalid PAN with the company	20% or as notified by the Government of India

However, no tax shall be deducted on the dividend payable to a resident individual member if the total dividend to be received by them during the financial year 2020-21 does not exceed ₹ 5,000/- and also in cases where members provide form 15G (applicable to any person other than a company or a firm)/form 15H (applicable to an Individual who is 60 years and older) subject to conditions specified in the Act. Members may also submit any other document as prescribed under the Act to claim a lower/nil withholding tax. PAN is mandatory for members providing form 15G/form 15H or any other documents as mentioned above.

For Non-Resident Members, taxes are required to be withheld in accordance with the provisions of Section 195 and other applicable Sections of the Act, at the rates in force. The withholding tax shall be at the rate of 20% (plus applicable surcharge and cess) or as notified by Government of India on the amount of dividend payable. However, as per Section 90 of the Act, non-resident members may have an option to be governed by the provisions of the Double Tax Avoidance Treaty (DTAA) between India and the country of tax residence of the member, if they are more beneficial to them. In order to avail the benefits of DTAA, the non-resident members will have to provide the following:

1. Self-attested copy of PAN allotted by the Indian income tax authorities.
2. Self-attested Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the member is a resident.
3. Form 10F duly filled and signed.
4. Self-declaration from non-resident member (format available on www.bigshareonline.com) primarily covering the following:
    a. Non-resident is and will continue to remain a tax resident of the country of residence during the financial year 2020-21;
    b. Non-resident is eligible to claim the benefit of respective tax treaty;
    c. Non-resident has no reason to believe that its claim for the benefits of the DTAA is impaired in any manner;
    d. Non-resident receiving the dividend income is the beneficial owner of such income; and
    e. Dividend income is not attributable/effectively connected to any permanent establishment (PE) or fixed base in India.
5. Any other documents as prescribed under the Act for lower withholding tax if applicable, duly attested by the member.

The company is not obligated to apply the beneficial DTAA rates at the time of tax deduction/withholding on dividend amounts. Application of beneficial DTAA rate shall depend upon the completeness and satisfactory review by the company, of the documents submitted by non-resident member.

Notwithstanding above, tax shall be deducted at source at 20% (plus applicable surcharge and cess) on dividend paid to foreign institutional investors ('FII') and foreign portfolio investors ('FPI'). Such TDS rate shall not be reduced on account of the application of the lower DTAA rate or lower tax deduction order, if any.

The aforementioned documents are required to be submitted at DRLtaxexemption@bigshareonline.com or uploaded on the website www.bigshareonline.com on or before Friday, 17 July 2020 in order to enable the company to determine and deduct appropriate TDS/withholding tax.

Incomplete and/or unsigned forms and declarations will not be considered by the company. No communication on the tax determination/deduction shall be considered post 17 July 2020.

The company will arrange to e-mail a soft copy of TDS certificate at the members' registered e-mail ID in due course, post payment of the said final dividend.

Members may note that in case the tax on said dividend is deducted at a higher rate in absence of receipt of the aforementioned details/documents, option is available to the member to file the return of income as per Income Tax Act, 1961 and claim an appropriate refund, if eligible.

All communications/queries in this respect should be addressed to our RTA, Bigshare Services Private Limited at their e-mail ID: DRLtaxexemption@bigshareonline.com

Above communication on TDS only sets out the provisions of law in a summarized manner and does not purport to be a complete analysis or listing of all potential tax consequences. Members should consult their own tax advisors for the tax provisions applicable to their particular circumstances.

22) Pursuant to Section 72 of the Companies Act, 2013, members are entitled to make a nomination in respect of shares held by them. Members desirous of making a nomination, pursuant to the Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014 are requested to send their requests in form no. SH-13, to the RTA of the company. Further, members desirous of cancelling/varying nomination pursuant to the Rule 19(9) of the Companies (Share Capital and Debentures) Rules, 2014, are requested to send their requests in form no. SH-14, to the RTA of the company. These forms will be made available on request.

23) The members may note that, pursuant to SEBI Notification dated 8 June 2018 and Press Release dated 3 December 2018, transfer of shares (except transmission and transposition of shares) will be in dematerialised form only. Although, the members can continue to hold shares in physical form, they are requested to consider dematerializing the shares held by them in the company.

