Dr. Reddy's

FOR HEALTH. FOR LIFE.

Connecting science, technology and innovation

Annual Report 2020-21

Good Health Can't Wait.

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FOR HEALTH. FOR LIFE.

Connecting science, technology and innovation

In the last year and a half, the focus of the world has been on our collective health. The current pandemic has reminded us of the paramount importance of our physical and mental well-being. At the same time, it has prompted us to reflect on how our actions as individuals have a bearing on us as a community and the entire planet.

This year's annual report is a reflection of our effort to bring science, technology and innovation together to find solutions to challenges posed by the pandemic, and to do our best for all our stakeholders as a responsible member of the pharmaceutical industry.

'For Health. For Life' - because **Good Health Can't Wait.**

OUR GUIDING PHILOSOPHY

OUR PURPOSE

We accelerate access to affordable and innovative medicines because

Good Health Can't Wait.

OUR PROMISES

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

OUR PRINCIPLES

Empathy
We understand the needs of our patients and partners better than others.

Dynamism
We solve challenges that only a few can, and do this with agility.

OUR LEADERSHIP BEHAVIOURS

We **aspire** because **Good Health Can't Wait.**

Aspirational Growth Mindset
We target industry-leading growth through innovation, cost leadership and taking risks

Speed & Rigour In Execution
We act with agility; we are disciplined and rigorous in execution

People Leadership
We inspire people to reach their full potential through work and continuous learning

Innovation
We drive patient and customer-focused innovation in all areas using cutting-edge science, technology & tools

Results Driven
We take responsibility for outcomes and own end results for our patients

Excellence Focus
We excel by combining deep professional expertise and disciplined execution

LETTER FROM THE CHAIRMAN AND CO-CHAIRMAN

K SATISH REDDY
Chairman

G V PRASAD
Co-Chairman and Managing Director

Dear Member,

There has never been a year such as this. We pray that there never will be any more in our lifetime as well as of our children and grandchildren.

As on May 14, 2021, the virus has infected over 160 million and has claimed the lives of 3.4 million people worldwide. India, the second worst infected country in the world, has witnessed over 25 million cases and more than 270,000 deaths.

Your company's core dictum is 'Good Health Can't Wait'.

Never before in the history of Dr. Reddy's has this maxim been more important than now. In the context of this horrific pandemic, let us briefly share with you what your company has done to address the situation.

With the pandemic flaring for the first time in April 2020, the primary objective was to ensure health and safety of our employees and their families while continuing to supply medicines across the world. Some of the interventions that we quickly put in place were:

- A well-being and support plan that comprised tele-consulting, helplines, 24x7 access to clinical psychologists through an online platform and a home isolation program.
- Dedicated separate COVID-19 care facilities were launched for employees and dependents in three locations to provide pre-hospitalization care.
- For employees working on-site, stringent social distancing and safety measures were deployed in work locations, transport facilities and cafeterias. Other measures included multiple stages of disinfection, provision of personal protective equipment, automating actions that require manual contact. Moreover, we provided a daily hardship allowance.
- We contracted for additional insurance coverage for COVID-19 which covered hospitalization and home quarantine expenses. This was extended to our employees and their dependents in India. Employees were also provided additional COVID-19 leave.

At the same time, Dr. Reddy's acted quickly to bring various preventive and curative medicines to deal with COVID-19, including a vaccine. Let us start with our vaccine journey.

Sputnik V vaccine

- In September 2020, when the first phase of the pandemic was still raging in India, Dr. Reddy's signed up with the Russian Direct Investment Fund (RDIF) — Russia's sovereign wealth fund — to cooperate on clinical trials and distribution of Sputnik V vaccine in India. Upon regulatory approval in India, RDIF committed to supply 100 million doses of the vaccine to Dr. Reddy's.
- Thereafter, we created a partnership with the Biotechnology Industry Research Assistance Council (BIRAC) of the Department of Biotechnology, Government of India, for advisory support and to use some of BIRAC's clinical trial centers for clinical trials of Sputnik V vaccine.
- From December 2020, we commenced clinical trials of Sputnik V. Based on satisfactory data from Phase II trials, we received approval from the Drugs Controller General of India (DCGI) to conduct Phase III clinical trial on 1,500 subjects as part of a randomized, double-blind, parallel-group, placebo-controlled study in India.
- Simultaneously, Sputnik V showed strong efficacy, immunogenicity and safety results in Phase III clinical trials conducted on 19,866 people in Russia by RDIF. The efficacy of Sputnik V against COVID-19 was reported at 91.6%.
- In February 2021, we initiated the process with DCGI for Emergency Use Authorization of Sputnik V. This authorization was granted in April 2021.
- On May 1, 2021, the first consignment of imported doses of the Sputnik V vaccine landed in India. These received regulatory clearance from the Central Drugs Laboratory, Kasauli, on May 13, 2021. The soft launch of the vaccine commenced and the first dose of the vaccine was administered in Hyderabad on May 14, 2021.
- Further consignments of imported doses are expected over the coming period. Subsequently, supply of the Sputnik V vaccine will commence from Indian manufacturing partners. Your company is working closely with six manufacturing partners in India to fulfil regulatory requirements to ensure smooth and timely supply.
- Sputnik V makes Dr. Reddy's, the third enterprise in India that has been authorized to supply COVID-19 vaccines.
- We will work closely with stakeholders in the government and the private sector in India to ensure the widest possible reach of the Sputnik V vaccine as part of the national inoculation effort. This is a reaffirmation of our determination to fight against the COVID-19 pandemic in India.

Sputnik V is not the only commitment of your company regarding COVID-19 treatments. In addition, we have been involved in three other medicines.

a) *Remdesivir:* We signed a licensing agreement with Gilead Sciences, Inc. that grants us the right to register, manufacture and sell Remdesivir, a potential treatment for COVID-19, in 127 countries including India. We launched Remdesivir under the brand name "Redyx™" in India in September 2020. With the surge of COVID-19 cases in the second wave, we ramped-up our capacities to increase availability of the medicine.

b) *Avigan® (Favipiravir):* We entered into a licensing agreement with Fujifilm Toyama Chemical Co. Ltd. to develop, sell and distribute Avigan® (Favipiravir) in all countries other than Japan, China and Russia. This has enabled us to launch Avigan® 200 mg tablets in India and few other markets. We are also conducting Phase III trials in North America for outpatient setting with mild to moderate symptoms.

c) *2-deoxy-D-glucose (2DG™):* The 2-DG has been developed by Defence Research and Development Organization (DRDO) laboratories, in collaboration with Dr. Reddy's. The drug received emergency use approval as adjunct therapy for hospitalized moderate to severe COVID-19 patients.

We are also working on Molnupiravir, Baricitinib and other COVID-19 drugs for treatment ranging from mild to severe conditions.

To retain basic continuity across our annual letters, let us share the consolidated financial results of your company for FY2021.

- Consolidated revenues were ₹ 189.7 billion, or a 9% growth over the previous year.
- Consolidated gross profit was ₹ 103.1 billion, which was 10% greater vis-à-vis FY2020.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to ₹ 47.4 billion, or an increase of 2% versus the previous year.
- Operating profit increased by 52% to ₹ 24.3 billion.
- Profit before taxes (PBT) was ₹ 26.4 billion, which was 46% higher than ₹ 18 billion earned in the previous year.
- Profit after taxes (PAT) was ₹ 17.2 billion, or 12% less than in FY2020.
- Diluted earnings per share (EPS) was ₹ 103.65 in FY2021, versus ₹ 117.40 in FY2020.

We wish to take this opportunity of thanking every employee of your company for putting in all the extra efforts in these trying times to make these results happen. They have done spectacular work.

Two of our key promises have been addressing unmet patient needs, and helping patients to manage disease better. Nothing has underscored the importance of these promises as the COVID-19 pandemic.

We do not know when the second wave will subside. Neither do we know whether there will be a third wave and of what intensity. But we do know that the only preventive worth the name is vaccination. And we are committed to seeing that your company plays a key role in the vaccinating program for our citizens.

Because **Good Health Can't Wait.**

Many of us have lost loved ones during this pandemic, especially in the second wave. Our sincerest condolences to them and our prayers that the families have the spirit and strength to overcome their tragedies.

Stay safe. Vaccinate as soon as you can. Wear masks. Maintain social distancing. This, too, shall pass. But it needs our combined efforts. And determination to succeed.

With our best regards and prayers,

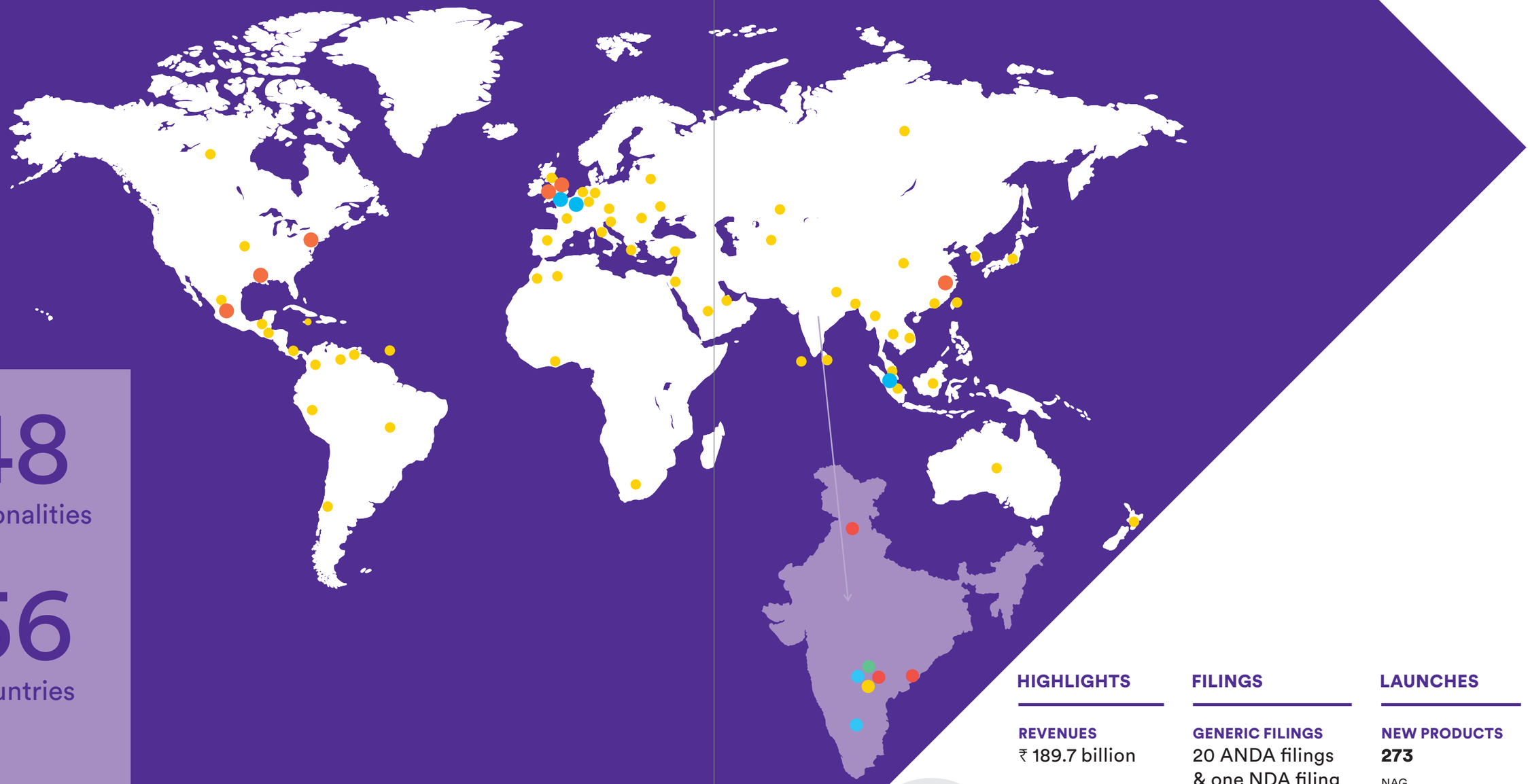
K Satish Reddy
Chairman

G V Prasad
Co-Chairman and
Managing Director

GLOBAL PRESENCE

48
Nationalities

56
Countries



- Sales & Marketing
- Research & Development Centres
- Manufacturing Facilities
- Headquarters

HIGHLIGHTS

REVENUES
₹ 189.7 billion

EBITDA
₹ 47.4 billion

PROFIT AFTER TAX
₹ 17.2 billion

DILUTED EPS
₹ 103.65

FILINGS

GENERIC FILINGS
20 ANDA filings & one NDA filing

As on March 31, 2021, 95 generic filings are pending for approval (92 ANDAs and three NDAs). Of these, 47 are Para IV filings and we believe 23 of these have 'First-to-File' status.

DMF FILINGS
14 DMFs filed in the US.

LAUNCHES

NEW PRODUCTS
273

NAG
27

Europe
40

Emerging Markets
116

India
90
(Including Wockhardt acquired portfolio of 70 products)

OUR BUSINESSES

GLOBAL GENERICS (GG)

REVENUE
₹ 154.4 billion ▲ 12%
81.4% of net revenues

PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS (PSAI)

REVENUE
₹ 32 billion ▲ 24%
16.8% of net revenues

PROPRIETARY PRODUCTS & OTHERS

REVENUE
₹ 3.3 billion ▼ 69%
1.8% of net revenues

REVENUE BY GEOGRAPHY

▲ 9%	North America	₹ 70.5 billion
▲ 15%	India	₹ 33.4 billion
▲ 7%	Emerging Markets	₹ 35.1 billion
▲ 32%	Europe	₹ 15.4 billion

GLOBAL GENERICS

Global generics is our biggest business driver. We offer more than 550 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 given us an established presence in this segment. We have six products in the market and an industry leading pipeline spanning oncology and autoimmune diseases.

Note: The numbers are as per IFRS reported financials

ACTIVE PHARMACEUTICALS INGREDIENTS

Active Pharmaceuticals Ingredients (API) is one of our core businesses. We partner with several leading generic formulation 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. Our API development efforts enable our own generics business to be cost competitive and get to market faster.

AURIGENE PHARMACEUTICAL SERVICES

Our custom pharmaceutical business is a promising future growth driver. We offer end-to-end product development and manufacturing services and solutions to innovator companies. Our rich and extensive knowledge repository of various types of formulations helps shorten time to market and support lifecycle management.

PROPRIETARY PRODUCTS

In our Proprietary Products business, we sold our U.S. and select territory rights for the commercialized portfolio of Derma and Neurology therapies that were being marketed in U.S. Our focus is now on development of differentiated formulations for global markets. The aim is to improve the patient's holistic experience with our medicines, so as to improve efficacy, ease of use and the resolution of unmet patient needs.

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 biotechnology companies.

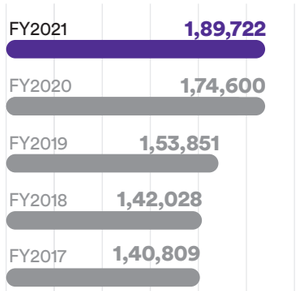
Over 550 high-quality generic medicines marketed worldwide

Differentiated formulations that present enhanced benefits

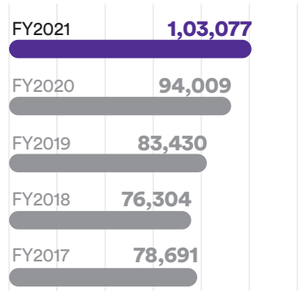
API is a foundational business for us

KEY PERFORMANCE INDICATORS

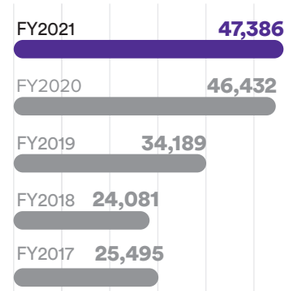
REVENUE ₹ MILLION



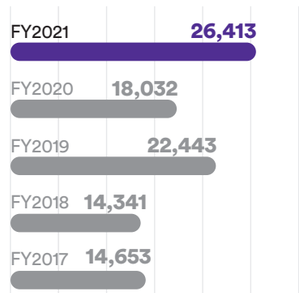
GROSS PROFIT ₹ MILLION



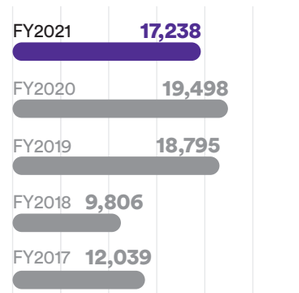
EBITDA ₹ MILLION



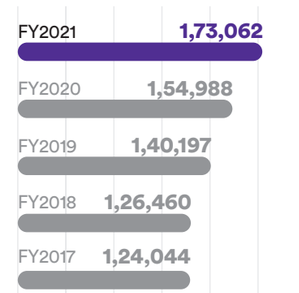
PBT ₹ MILLION



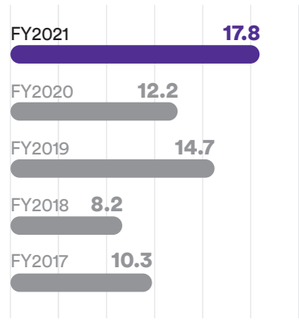
PAT ₹ MILLION



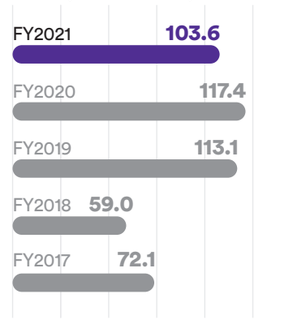
NET WORTH ₹ MILLION



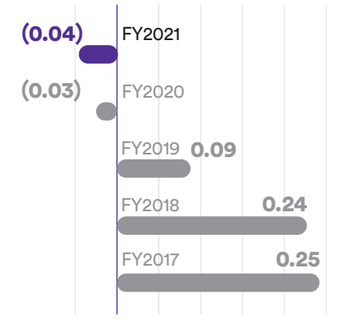
ROCE %



EPS (DILUTED) ₹



NET DEBT TO EQUITY RATIO*



Note: The numbers are as per IFRS reported financials

** FY2021 Net debt to equity ratio computation excludes current borrowings & current investments*

FOR HEALTH. FOR LIFE.