24) Your company is pleased to provide the facility of live webcast of proceedings of AGM. Members who are entitled to participate in the AGM can view the live proceedings of AGM by logging on the NSDL e-voting system at www.evoting.nsdl.com using their secure login credentials. Members are encouraged to use this facility of the live webcast. The webcast facility will be available from 9.00 am onwards on 30 July 2020.

25) Since the AGM will be held through VC/OAVM, the route map is not annexed in this notice.

By order of the board

Place: Hyderabad
Date: 17 June 2020

Sandeep Poddar
Company Secretary

ANNEXURE TO NOTICE OF AGM

Statement provided under Secretarial Standards on General Meetings (SS-2).

ITEM NO. 3

Mr. K Satish Reddy (aged 53 years) (DIN: 00129701) joined Dr. Reddy's in 1993 as an executive director responsible for manufacturing and new product development. In 1997, he was appointed as managing director. In the mid-1990s, as the company prepared for its global foray, he anchored the establishment of key systems and initiatives that positioned Dr. Reddy's for rapid expansion and helped to build its brand and corporate identity.

Mr. Reddy played an instrumental role in the company's transition from a bulk drugs manufacturer to a global player in the branded space by spearheading Dr. Reddy's entry into international Emerging Markets, especially Russia. He is focused on translating the company's strategy into action to drive its growth and performance globally.

Mr. Reddy was reappointed as whole-time director designated as managing director and chief operating officer for a period of five years commencing on 1 October 2012. After the demise of the company's founder, Dr. K Anji Reddy, he was re-designated as vice-chairman and managing director with effect from 30 March 2013 and has been subsequently re-designated as the chairman of the company with effect from 13 May 2014.

The board of directors and members of Dr. Reddy's, at their meetings on 12 May 2017 and 28 July 2017 respectively, approved the reappointment of Mr. K Satish Reddy as a whole-time director designated as chairman of the company for a further period of five years, commencing from 1 October 2017 to 30 September 2022, liable to retire by rotation. He retires by rotation at the 36th AGM of the company and, being eligible, offers himself for the reappointment.

The company has received an intimation in form DIR-8 pursuant to Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Mr. Reddy to the effect that he is not disqualified in accordance with Section 164(2) of the Companies Act, 2013 and a declaration that he is not debarred or restrained from acting as a director by any SEBI order or by any other such authority.

Mr. Reddy has attended all board meetings held during FY2020. He holds 898,432 equity shares in the company.

Except Mr. K Satish Reddy and Mr. G V Prasad and their relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item no. 3 of the notice.

The board recommends the resolution set forth in item no. 3 of the notice for approval of the members.

About Mr. Reddy:

Mr. Reddy graduated in Chemical Engineering from Osmania University, India and went on to receive an M.S. in Medical Chemistry from Purdue University, USA.

Mr. Reddy is also a director on the boards of: Greenpark Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings Limited, Araku Originals Private Limited, Cipro Estates Private Limited, KAR Therapeutics & Estates Private Limited, Quin Estates Private Limited, Satish Reddy Estates Private Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Institute of Life Sciences and Ruthenika Technologies Limited in India; KAR Holdings (Singapore) Private Limited and KAREUS Therapeutics (Singapore) Private Limited, in Singapore and company's wholly-owned subsidiaries, Aurigene Discovery Technologies Limited and Dr. Reddy's Bio-Sciences Limited in India; Aurigene Discovery Technologies Inc. and Dr. Reddy's Laboratories Louisiana LLC in USA; Dr. Reddy's New Zealand Limited in New Zealand; Reddy Netherlands B.V. in The Netherlands and Lacock Holdings Limited in Cyprus.

He is a member of corporate social responsibility committee and stakeholders' relationship committee and chairman of banking and authorisations committee of Dr. Reddy's Laboratories Limited. Apart from the committee chairmanship or membership of Dr. Reddy's, he is not a chairman or a member of any committee of any other company.

Statement pursuant to Section 102(1), other provisions of the Companies Act, 2013, the Rules made thereunder, as applicable, under secretarial standards on general meetings (SS-2) for items no. 4 – 6 and under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), wherever applicable.

ITEM NO. 4

Mr. G V Prasad (aged 59 years, DIN: 00057433) is a member of the company's board since 1986 and serves as co-chairman and managing director of the company.