Putting science, technology and innovation into practice

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.

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.

VENTURING INTO AMAZON'S HEALTHCAREAISLE®

An important milestone for the OTC team in the U.S.

Dr. Reddy's first began selling its over-the-counter Habitrol® brand nicotine patches on Amazon in 2016, as an experiment. Shortly after launching Habitrol®, Doan's® was added to the portfolio.

The big change came two years later in 2018 when Amazon reached out to us looking for companies that could launch Amazon-exclusive brands in the OTC space. A veteran of the OTC team, Lindsay Proffitt, was put in charge of an exhaustive branding development program working with one of the best pharma-branding agencies in the business, Brand Institute. Under Proffitt's leadership, the team worked through hundreds of names and naming conventions and conducted multiple brand research efforts.

Interestingly, the name 'HealthCareAisle' came up in a casual discussion among the team members. Consumer research seemed to point to the name as innovative and likeable.

After landing on the name, the team hired another company to design the logo. With the brand and logo in hand, the team went about the business of designing the packaging in-house. Initially, the team thought they were simply going to develop and sell store-brand OTC products to Amazon, not unlike the way they sell to other big-box retailers and drug store chains. However, they quickly learned that, in order to be successful, you need to sell through Amazon, not to Amazon.

The team hired another experienced agency to help them navigate the Amazon business framework and also develop a marketing and merchandising plan specifically for Amazon. The key learnings, as well as strategy and brand development, took most of 2019, and by 2020, Dr. Reddy's direct-to-consumer strategic priority gained the necessary traction and proved its viability. In January this year, the HealthCareAisle® store brand hit a key milestone, achieving US$ 100,000 of sales in a week.

At the current growth rate, the Amazon direct-to-consumer channel is now a key growth driver for the OTC business, and the team plans to launch products on Amazon first and then to other channels. Additionally, they anticipate ramping up to double their online portfolio to 50+ products in the foreseeable future.

In January this year, the HealthCareAisle® store brand hit a key milestone, achieving US$ 100,000 of sales in a week.

LIVING OUR PURPOSE

How our teams kept medicine supplies to Europe moving during the pandemic

When flights began to be grounded at the beginning of the pandemic, our global supply chain acted quickly and with persistence to find new solutions. One example is the launch of a crucial generic medicine (Cinacalcet) in Europe.

In April 2020, with five days to go for the launch of the product, lockdowns and work-from-home policies began to be enforced in Europe. We found ourselves suddenly needing to find various alternatives on extremely short notice. Working remotely in many cases, colleagues began to hunt for the same. A major hurdle was the closing of airports in some countries – including at our import location in the European Union (EU), which was critical for this launch as the product was being flown in from India. To find alternatives, the Supply Chain team worked closely together with the Quality and Logistics teams to find ways to address the situation working late nights and through the weekend in an attempt to approve a new import location. In parallel, the manufacturing site in India implemented safety and hygiene measures in record time to ensure that manufacturing continued without delay.

AIR, ROAD, SEA

Instead of a direct flight from India to the final destination in Europe as originally planned, the new arrangement was to fly the product from India to another country with an open airport in Europe, then transport the medicines first by road through two more countries before taking the ferry to reach the final destination — of course, ensuring supply chain security at every step of the journey.

What followed was an excellent demonstration of clockwork precision and team play to ensure that the product made it to the destination on time. After due procedures, the product was launched as per plan with no delay.

STRONGER TOGETHER

To us, this story is an example of how our colleagues around the world have truly lived our brand principles of empathy and dynamism during the pandemic. It is as much a tribute to the sense of ownership and steadfastness shown by our colleagues in quickly adapting to new and unforeseen challenges posed by the pandemic, as it is to the personal and professional adjustments made by them to enable the same. The joy derived from recognizing the impact of one's work in meeting the unmet needs of patients and contributing to society is unmatched and has renewed our commitment to deliver on our purpose and responsibility towards patients and society.

Hard work, collaborative effort, clockwork precision and team play ensured that the product made it to Europe on time, and was launched without delay.

FUTURE-READY WITH VIRTUAL REALITY

Training employees using VR in Hyderabad and Vizag

As a pharmaceutical company, we believe in applying scientific techniques not only to come up with quality products, but also to increase overall efficiency in our facilities around the world. Manufacturing is a key process where we have embraced future-ready innovations so that our employees can learn new things quickly and easily. At the same time, manufacturing must also ensure quality, safety and efficiency – crucial tenets in the pharmaceutical world.

After intensive training, workers who join the shop floor are often overwhelmed by the plant environment and machine sizes for the first few days. In addition, they must apply their training in this environment, which can be challenging. We realised that a simulated training environment could go a long way to teach new employees the ropes, without them being intimidated by the equipment and keeping safe.

Enter our Virtual Reality Labs in Hyderabad and Vizag, where our employees train in manufacturing processes before joining the production floor. They get accustomed to their work environment, learn to perform safety checks, machine operations and quality checks.

The success of any virtual reality implementation project stands on selecting the most challenging scenarios and converting them into simulated cases or situations. Our content and technology partners worked seamlessly together to replicate our plant designs, machines and processes in the virtual world so that our employees can train in accurate modes and environments. For example, the VR module of our compression machine sees the employee performing various tasks virtually such as wearing PPEs, reviewing safety checks, machine calibrations and so on. In real life, this is a huge hydraulics machine where a new operator may face a variety of safety and efficiency challenges. Operated with Human-Machine Interface, in a real scenario, a new resource can run into various safety hazards.

Our virtual reality training programmes help to bridge gaps in skill among incoming employees. It is at least 40 percent more efficient than traditional training methods and allows trainers to monitor employees' psychomotor skills, their levels of alertness and their reactions during emergencies. And our people, in turn, enjoy the experience.

Sridhar Sunkara, who anchored the VR fermentation module, says, "This is an excellent initiative. The machine is very interactive, it will definitely boost interest in learning." In fact, those who have trained in our VR labs are eagerly awaiting the opening of our third lab in Baddi. "This setup is very good, and it provides excellent on-the-job training," says Shweta Sharma, who attended the blender module.

As we go onwards and upwards, we know our people are the wind beneath our wings. We are committed to empowering them using the latest technologies and scientific know-how.

Enter our Virtual Reality Labs in Hyderabad and Vizag, where our employees train in manufacturing processes before joining the production floor.

LIGHTHOUSE FACTORIES

Creating role models to lead the way to a smarter world

The world is progressing at a dizzying pace as we experience the Fourth Industrial Revolution — the automation of traditional manufacturing and industrial practices using smart tech. We too are gearing up to be future-ready, and one of the steps we've taken in this direction is to initiate an internal pilot to gradually transform our factories to become 'lighthouse' factories.

The lighthouses are some of the world's most advanced factories from both digital and sustainable perspectives. These serve as beacons of light for the rest of the industry, and Dr. Reddy's wants to be at the forefront as a leading pharmaceutical company.

Our first pilot site for this transformation journey is the FTO-2 manufacturing unit located in Hyderabad. We believe in embracing the most current technologies to improve manufacturing efficiency, while at the same time contributing to sustainable goals. The transformation has significant impact on our culture and capability, product quality, process robustness, efficiency and productivity.

A digitally enabled factory of the future transforms the lives of the people on the shopfloor and in the labs. Integrated systems provide information about priorities, shift planning, performance against plan indicators and realignment of plans where necessary based on exceptions and delays. All equipment is monitored real-time; information tracking and decision-making are easier, thereby significantly improving supply chain metrics.

“The scale and speed at which new-age technology solves problems is amazing. It has to be applied aptly to improve end-to-end value for the organization,” says G V Prasad, our Co-Chairman and Managing Director. Of course, manufacturing efficiency will ultimately help us to make our medicines more accessible and affordable, because **Good Health Can't Wait.**

We believe in embracing the most current technologies to improve manufacturing efficiency, while at the same time contributing to sustainable goals.

A COMPREHENSIVE COVID-19 PORTFOLIO

Contributing to the fight against the pandemic in every way we can

The coronavirus pandemic has tested our readiness and resolve to be a part of solutions during healthcare emergencies. Through the course of 2020 and 2021, our teams swung into action to ensure that we explore every possible avenue and innovative solutions in the fight against the COVID-19 pandemic. As a responsible pharma company, we have worked hard to develop a portfolio of drugs aimed at treating mild, moderate as well as severe COVID-19. To this portfolio, we also added a vaccine. We will continue to support the collective global effort against the COVID-19 pandemic.

At a time when human life is at its most vulnerable, our teams across functions are working non-stop to accelerate access to affordable medicines around the world.

Dr. Reddy's is the brand custodian of the Sputnik V vaccine in India and has the sole distribution rights of the first 250 million doses (first and second dose components included) of the vaccine in India.

OUR COVID-19 PORTFOLIO

SPUTNIK V VACCINE
Partnership with the Russian Direct Investment Fund in 2020

Received emergency use approval from the DCGI in April 2021

REMDESIVIR (REDYX™)
Non-exclusive licensing agreement with Gilead Sciences, Inc. in 2020

Launched in India in 2020

FAVIPIRAVIR (AVIGAN®)
Licensing agreement with FujiFilm Toyama Chemical

Commercialized in India in 2020

2-DEOXY-D-GLUCOSE (2DG™)
Partnership with Defence Research and Development Organization

Supply commenced in India in 2021

MOLNUPIRAVIR
Non-exclusive licensing agreement signed with Merck Sharp & Dohme (MSD) in 2021

BARICITINIB
Non-exclusive licensing agreement signed with Eli Lilly and company in 2021

CONNECTING SCIENCE, TECHNOLOGY, INNOVATION AND PEOPLE IN THE FACE OF A PANDEMIC

Since the beginning of the pandemic last year, Dr. Reddy's has left no stone unturned to explore every avenue in the global fight against the COVID-19 pandemic, and we will continue our efforts unwaveringly. Our priority remains the health, safety and well-being of our employees, communities around us, customers, suppliers, partners, stakeholders, and our promise to make affordable medicines accessible to patients around the world.

ENSURING EMPLOYEE SAFETY AND WELL-BEING

- Organized a vaccination drive for employees and their family members
- Established in-house emergency care centres for pre-hospitalization care
- Introduced a home isolation program with tele-consulting with doctors, daily monitoring of vitals and a home isolation kit
- Dedicated helpline numbers for emergency support for employees
- Up-to-date information on the local situation, employee connects and employee assistance programmes to support the emotional, mental and physical well-being of colleagues around the world
- Strategic tie-ups with hospitals and healthcare centres to assist employees and their families

SUPPORT TO THE COMMUNITY

1. During the first wave, the need of the hour was to support those most vulnerable and most affected by the lockdown. Our efforts included:
   - Delivery of funding, rations, sanitizers and life-saving PPEs
   - Roll-out of training programs for COVID-19 warriors to build awareness about the disease

2. During the second wave, we aligned efforts to the needs of communities to do our bit to release the pressure on the medical infrastructure.

PHASE I:

- Augmented medical facilities by helping set up step-down units (between ICU and general ward levels), sourcing ventilators, setting up oxygen plants.
- Provided ventilators, oxygen concentrators and medical supplies, including kits with COVID-19 therapeutic drugs to charitable hospitals across the country.
- Worked with our Community Health Intervention Programme (CHIP), to source and distribute oximeters, thermometers and medicines to 155 villages
- Supported State Governments of Telangana, Andhra Pradesh, Himachal Pradesh with several thousands of medicines as per COVID-19 protocol

PHASE II:

Having initiated community awareness campaigns, access to testing and home-care medicine supply, our teams are working towards the below.

- Promotion of COVID-19 appropriate behavior at community level through IEC materials
- Strengthening community awareness, surveillance, screening and triaging through FLWs
- Improving access to testing services – providing RAT kits to charitable hospitals, SuB centers and PHCs
- Supporting home-care management of patients – working with district health department and charitable hospitals for home-based medical kits
- Strengthening Government isolation centers – providing medical supplies, clinical protocols and also tele-consultation
- Providing emergency referral transport facility
- Working on reduction of vaccine hesitancy
- Strengthening vaccine delivery program

We will continue to support the community in every possible way to win the battle against COVID-19.

Our priority remains the health, safety and well-being of our employees, communities around us, customers, suppliers, partners, stakeholders, and our promise to make affordable medicines accessible to patients around the world.

WE ARE ALL IN THIS TOGETHER!

The second wave required intense effort in the form of manpower, awareness, training, coordination, equipment and infrastructure. Additionally, a third wave appears to be a possibility in India, and will need significant reinforcement of our healthcare infrastructure on an urgent basis.

Dr. Reddy's has committed

₹ 50 CRORE
(~US$ 7 MILLION)

towards the COVID-19 India Collaborative Committed Fund

We have also launched Dr. Reddy's

COVID AID

- a campaign inviting our partners, global teams and employees to collaborate with us and help strengthen the infrastructure in preparation for subsequent waves.

BOARD OF DIRECTORS

K SATISH REDDY
Chairman

G V PRASAD
Co-Chairman and Managing Director

LEO PURI
Independent Director

SRIDAR IYENGAR
Independent Director

ALLAN OBERMAN
Independent Director

DR. BRUCE L A CARTER
Independent Director

PRASAD R MENON
Independent Director

SHIKHA SHARMA
Independent Director

KALPANA MORPARIA
Independent Director

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

C Committee chairmanship

M Committee membership

MANAGEMENT COUNCIL

K SATISH REDDY
Chairman

G V PRASAD
Co-Chairman and Managing Director

PARAG AGARWAL
Chief Financial Officer

PATRICK AGHANIAN
Chief Executive Officer, European Generics

EREZ ISRAELI
Chief Executive Officer

ARCHANA BHASKAR
Chief Human Resource Officer

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

SANJAY SHARMA
Global Head of Manufacturing

DEEPAK SAPRA
Chief Executive Officer, API and Services

MARC KIKUCHI
Chief Executive Officer, North America Generics

SAUMEN CHAKRABORTY
Advisor

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

MUKESH RATHI
Chief Digital and Information Officer

YUGANDHAR PUVVALA
Global Head of Supply Chain

BUSINESS RESPONSIBILITY REPORT

At Dr. Reddy's, we remain mindful of the needs of all our stakeholders while creating healthy ecosystems and strong communities.

Our endeavor is to go beyond financial goals and legal requirements to meet the ethical, social and environmental expectations of our stakeholders. 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 lifecycle.

PRINCIPLE 3
EMPLOYEE WELL-BEING
Businesses should promote the well-being 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 marginalized.

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 1, 2020 to March 31, 2021

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

LIST THREE KEY PRODUCTS/ SERVICES THAT THE COMPANY MANUFACTURES/PROVIDES (AS IN BALANCE SHEET)
Buprenorphine & Naloxone, Omeprazole and Nimesulide

TOTAL NUMBER OF LOCATIONS WHERE BUSINESS ACTIVITY IS UNDERTAKEN BY THE COMPANY
Our manufacturing, sales and marketing operations span over 56 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 18 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 Association of Southeast Asian Nations (ASEAN) countries.

SECTION B
FINANCIAL DETAILS OF THE COMPANY (AS ON MARCH 31, 2021)

PAID-UP CAPITAL (₹)
832 million

TOTAL TURNOVER FROM OPERATIONS (STANDALONE) (₹)
133,491 million

TOTAL PROFIT AFTER TAX (STANDALONE) (₹)
21,864 million

TOTAL SPENDING ON CORPORATE SOCIAL RESPONSIBILITY (CSR) AS PERCENTAGE OF PROFIT AFTER TAX (%)
2.12% of the average net profits of the company made during the immediately three preceding financial years.

LIST OF ACTIVITIES IN WHICH EXPENDITURE ABOVE HAS BEEN INCURRED
Refer to **Principle 8** on page no. 38

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: *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 is it published?
Yes, the company publishes both a BR and a sustainability report. The sustainability report can be viewed at: *www.drreddys.com/our-people-and-our-citizenship/sustainability/*

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

(E) Principle-wise (as per National Voluntary Guidelines) 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 cosigned by the recognized union.	Yes	Not applicable	Yes	Yes
3	Does the policy conform to any national/ international standards? If yes, specify?	We have adopted a Code of Business Conduct and 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 international standards.	Not applicable	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	Not applicable	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 of policies and their review primarily 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	Not applicable	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*	*www.drreddys.com/media/636787/dr-reddys-she-policy-board.pdf*	NA	*www.drreddys.com/media/636787/dr-reddys-she-policy-board.pdf*	*www.drreddys.com/ investors/governance/code-of-business-conduct-and-ethics-cobe.aspx*	*www.drreddys.com/media/636787/dr-reddys-she-policy-board.pdf*	Not applicable	*www.drreddys.com/media/993225/csr-policy.pdf*	*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	Not applicable	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	Not applicable	Not applicable	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	Not applicable	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.

SECTION E

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 business partners, 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 business partners 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?**
   During FY2021, the company received 167 concerns through various channels of Ombuds reporting. All these concerns are investigated and acted upon. As of March 31, 2021, 23 of these concerns were pending for closure.

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.**
   - Sitagliptin
   - Continuous Manufacturing
     (a) Atorvastatin Calcium
     (b) Canagliflozin

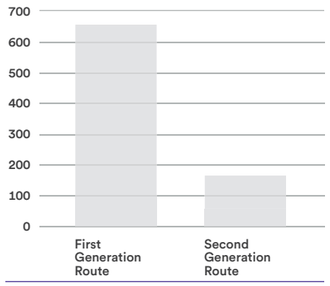
2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

i. Sitagliptin

We have continued to apply and embed 12 principles of green chemistry in our research and development pursuits. We identified a synthesis of Sitagliptin in which a catalytic enantioselective carbonyl reduction aiming to develop a greener and cost effective route to meet the business needs without compromising on the environmental considerations is adopted.