He leads the core team that drives the growth and performance at Dr. Reddy's. He has played a key role in the evolution of Dr. Reddy's from a mid-sized pharmaceutical company into a globally respected pharmaceutical major. Mr. Prasad is widely credited as the architect of Dr. Reddy's successful Global Generics (GG) and Active Pharmaceutical Ingredients (API) strategies, as well as the company's foray into biosimilars, Proprietary Products and differentiated formulations.

Mr. Prasad was listed among the Top 50 CEOs that India ever had by Outlook magazine in 2017 and was recognized as one of the Top Five Most Valuable CEOs of India by Business World in 2016. He was also listed in the prestigious 'Medicine Maker 2018 Power List' of the most inspirational professionals shaping the future of drug development, and has been named India Business Leader of the year by CNBC Asia in 2015.

Prior to May 2014, he held titles of chairman and chief executive officer. He was the managing director of Cheminor Drugs Limited, prior to its merger with Dr. Reddy's. He was reappointed as whole-time director designated as co-chairman, managing director and CEO of the company at the 32nd AGM of the members held on 27 July 2016, for a period of five years commencing 30 January 2016 to 29 January 2021, liable to retire by rotation. Subsequently he was re-designated as co-chairman and managing director of the company effective from 1 August 2019.

As part of the initiative to create enduring guidance for the company, the board of directors of the company, at their meeting held on 20 May 2020, have approved the reappointment of Mr. G V Prasad as whole-time director designated as co-chairman and managing director of the company for a further period of five years commencing 30 January 2021 to 29 January 2026.

The company has, *inter alia*, received an intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Mr. Prasad to the effect that he is not disqualified in accordance with Section 164(2) of the Companies Act, 2013 and a declaration that he is not debarred or restrained from acting as a director by any SEBI order or by any other such authority.

Mr. Prasad has attended all meetings of the board held during FY2020. He holds 1,117,940 equity shares in the company.

Except Mr. G V Prasad, Mr. K Satish Reddy and their relatives, none of the other directors and key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item no. 4 of the notice.

The board recommends the resolution set forth in item no. 4 of the notice for approval of the members.

About Mr. Prasad:

Mr. Prasad holds a Bachelor's degree in Chemical Engineering from Illinois Institute of Technology, Chicago in the USA and an M.S. in Industrial Administration from Purdue University, Indiana in the USA.

Mr. Prasad is also a director on the boards of: Greenpark Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings Limited, Ruthenika Technologies Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Institute of Life Sciences, International Foundation for Research and Education, Indian School of Business in India, and company's wholly owned subsidiaries – Aurigene Discovery Technologies Limited and Idea2Enterprises (India) Private Limited in India; Aurigene Discovery Technologies Inc., Dr. Reddy's Laboratories Inc., and Promius Pharma LLC in USA.

He is a member of corporate social responsibility committee, stakeholders' relationship committee and banking and authorisations committee of Dr. Reddy's Laboratories Limited and a member of the nomination and remuneration committee and the corporate social responsibility committee of company's wholly-owned subsidiary Aurigene Discovery Technologies Limited.

ITEM NO. 5

Mr. Prasad R Menon (aged 74 years, DIN: 00005078) was appointed as a non-executive independent director in terms of Section 149 and other applicable provisions of the Act for a period of five years with effect from 30 October 2017 up to 29 October 2022.

According to the Regulation 17(1A) of the Listing Regulations, a listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained seventy five years of age only after the concerned listed company has obtained approval of its members by way of a special resolution.

Pursuant to the recommendations of the nomination, governance and compensation committee (NGCC) at its meeting held on 19 May 2020, the board of directors of the company at its meeting held on 20 May 2020, approved the continuation of directorship of Mr. Prasad R Menon (DIN: 00005078) as a non-executive independent director who will attain the age of seventy five years, up to the expiry of his present term i.e. 29 October 2022.

Accordingly, the company is seeking the approval of its members by way of a special resolution for continuation of directorship of Mr. Prasad R Menon as a non-executive independent director on the board of the company till the end of his present term up to 29 October 2022.