In this endeavor, we have reduced the Process Mass Intensity substantially and quantified as given below:

PMI COMPARISON



ii. Continuous Manufacturing

The pharmaceutical industry has so far relied on batch processes for manufacturing drug substances as well as drug products. However, longer campaign times, labor intensive nature of batch manufacturing (which has a significant impact on production cost) and batch rejections/batch to batch variations in the product quality (which leads to wastage/regulatory concerns) are huge drawbacks of batch processing. In addition, an increasing pressure on quality and costs has all led the pharma industry towards gradually embracing the concept of continuous manufacturing.

Continuous manufacturing offers many advantages such as shorter processing times, increased safety, increased efficiency, less WIP material, lesser manual handling and smaller footprint. It is also amenable to real-time release testing approaches.

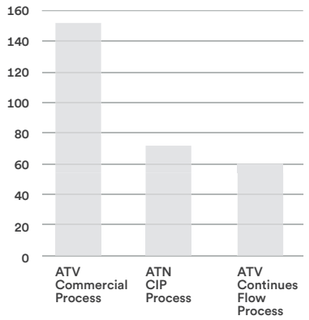
At Dr. Reddy's, the API team has embarked upon this journey & significant progress has been made on two products:

(a) Atorvastatin Calcium:

An existing batch/commercial process of high volume API (Atorvastatin Calcium) consisting of multiple chemical conversions & unit operations is being redeveloped to generate a completely integrated system starting from raw materials to dried API via flow processing. There are four chemical conversions followed by unit operations of crystallization, filtration, drying & powder processing involved in commercial process and two chemical conversions as per the improved CIP process . There is isolation & quality testing of compounds at each of these steps. A continuous manufacturing process is developed using flow chemistry principles wherein isolations at all intermittent steps are eliminated thus making the process lean. This new process has the potential to reduce the cycle time of manufacturing from days to few hours. Reaction times in continuous mode are in minutes as compared to long hours of reaction in batch mode. Flow approach has enabled to explore design space that would be impractical (even impossible) in batch mode.

Few salient comparisons between batch & flow process are mentioned in the table below:

PMI COMPARISON



Note: ATV & ATN refers to Atorvastatin calcium

SALIENT COMPARISONS BETWEEN BATCH AND FLOW PROCESS

	COMMERCIAL PROCESS (AVF3)	CIP PROCESS (ATN2)	FLOW PROCESS
No. of isolations steps	4	2	2
Solvents used (Including water)	4 organic solvents & water	2 organic solvent & water	2 organic solvent & water
Solvent qty./kg. of Form-I	107 litres	65 litres	~60 litres
Overall cycle time to generate API (operation + analysis)	35 days	20 days	Stage-1 (10 days) & Stage-2 (~16 hours)
Solid waste/kg. of API (carbon + celite)	0.30 kg.	0.13 kg.	0.13 kg.
Solvent reusability/kg. of API (excluding water)	30%	70%	70%
RMC	US$ 185	US$ 150	US$ 50

This process has been successfully tested at pilot scale. Benefits of this approach, when implemented at commercial level, lesser space for machine, reduction in manual activity and reduction in overhead cost.

(b) Canagliflozin

In this product, a highly exothermic & hazardous reaction involving the use of n-Butyl Lithium has been designed & optimized inflow using a Vapourtec flow reactor at lab. Rig, which is designed for scale up to plant, is installed at API-SEZ & few trials have been taken to establish flow process at plant scale. Better control on reaction & inherent safety is achieved by changing this reaction from batch to flow.

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 well defined and documented "Supplier Code of Conduct" for our business partners, 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 elements of sustainable sourcing with special emphasis on supply continuity, quality and compliance, capacity and capability building, long-term business relationships, and overall sustainable performance management. We also have dedicated team at SCM which helps business partners align with our vision of sustainability and for capability building.

Few of the initiatives are listed below:

Risk Mitigation:
At Dr. Reddy's, we believe in mutually sustainable growth coupled with stability. In line with this philosophy, we conduct a business partner risk assessment to ensure the sustainability and stability of our business partners. Our business partner risk assessment framework comprises two key aspects viz. "Organizational Risks" and "Supplier Sustainability Risks".

We are associated with an independent risk assessment agency to conduct the risk assessment for our business partners. The agency M/s. Dun & Bradstreet-India conducts a full fledged sustainability assessment for our business partner and if necessary specify any improvement areas based on a scoring criteria which becomes part of the final assessment report.

All critical business partners contributing to 80% of sales value have to undergo assessment and reassessment at a fixed frequency depending on the sourcing category i.e. (API's, excipients, packaging etc). The frequency of assessment is once in every two years for API's/excipients, three years for primary packaging and four years for secondary packaging.

Ease of doing business:
In order to build transparency and to simplify business transactions, we carry out our routine transactions on a digital platform and a dedicated portal is available for our partners viz. Vikreta2Connect, which facilitates the whole process of procure to pay (P2P). It serves as a one stop solution to provide our business partners better visibility on RFQs, POs release, PO acknowledgement, ASN, invoice submission, GRNs & payment status and other related services.

The Vikreta portal has efficient invoice management resulting in faster processing of invoices that has resulted in on-time payments to our business partners. Also, uploading digital invoices has promoted paperless transactions. Here, business partners can make advance shipment notification before executing dispatches making the operations quite easy.

Forecasting Accuracy:
We have been working to improve the forecasting model across all major geographies and the overall forecast accuracy level is above 70%. Despite the challenges due to COVID-19 we have been able to sustain and service the markets without any major impact.

There is a reduction of approx. 31% in overall COPE (Cost of Poor Execution) due to better forecasting and accuracy levels, which led to less wastage while serving more volume of business during FY2021.

Rolling forecasts on a quarterly basis are also shared with our business partners to help them to plan their input materials availability, capacity allocation etc. Sharing forecasts on a regular basis has helped in better inventory management, avoiding rush-orders, avoidance of air mode shipments/reduction in logistics costs.

Cost Competitiveness:
We work with our business partners to drive the process of Cost Improvement Programmes (CIPs) wherein we jointly identify and explore new ideas or opportunities that would help in overall reduction of costs or reduce expenditure or also help in increasing efficiency (like reduction of wastages, reduction of solvent consumption, improving process/minimising inefficiency etc).

We develop plans/strategy to generate savings opportunities and to stay cost competitive in end markets and improve affordability of the final product.

Alternate vendor development for imported materials that has significant cost-reduction opportunity and to promote local manufacturing.

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 approximately 2-3% in the share of sea shipments in the reporting period as compared to FY2020, contributing 57% in total export shipments in FY2021.

There has been an increase of approximately 2-3% in the share of sea shipments in the reporting period as compared to FY2020, contributing 57% in total export shipments in FY2021.

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 business partner base. We have been making continuous efforts to encourage both local and small scale business partners by hand-holding them and providing technical support to meet any specific requirement of Dr. Reddy's, sometimes making advance payment to help them in their sourcing activities, building capacity and supply of materials to us.

Import Substitution is another initiative in our efforts of localization that has helped us in getting better cost-advantage, better management of inventory, better compliance control and it has led to significant reduction in lead time and cost savings along with reduction in carbon footprint due to significant reduction in transportation. Local manufacturers were encouraged to take up the related development activities of the import substitution products, and required technical support is provided by Dr. Reddy's in troubleshooting, conducting process validations, quality improvements and better process controls, and overall also providing long-term commitments.

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 eliminate import shipments.
- In terms of packaging materials, procurement from small scale industries has been recorded to be about 17% of total packaging material procurement.
- The imports contributed to about 24% of the total packaging material procurement cost, which was reduced by around 3% in the current year especially from the large volume materials.

5. **Does the company have a mechanism to recycle products and wastes? If yes, what is the percentage of recycled products and wastes?**
We have aspiringly taken the target to attain 100% waste neutrality by 2023 for India and globally by 2025 including plastic waste.

In this reporting period of FY2021, we had achieved waste neutrality in India of 98.98% and 100% in plastic waste whereas globally waste neutrality is 98.16% & plastic waste 50%.

On the waste water recycling front, we have nine ZLDs across our manufacturing facilities in India, which provide 100% waste water recycling for 16 out of our 18 facilities.

PRINCIPLE 3

EMPLOYEE WELL-BEING

1. **Please indicate the total number of employees.**
22,739

2. **Please indicate the total number of employees hired on temporary/ contractual/casual basis.**
1,201

3. **Please indicate the number of permanent women employees.**
3,888

4. **Please indicate the number of permanent employees with disabilities.**
52

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

6. **What percentage of your permanent employees are members of this recognized employee association?**
The percentage is 2.34%

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?**
9,735 employees were given safety training.

Approximately 8,723 employees were provided skill upgradation training in various technical and related areas.

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** gives details of our engagement platforms for each stakeholder group.

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/contractor/ NGO's/others.**
At present, our policy is extended to the group, our business partners, 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/ contractor/NGO's/others.**
We have a well defined Safety, Health & Environmental policy and principles in place to motivate our employees to minimize our environmental impact. The policy and principles are also communicated to all our stakeholders to 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.

The company has adopted multiple initiatives for addressing climate change and global warming. We have adopted carbon emission targets based on the Science Based Target Initiative (SBTi) to reduce our CO_2 emission by 55% by 2030. We have also adopted Internal Carbon Price, which helps us to drive further projects for CO_2 emission reduction.

We also publicly disclose our carbon emission performance and strategy publically through CDP (Carbon Disclosure Project). In FY2021 we have achieved a "B" in Climate Strategy and an "A" in CDP-SC (supply chain) disclosure.

We are also disclosing our water footprint through CDP's water disclosure. In FY2021, we have achieved an "A-" score band in it.

In the Dow Jones Sustainability Index, we have retained our position in the Emerging Market Index for the 5th year and are now rated 10th globally for our sustainability performance.

We publicly report on our environmental performance through our sustainability report. Please refer to page no: 40 to 61 of our sustainability report 2019-20 where we have mentioned details regarding the environmental initiatives taken at our units.

TABLE 2 | **NUMBER OF COMPLAINTS**

SL. NO.	CATEGORY	OPENING AS ON APRIL 1, 2020	FILED DURING THE FINANCIAL YEAR	DISPOSED DURING THE FINANCIAL YEAR	PENDING AS ON MARCH 31, 2021
1	Child labor/forced labor/involuntary labor	0	0	0	0
2	Sexual harassment	1	15	15	1
3	Discriminatory employment	0	0	0	0

TABLE 3 | **STAKEHOLDER ENGAGEMENT**

KEY STAKEHOLDERS	ENGAGEMENT PLATFORMS
EMPLOYEES	
The driving forces of the organization, our employees deserve a safe, inclusive and empowering workplace with the freedom to act, innovate and grow not just as professionals but also as individuals.	In-house publications | Intranet | Internal networking platform | Leadership communication | 360 degree feedback | Celebrations | Training programs | Employee Pulse Survey.
INVESTORS AND SHAREHOLDERS	
Our investors and shareholders put trust and financial capital in the organization and expect a steady return on their investments.	Analyst meets | Quarterly results | Annual reports | Sustainability reports | Earning calls | E-mail communication | 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, Naandi Foundation, NICE Foundation and local NGO partners and employee volunteering program Dr. Reddy's Foundation for Health and Education (DRFHE) Inner circle - Relationship building programs | Abhilasha - Nursing efficiency program | Sarathi - Doctor's assistant program | Sanjeevani – Pharmacists program | Awareness for Life & Swasthyagraha – Awareness programs for public and employees | Manthan & Mantra - Senior Doctors programs | Quality in Healthcare - Healthcare professional programs | Partnership with the beta Institute, Germany.
CUSTOMERS AND PARTNERS	
Insurers, vendors, distributors, Government, regulators and business partners who support various aspects of our operations.	Regular business meetings, vendor meets, strategic business partner training and development.

Our sustainability report 2019-20 can be accessed at: *https://www.drreddys.com/our-people-and-our-citizenship/sustainability/*

3. **Does the company identify and assess potential environmental risks?**
Yes, Dr. Reddy's as a corporate identifies and assesses potential environmental risks and mitigates them to eliminate environmental risks through Enterprise Risk Management (ERM) initiative.

   The environmental risks as identified are reviewed by the risk management committee at the board level.

   Also, in FY2021, we completed the Task Force on Climate-Related Financial Disclosures (TCFD) assessment. TCFD provides guidance on disclosure of climate change-related risks and opportunities, governance, as well as setting targets and mitigation measures.

   We conducted the transition and physical climate change risk assessment across the short, medium, and long-term for our manufacturing locations, business partner manufacturing locations as well as raw material and product logistics. Subsequently, mitigation measures will be developed for the identified risks and opportunities.

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.

5. **Has the company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc.?**
Yes, as a responsible corporate we have undertaken many energy conservation initiatives. In FY2021, we have implemented 161 energy conservation projects across various business units and accrued savings of ₹ 154 million.

   The share of renewable energy in our total energy consumption has been increasing over the years. Solar energy consumption for FY2021 is more than 77 million kwh, increasing from 65.96 million kwh in FY2020. This renewable energy adoption has avoided carbon emission by 54,309 tonnes of CO_2-e in FY2021. We have also generated 92.54 TJ of energy using biomass/rice husk briquettes in FY2021, thus eliminating GHG emission by 11,478 tonnes of CO_2-e.

6. **Are the emissions/waste generated by the company with in 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.**
None.

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:**
   - Indian Pharmaceutical Alliance (IPA)
   - The Confederation of Indian Industry (CII)
   - Indian Drug Manufacturers' Association (IDMA)
   - Bulk Drug Manufacturers Association (BDMA)
   - Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTACCI)
   - Medicines for Europe
   - Federation of Indian Chambers of Commerce and Industry (FICCI) (upto March 31, 2021)

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

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 programmes are described below:

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. 10 Pudami schools are educating over 4,103 students. Out of these 4,103 students enrolled in FY2021, 1,942 students were reached through online classes. Kallam Anji Reddy Vidyalaya (KARV), a model Pudami School caters to 2,178 students. Out of these students, 1,742 students were reached through online classes.
- 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 FY2021 was 705 students were enrolled, out of which 309 students were covered through online classes.
- School Improvement Programme (SIP) is implemented in 229 government schools covering 66,543 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.

Health initiatives
Our health initiatives include:
The Community Health Intervention Programme (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 FY2021, we reached out to a population of 1.93 lakhs.

Environmental risks as identified are reviewed by the risk management committee at the board level.

Livelihood
Our livelihood programmes, implemented through Dr. Reddy's Foundation (DRF), focuses on making the Indian youth employable, enhancing their earning potential.

- Grow: The program 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 FY2021, we impacted 371 youth.
- Grow PwD: Grow People with Disability, a skill development programme, where differently abled youth are given training in market driven skills which enables them to gain a suitable employment opportunity. In FY2021, we impacted 105 youth.
- Marking Integrated Transformation for Resourceful Agriculture (MITRA): This programme assists farmers on technology and methodology in farming. This programme helps them enhance their income by increasing productivity. In FY2021, we reached out to 30,603 farmers.

Through CHIP, in FY2021, we reached out to a population of 1.93 lakhs

2. **Are the programmes/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 INR and the details of the projects undertaken?**
We contributed ₹ 36.08 crore for community development.

For details of the projects undertaken refer to the projects listed in the CSR report.

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 the gram panchayat or local government in the project development discussions.

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

30,603 farmers reached through MITRA program

PRINCIPLE 9

CUSTOMER VALUE

1. **What percentage of customer complaints/consumer cases are pending as on the end of the financial year?**
As on March 31, 2021, there were 255 complaints pending in India, 99 in Germany and 134 in the U.S.

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 behavior during the last five years and pending as on end of the financial year?**
On December 18, 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 October 31, 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 May 10, 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 21 generic pharmaceutical companies (including our U.S. subsidiary) and 15 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 13 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

Note

(1) FY2021 represents fiscal year 2020-21, i.e., from April 1, 2020 to March 31, 2021, and analogously for FY2020 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.

For Dr. Reddy's, 'Good Health Can't Wait' requires us to meet five promises.

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

Driven by its core dictum of 'Good Health Can't Wait' Dr. Reddy's Laboratories Ltd. ('Dr. Reddy's' or 'the company') is committed to accelerating access to affordable and innovative medicines to help patients lead healthier lives, creating healthy ecosystems and strong communities.

As an integrated global pharmaceutical enterprise, we operate across 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.

The key highlights of Dr. Reddy's consolidated performance are given below.

CONSOLIDATED FINANCIAL RESULTS FOR FY2021 UNDER IFRS

REVENUES
₹ 189.7 billion ↑ 9%

GROSS PROFIT MARGIN
54.3% ↑ 50bps

EBITDA
₹ 47.4 billion ↑ 2%

OPERATING PROFIT
₹ 24.3 billion ↑ 52%

PROFIT BEFORE TAXES
₹ 26.4 billion ↑ 46%

PROFIT AFTER TAXES
₹ 17.2 billion ↓ 12%

DILUTED EARNINGS PER SHARE
₹ 103.65 ↓ 12%

↑ Growth over previous year

↓ Decline over previous year

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.

The FY2021 has been a year with an unprecedented set of challenges due to COVID-19 related disruptions impacting the demand for certain sets of products, the supply chain and operations. We rose to the challenges and ensured minimal impact to operations. We ensured the health and safety of our employees and business partners. We continued innovating new solutions to operate under the difficult circumstances. We worked upon new avenues of growth such as development and launch of COVID-19 products portfolio and successfully integrated the portfolio acquired from Wockhardt for our India business. We were able to grow businesses across all our geographies, viz. GG for North America, Europe, India, several emerging economies, and PSAI across many parts of the world.

Our focus on cost controls, productivity improvements and on creating a leaner and more de-layered business model continued from the previous year. This helped us to become more efficient and also improve our profits.

Improvements in revenue and EBITDA in FY2021 were mainly due to the following factors.

Growth in branded generics markets: We continued our growth momentum across the key branded generics markets of India, CIS countries, China and some other regions. This was due to improved base business as well as the launch of new products. We also acquired a select portfolio from Wockhardt for the India business. Growth in Russia, however, was hindered due to an overall market slowdown.

Growth in the PSAI business: PSAI growth was driven by base business traction in API, custom pharmaceutical services and a favorable forex movement.

Continued growth momentum in the Europe generics business: FY2021 saw significant growth in the existing geographies as well as newer markets in Europe — driven by expansion of the base business coupled with new product launches.