Mr. Menon has a vast experience of over 41 years in leading multinational and Indian companies in the chemical and power industry. He is an expert in strategy, human resources, management and governance. Mr. Menon also plays the role of lead independent director and acts as a channel of communication/feedback between independent directors and executive directors. The company needs to utilize his capabilities and continued guidance to keep up its foray in building a winning future.

Considering the above and despite Mr. Menon attaining the age of seventy five years, it is recommended to continue his directorship as a non-executive independent director up to the expiry of his present term i.e. 29 October 2022.

The company has, *inter alia*, received, a declaration from Mr. Menon stating that he meets the criteria of independence as provided in under the Section 149(6) Companies Act, 2013 and Regulation 16(1)(b) Listing Regulations and that he fulfils the conditions specified in Companies Act, 2013 and Listing Regulations for such continuation of his appointment and that he is not debarred/restrained from holding the office of director pursuant to any SEBI order or order of any other such authority.

In terms of Regulation 17(1A) of the Listing Regulations, Section 152, Schedule IV of to the Act and considering Mr. Menon's performance evaluation reports, the NGCC and the board are of the opinion that Mr. Menon fulfils the conditions for his reappointment as a non-executive independent director as specified in the Act, the Rules made thereunder and the Listing Regulations, and that Mr. Menon is independent of the management. The NGCC and the board strongly recommend the resolution for consideration of the members.

Mr. Menon has attended all meetings of the board held during FY2020. He doesn't hold any equity shares in the company.

Except Mr. Menon and his relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out in item no. 5 of the notice.

The board recommends the resolution set forth in item no. 5 of the notice for approval of the members.

About Mr. Menon:

Mr. Prasad R Menon is a chemical engineer from the Indian Institute of Technology (IIT), Kharagpur. Mr. Menon has over 41 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry.

After 20 years with chemical giant ICI India Limited (now Akzo Nobel India Limited), he went on to become director (technical) of Nagarjuna Fertilisers and Chemicals Limited. In 2000, he took over as managing director of Tata Chemicals Limited, and in 2006, he stepped outside the chemicals field to become managing director of Tata Power Company Limited, from where he eventually retired in January 2011. Mr. Prasad R Menon also holds directorship in the Singapore Tourism Board and Sanmar Group Advisory Board.

He is the chairman of nomination, governance & compensation committee and a member of science, technology and operations committee of Dr. Reddy's Laboratories Limited. He is also a member of the governance committee of Singapore Tourism Board. The continued association of Mr. Menon would be of immense benefit to the company.

ITEM NO. 6

The board, on the recommendation of the audit committee, has approved the reappointment of M/s. Sagar & Associates, cost accountants, as cost auditors at a remuneration of ₹ 700,000/- (Rupees seven lakhs) per annum plus out of pocket expenses, at actuals and applicable taxes, to conduct the audit of the cost records of the company for the financial year ending 31 March 2021.

In accordance with the provisions of the Section 148 of the Companies Act 2013, read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the cost auditors has to be ratified by the members of the company.

Accordingly, consent of the members is sought for passing an ordinary resolution as set out at item no. 6 of the notice for ratification of the remuneration payable to the cost auditors for the financial year ending 31 March 2021.

None of the directors, key managerial personnel and their relatives are, in any way, concerned or interested, financially or otherwise, in this resolution.

The board recommends the resolution set forth in item no. 6 of the notice for approval of the members.

By order of the board

Place: Hyderabad
Date: 17 June 2020

Sandeep Poddar
Company Secretary

INSTRUCTIONS FOR E-VOTING

Dear Members,

In compliance with Regulation 44 of the SEBI Listing Regulations, Sections 108, 110 and other applicable provisions of the Companies Act, 2013 read with the relevant Rules thereunder, the company is pleased to provide remote e-voting facility to members to cast their vote on all resolutions set forth in the notice convening the 36th annual general meeting (AGM) to be held on Thursday, 30 July 2020 at 9.00 am. The company has engaged the services of National Securities Depository Limited (NSDL) for the purpose of providing remote e-voting facility to its members.

The remote e-voting facility is available at the link www.evoting.nsdl.com. The e-voting event number (EVEN) and period of remote e-voting are set out below:

EVEN	Commencement of remote e-voting	End of remote e-voting
113053	Sunday, 26 July 2020 at 9.00 am IST	Wednesday, 29 July 2020 at 5.00 pm IST

Please read the instructions printed below before exercising your vote. The details and instructions for e-voting and participation at the AGM through VC/OAVM form an integral part of this notice of the AGM to be held on 30 July 2020.