Moving ahead on our journey of cost control: We continued making solid progress on the journey that began in FY2019 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. While we focused on productivity, we are also making investments to build capabilities, brands and product pipeline.

EBITDA growth was, however, impacted on a higher base of FY2020, when we had recognized income on the sale of our commercialized neurology products in the Proprietary Products (PP) in the US and selected territory rights.

A SNAPSHOT OF PERFORMANCE

GLOBAL GENERICS (GG)

Revenue from GG in FY2021 was ₹ 154.4 billion, which represented an increase of 12% compared to the previous year. This growth was largely attributable to impressive performances witnessed in Europe, certain emerging markets, contribution from portfolio acquired from Wockhardt for India business as well as favorable forex rates.

Revenue from North America Generics (NAG) was ₹ 70.5 billion, with a growth of 9% versus FY2020. This growth was supported by the launch of 27 new products. Of these, the major new launches were Ciprofloxacin Dexamethasone, OTC Diclofenac, Sapropterin, Abiraterone (Canada) and Colchicine tablets. It should be noted that while there was a healthy growth in the sales volumes of our existing products and favorable forex movement, these were offset by pricing pressures on some of our key products, such as Buprenorphine and Naloxone sublingual films, Atorvastatin, Metoprolol and Liposomal Doxorubicin.

In FY2021, we filed 20 new Abbreviated New Drug Applications (ANDAs) and one New Drug Application (NDA) under the section 505(b)(2) with the US Food and Drug Administration (USFDA). As on March 31, 2021, we had 95 generic filings pending approval from the USFDA. These comprise 92 ANDAs and three New Drug Applications (NDAs) filed under the Section 505(b)(2) route of the US Federal Food, Drug and Cosmetics Act. Of these, 47 are Para IV applications and we believe that 23 of these have 'First to File' status.

Revenue from Europe was ₹ 15.4 billion, representing a growth of 32% compared to FY2020. This was primarily due to expansion of the base business and new product launches. Growth was also aided by the scaling up of our businesses in newer markets of Italy, Spain and France, as well as favorable forex movement.

Revenue from Emerging Markets was ₹ 35.1 billion, or a growth of 7% compared to FY2020. This was driven by an improvement in our base business performance, new product launches and scale up of business in some of our new markets.

- **Revenue from Russia was ₹ 15.8 billion**, representing a year-on-year decline of 6% due to a depreciation of ruble compared to the Indian rupee. Moreover, sales were subdued on account of an overall market slowdown.
- **Revenue from other CIS countries and Romania was ₹ 7.4 billion**, or an annual growth of 15%.
- **Revenue from Rest of the World (RoW) territories was ₹ 11.8 billion**, or a year-on-year growth of 25%.

Revenue from India was ₹ 33.4 billion, which represented a growth of 15% compared to FY2020. This was primarily attributable to contribution from acquired portfolio of products from Wockhardt and launch of new products including those related to COVID-19. During FY2021, we launched 20 new brands in India.

PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS (PSAI)

Revenues from PSAI stood at ₹ 32 billion, or a growth of 24% versus FY2020 mainly driven by traction in base business, services business growth and favorable forex movement. During the year, we filed 149 Drug Master Files (DMFs) worldwide, including 14 filings in the US.

PROPRIETARY PRODUCTS (PP)

Revenue from PP was ₹ 0.5 billion. This translated to a decline of 93% following the divestment of commercialized products from our neurology franchise in FY2020.

GLOBAL PHARMACEUTICAL MARKET OUTLOOK[1]

The last year marked one of the most challenging year for all of humanity with the COVID-19 pandemic severely affecting the global population. The pandemic continues unabated with a severe second wave currently engulfing India, having previously wreaked havoc on the US and certain key European nations. As on May 14, 2021, the virus has infected over 160 million and has claimed the lives of 3.4 million people worldwide. The impact of the pandemic has also been severe in terms of the indirect number of casualties and suffering due to global lockdowns, delays in health screenings and treatments along with the rise in cases of mental health disorders. COVID-19 led to a disruption in medicine usage varying in both timing and magnitude in developed and pharmerging countries alike during the last year. These included significant stock-piling of over-the-counter chronic and mental health medicines during the initial stages of the pandemic. Medicine usage was also impacted by frequent and widespread global lockdowns.

The pandemic also emphasized the value of health infrastructure, medical research and science; and prompted a renewed focus on public health institutions, epidemiology and racial and ethical disparities and inequalities in health. It prompted extraordinary responses from the healthcare industry, the research community, public health administrators and governments to develop new therapeutics, repurpose existing drugs, and to develop new vaccines at speeds that have never been seen before.

Relentless efforts and ingenuity of scientists and the pharmaceutical industry led to cutting the traditional timeline for the development of new vaccines from four to 12 years on an average to just seven months. Novel methods of R&D were created along with active cross-border collaborations. These have set new standards and shorter timeframes for discovery and innovation for other life-threatening diseases in the future.

The pandemic also proved to be a fuel for digitally-driven therapeutic change — whether these be remote and virtual patient-doctor engagements through telemedicine and tele-health, digitized clinical trials leveraging artificial intelligence and the introduction of new disruptive business models. Indeed, COVID-19 has become the most significant trigger to force the major players in the industry to significantly expand their digital capabilities well beyond their normal annual plans

Equally, none can deny the major disruptions, especially ones relating to manufacturing and the supply chain.

While the landscape of the pharmaceutical industry was radically altered by the pandemic, probably more than any other sector, the industry will surely take stock of how it navigated the pandemic. And, in doing so, it will have to be prepared for similar sudden shifts and disruptions in operations and regulations in the longer term.

Adoption of novel treatments, offset by stiff competition from generics and biosimilars and patent lifecycles, will continue to influence medicine spending and growth in the developed markets. The global pharmaceutical market is expected to grow in the range of 3% to 6% CAGR over the next five years to reach US$ 1.6 trillion from US$ 1.1 trillion currently. In addition, the cumulative spend on COVID-19 vaccinations is anticipated to be around US$ 157 billion over the next five years. Much of this growth in vaccine demand will be in the pharmerging markets, being partially offset by a slower growth in the developed economies.

The US market is expected to grow in the range of 0% to 3% CAGR over the next five years, down from 3% CAGR in the past five. Japan, the third largest global market, should see a decline in medicine spends as a result of the continued biennial price cut policy, and policies to encourage a shift to generics for older medicines. The European market should grow by US$ 35 billion in the next five years with a focus on generics and biosimilars. Growth in pharmerging markets is expected to be led by China, and might accelerate post-COVID-19.

Table 1 gives the historical and forecasted pharmaceuticals growth outlook for the major countries of the world.

The number of new active substances (NAS) launches are projected to continue with an average of 54 to 63 per year over the next five years.

Spend on speciality medicines is expected to be nearly 60% in developed markets and 50% globally in the next five years, with the older and traditional therapies becoming progressively less expensive over time.

Oncology and immunology, the two largest therapy areas, should grow 9% to 12% CAGR through 2025, led by significant increase in new treatments and medicine use. Oncology is forecasted to add 100 new treatments over the next five years, contributing to an increased spend in excess of US$ 100 billion.

Globally, the Oncology market is forecasted to add 100 new treatments over the next five years, contributing to an increased spend in excess of US$ 100 billion.

[1] *The outlook and the key trends discussed in this section are primarily from 'The New Decade of Health and Science' & 'Global Medicine Spending and Usage Trends outlook to 2025' by IQVIA Institute and from various other publicly available sources.*

TABLE 1 | **PHARMACEUTICAL GROWTH FORECAST FOR MAJOR COUNTRIES**

REGION	2016-2020 CAGR	2021-2025 CAGR
Global	4.6%	3% to 6%
Developed	3.8%	1.5% to 4.5%
Top 10 Developed	3.8%	1.5% to 4.5%
United States	4.2%	2% to 5%
Japan	-0.2%	-2% to 1%
EU-5	4.4%	2% to 5%
Germany	5.3%	3.5% to 6.5%
France	2.4%	1% to 4%
Italy	4.2%	2% to 5%
United Kingdom	5.3%	2.5% to 5.5%
Spain	4.6%	1.5% to 4.5%
Canada	4.8%	2% to 5%
South Korea	6.8%	4.5% to 7.5%
Australia	3.3%	1% to 4%
Other Developed	4.2%	2.5% to 5.5%
Pharmerging	7.4%	7% to 10%
China	4.9%	4.5% to 7.5%
Brazil	10.7%	7.5% to 10.5%
Russia	10.8%	11% to 14%
India	9.5%	7.5% to 10.5%
Other Pharmerging	9.6%	8.5% to 11.5%
Lower income countries	3.9%	3% to 6%

While the future of medicine use will be influenced by a number of complex factors which shall emerge after the pandemic finally peters out, there is expected to be a renewed focus on (i) improved and efficient manufacturing technologies; (ii) augmenting pharmaceutical supply-chains; (iii) novel methods of drug development; and (iv) increased adoption of digital tools.

We now share with you some key trends that are likely to emerge.