Procedure to vote electronically using NSDL e-voting system

The way to vote electronically on NSDL e-voting system consists of 'Two Steps' which are mentioned below:

Step 1: Log-in to NSDL e-voting system at www.evoting.nsdl.com

Step 2: Cast your vote electronically on NSDL e-voting system.

Step 1: How to Log-In to NSDL e-voting website?

1. Visit the e-voting website of NSDL. Open web browser and type the following URL: www.evoting.nsdl.com either on a personal computer or on a mobile.
2. Once the home page of e-voting system is launched, click on the icon 'Log-in' which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your user ID, your password and a verification code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com with your existing IDEAS log-in. Once you log-in to NSDL eservices after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is
a) For members who hold shares in demat account with NSDL.	8 character DP ID followed by 8 digit Client ID. For example: if your DP ID is IN300*** and Client ID is 12****** then your User ID is IN300***12******
b) For members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID. For example: if your Beneficiary ID is 12************** then your User ID is 12**************
c) For members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company. For example: if folio number is A01*** and EVEN is 123456 then user ID is 123456A01***

5. Instructions for retrieving password:
   a. If you are already registered for e-voting, then you can use your existing password to log-in and cast your vote.
   b. If you are using NSDL e-voting system for the first time, you will need your 'initial password'. Details of 'initial password' are given in point c (i) and (ii) below. Once you have your 'initial password', you need to enter the 'initial password' on the log-in page and the system will force you to change your password.
   c. Initial password:
      i. If your e-mail ID is registered in your demat account or with the company, your 'initial password' must have been communicated to you on your e-mail ID. Trace the e-mail sent to you from NSDL in your mailbox. Open the e-mail and the attachment which is a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit Client ID for NSDL account or last 8 digits of Beneficiary ID for CDSL account or Folio Number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
      ii. If your e-mail ID is not registered with the depository or with the company, follow the below process for procuring User ID and password and registration of e-mail ID for e-voting:
         a. In case shares are held in physical mode please provide a signed request letter mentioning your name, folio no., scanned copy of the share certificate (front and back), self-attested scanned copy PAN or Aadhar card by e-mail to shares@drreddys.com or bsshyd@bigshareonline.com
         b. In case shares are held in demat mode, please provide a signed request letter mentioning your name, your 16 digit DPID + Client ID or 16 digit beneficiary ID, self-attested scanned copy of client master or consolidated account statement, self attested scanned copy of PAN or Aadhar card to shares@drreddys.com or bsshyd@bigshareonline.com

c. Alternatively member may send a request by e-mail to evoting@nsdl.co.in for obtaining User ID and PASSWORD by proving the details mentioned in Point (a) or (b) as the case may be.

6. If you are unable to retrieve or have not received the 'initial password' or have forgotten your password:

   i. If you are holding shares in your demat account with NSDL or CDSL, click on 'Forgot User Details/Password' option available on www.evoting.nsdl.com

   ii. If you are holding shares in physical mode, click on 'Physical User Reset Password'.

   iii. If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, PAN, name and registered address.

   iv. You can also use the one time password (OTP) based login for casting the votes on the NSDL e-voting system.

7. After entering your password, click on 'Agree to Terms and Conditions' by selecting on the check box.

8. Now you will have to click on 'Log-in' button.

9. After you click on the 'Log-in' button, home page of e-voting will open.

Step 2: How to cast your vote electronically on NSDL e-voting system?

1. After successful login at Step 1, you will be able to see the home page of e-voting. Click on e-voting. Then, click on Active Voting Cycles.

2. After clicking on Active Voting Cycles, you will be able to see all the companies' E-Voting Event Number ('EVEN') in which you are holding shares and whose voting cycle is in active status.

3. Select 'EVEN' of 'Dr. Reddy's Laboratories Limited'. The Cast Vote page will open.

4. Now you are ready for e-voting as the voting page opens.

5. Cast your vote by selecting your favoured option i.e. assent/dissent, verify/modify the number of shares for which you wish to cast your vote and click on 'Submit' and also 'Confirm' when prompted.

6. Upon confirmation, the message 'Vote cast successfully' will be displayed.

7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Instructions:

a) The remote e-voting period commences on Sunday, 26 July 2020 (9.00 am IST) and ends on Wednesday, 29 July 2020 (5.00 pm IST). During this period, members of the company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Thursday, 23 July 2020, may cast their votes electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently or cast the vote again.

b) Any person, who acquires shares of the company and becomes a member of the company after dispatch of the notice of AGM and holds shares as on the cut-off date i.e. Thursday, 23 July 2020, may obtain user ID and password by sending a request at evoting@nsdl.co.in. However, if you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote. If you forget your password, you can reset the password by using 'forgot user details/password?' or 'physical user reset password?' option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.

c) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

d) The facility for voting through electronic voting system shall be made available during the AGM and only those Members, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system in the AGM.

e) The voting rights of members shall be in proportion to the shares held by them, of the paid-up equity share capital of the company as on the cut-off date of Thursday, 23 July 2020.

f) Mr. G Raghu Babu, partner of M/s. R & A Associates, practising company secretary, Hyderabad (membership no. FCS 4448 & certificate of practice no. 2820) has been appointed by the board as the scrutinizer to scrutinize the voting through electronic means during AGM and remote e-voting process in a fair and transparent manner.

g) At the AGM, at the end of discussion on the resolutions on which voting is to be held, the chairman shall, with the assistance of scrutinizer, order voting through electronic means for all those members who are present at the AGM through VC/OAVM but have not cast their votes electronically using the remote e-voting facility.

h) Immediately after the conclusion of voting at the AGM, the scrutinizer shall first count the votes cast at the AGM and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the company. The scrutinizer shall prepare a consolidated scrutinizer's report of the total votes cast in favour or against, if any, not later than forty eight hours after the conclusion of the AGM. This report shall be made to the chairman or any other person authorized by the chairman, who shall declare the result of the voting forthwith.

i) The voting results declared along with the scrutinizer's report shall be placed on the company's website www.drreddys.com and the website of NSDL immediately after the declaration of the result by the chairman or a person authorized by the chairman. The results shall also be immediately forwarded to the BSE Limited, National Stock Exchange of India Limited and the New York Stock Exchange Inc.

j) Institutional members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant board resolution/authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by e-mail to drlscrutinizer@gmail.com with a copy marked to evoting@nsdl.co.in

k) It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot User Details/Password?' or 'Physical User Reset Password?' option available on www.evoting.nsdl.com to reset the password.

l) In case of any queries, you may refer the frequently asked questions (FAQs) and e-voting user manual, available at downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990. You can also refer your queries to NSDL through e-mail ID: evoting@nsdl.co.in

By order of the board

Place: Hyderabad
Date: 17 June 2020

Sandeep Poddar
Company Secretary

INSTRUCTIONS FOR MEMBERS ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-voting system. Members may access the same at www.evoting.nsdl.com under shareholders login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholders login where the EVEN of company will be displayed. Please note that the members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in this notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-voting system of NSDL.
2. Members are encouraged to join the meeting through laptops instead of mobiles for better experience.
3. Further members will be required to allow camera usage on their systems and use a good speed internet to avoid any disturbance during the meeting.
4. Please note that participants connecting through mobile devices or tablets or laptop, via mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
5. Members who would like to express their views/ask questions during the meeting need to register themselves as a speaker by sending their request mentioning their name, demat account number/folio number, e-mail ID and mobile number at shares@drreddys.com on or before 27 July 2020 (6:00 pm IST)
6. Those members who have registered themselves as a speakers in advance will only be allowed to express their views/ask questions during the meeting.
7. The company reserves the right to limit the number of speakers depending on the availability of time at the AGM.
8. In case any assistance is needed, members may contact:
    a. Mr. Amit Vishal, Senior Manager, NSDL at amitv@nsdl.co.in or at telephone number: 022-24994360.
    b. Ms. Pallavi Mhatre, Manager, NSDL at pallavid@nsdl.co.in or at telephone number: 022-24994545.
    c. NSDL at evoting@nsdl.co.in or at toll free no : 1800-222-990.

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"If the world's burden of disease is to be diminished, it needs science that is both good and cost-effective. India has the potential to deliver on science that is both."

DR. K ANJI REDDY

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