- *Smaller-scale manufacturing with flexible production capabilities for improved efficiency:* Novel technologies such as cell and gene therapy will push the industry towards rapidly deployable facilities, with smaller scale, modular and portable plants being deployed. This will raise speed to market, diversify the manufacturing footprint globally and increase the need for real-time supply chain management. The pharmaceutical industry will also utilize such capability to cater to changing market dynamics — such as small batches of precision medicine — unlike what is needed for mass production of pharmaceuticals. On the flip side, when a smaller number of medications are produced, these will serve a smaller number of patients. Hence, a challenge associated with this model will be to raise profits through fast production to accommodate different demands.
- *Emergence of new API competitors and increase in high potency API (HPAPI) capacity:* The competition for active pharmaceutical ingredients (APIs) is expected to increase as more programs advance into late-stage clinical trials. Strengthening of supply chains will continue to become increasingly important as companies start to think strategically to develop secondary sourcing plans and carry significant inventory to minimize risks of a stock-out. Most likely, this will lead to the emergence of several new competitors in the API space. An area of growth in the industry is the high-potency active pharmaceutical ingredient (HPAPI) space. The HPAPI market alone is expected to grow to US$ 33 billion by 2025, up from US$ 16 billion in 2016. Importance of these HPAPIs lies in creating effective patient-centric treatments that require lesser doses to achieve the same therapeutic impact. We expect more API manufacturers, including contract service providers, to expand their aseptic and HPAPI capacity to meet higher customer demand.
- *Greater focus on R&D value leveraging artificial intelligence (AI) for improved efficiency:* With an increased focus on the value of medications, pharmaceutical companies are increasingly examining their R&D practices to ensure these are refined and sharply focused. The estimated R&D cost of each USFDA approved drug is around US$ 2.6 billion. The use of AI in drug discovery can expedite the overall R&D process by improving success rates by 8% to 10%, resulting in savings worth billions of dollars. AI can be also used to find candidate molecules for drugs, develop compounds from scratch, and aid the process of synthesizing the molecules with better efficacy.
- *Renewed focus on mergers & acquisitions (M&As):* 2020 was slow for M&As in the pharmaceutical industry, thanks to the economic instability brought about by COVID-19. The year saw nearly US$ 184 billion in M&A deals, which was one of the lowest in almost a decade. Instead of M&As, pharmaceutical companies focused on establishing partnerships to help fight the pandemic and develop vaccines. They not only partnered together but also established cross-industry partnerships with academic and healthcare establishments. However, in 2021, the focus should shift back to traditional level of M&A deals. According to a report by Price Waterhouse Coopers, M&A deals in 2021 are predicted to be about US$ 250-275 billion. If that were so, it will mark a return to normal M&A activity for the industry.
- *Move towards patient-centric care model:* The pandemic has driven the pharmaceutical industry towards a more patient-centered care model. This requires deep understanding of a patient's health condition and needs in order to deliver more efficient treatment and ensure better availability of such treatments. The emphasis on treating patients with more effective drugs is encouraging innovators at early stages of drug production to incorporate patient-centered insights. Sounder targeting of patient's needs will help the industry achieve better clinical results and ensure that pharmaceutical companies produce more effective medicines that improve their therapeutic value.
- *Acceleration in digital transformation:* Digital transformation in the pharmaceutical industry was already in progress before the pandemic. COVID-19 gave it an impetus like never before. Several pharmaceutical companies took many positive steps towards digitization — such as appointing chief digital officers to their boards and implementing a data-first approach in their operations. The sector recognized that the digital revolution was here to stay and, in a data-rich industry, offered considerable benefits. During the pandemic, many of the industry's core activities moved to the virtual sphere. This has significantly accelerated digital adaptations, both within the pharmaceutical industry and in the healthcare systems it serves.
- *Increased automation in the pharmaceutical supply chain:* Innovation in technology is expected to impact not just drug development but also the supply chain, ranging from speed to safety to manpower. Automation in pharmaceutical manufacturing can help build more resilient, flexible and supply cost-effective chains. These can help make the batch unit operations more efficient, reconfigurable and streamlined, and thus reduce the production-to-market timeline by allowing the faster technical transfer of data and greater versatility of equipment throughout the API network. It may also help to get better insights and recommendations, whether these be commercial, marketing or clinical trials data.
- *Expansion of global vaccine manufacturing capabilities:* Production of vaccines has traditionally been done by a handful of companies. However, given the pandemic, individual countries want a certain level of autonomy. This has led to expansion in vaccine production capacities in Asia and the Middle East. Biologics and vaccine manufacturing capacity needed globally for COVID-19 vaccines and treatments is expected to take a significant percentage of the overall available capacity. This growth in demand for vaccine manufacturing capacity that we have seen in 2020 will continue into 2021 and perhaps beyond.

DR. REDDY'S MARKET PERFORMANCE, FY2021

NORTH AMERICA GENERICS (NAG)

NAG is Dr. Reddy's largest market. In FY2021, it contributed to around 46% of the company's GG sales, and 37% of overall sales.

Revenue from the region for FY2021 was ₹ 70.5 billion (US$ 948 million), representing a growth of 9% 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 significantly offset by an increase in volumes for some of our base products, and contribution from new product launches — the important ones being Ciprofloxacin Dexamethasone, OTC Diclofenac, Sapropterin, Abiraterone (Canada) and Colchicine tablets. Growth was further aided by the strengthening of the US dollar against Indian rupee. Some key developments were:

- Launched Ciprofloxacin Dexamethasone Otic suspension, a therapeutic equivalent generic version of Ciprodex® (ciprofloxacin 0.3% and dexamethasone 0.1%), used in treatment of acute otitis.
- Launched OTC Diclofenac Sodium topical gel, the store brand version of Voltaren®, used in treatment of arthritic pain.
- Launched the generic version of Sapropterin Dihydrochloride tablets, used in treatment of blood phenylalanine levels.
- Launched Abiraterone Acetate tablets USP, 250 mg, a therapeutic equivalent generic version of Zytiga®, used in treatment of prostate cancer.
- Launched Colchicine tablets USP, a therapeutic equivalent generic version of Colcrys®, used in treatment of familial Mediterranean fever (FMF).
- Gained market share in certain key products, such as Omeprazole DR and Metoprolol ER.
- Filed 20 new ANDAs and one NDA under section 505(b)(2), and these comprises 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 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.

NAG revenue for FY2021 was ₹ 70.5 billion

EMERGING MARKETS

Revenue from Emerging Markets for FY2021 was ₹ 35.1 billion, representing a growth of 7% compared to the previous year. Significant part of the growth has been on account of increased revenues from our base business, new product launches and scaling up of business in CIS countries (including Romania) and Rest of the World markets.

Revenue from Russia for FY2021 was ₹ 15.8 billion, representing a 6% decline over the previous year mainly constrained by an overall market slowdown and adverse forex movement. The growth was 1% in terms of the local currency (ruble).

In Russia, our key products — such as Nise, Omez, Nasivin, Cetrine and Ibuclin — were ranked among the top 200 best-selling formulation brands, as per IQVIA in its report for the 12-month period ended March 31, 2021.

Revenue from CIS countries (including Romania) was ₹ 7.4 billion, representing 15% growth over the previous year. The growth was led by Ukraine, Kazak, Uzbek and Romania including certain tender sales.

In the current fiscal, Olanzapine sales continue to drive our growth momentum in China. We were the first Indian company to win a national tender in China in FY2020.

Revenue from our Rest of the World markets (which includes Brazil, China, South Africa, and certain other markets) was ₹ 11.8 billion, representing 25% growth over the previous year. This was primarily led by scaling up in the markets such as China, Vietnam, Myanmar, and Jamaica.

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 pipeline of portfolio including differentiated and oncology products, and expansion of biosimilars across our markets. We will focus on scaling up in our major markets, which include Russia, China, Brazil, South Africa and Ukraine.

Revenue from Emerging Markets for FY2021 was ₹ 35.1 billion

EUROPE

Revenue from Europe in FY2021 was ₹ 15.4 billion, representing a growth of 32% vis-a-vis the previous year. This growth was due to increased revenues in our base markets of Germany and the UK,

and was aided by expansion in the newer markets of Italy, France and Spain. The increase in revenues was propelled by high volume growth, new product launches across all our markets and favorable forex movement.

Currently, Europe comprises 10% of our global generics sales. In the medium to long-term, we expect it to grow by leveraging our in-house portfolio, seeking in-licensing opportunities, further scaling up business in new markets including and beyond Italy, France and Spain.

Revenue from Europe for FY2021 was ₹ 15.4 billion

INDIA

Revenue from India in FY2021 was ₹ 33.4 billion, or a growth of 15% compared to previous year. According to the IQVIA in its report for the 12-month period ended March 31, 2021, our growth has been 3.1%. Our market rank as per MAT (March 2021) improved to 11, from 13 in the last year. Our growth in this market has been on account of a select portfolio acquired from Wockhardt and launch of new products.

During the year, we launched 20 brands in India, including Invista®, Redyx™, Avigan® which aided growth. Thirteen of our brands — Omez®, Omez®-D, Atarax®, Redyx™, Bro-Zedex®, Razo-D®, Ketorol™, Nise®, Stamlo®, Zedex®, Practin®, Mintop™ and Econorm® — are among the top 300 brands of the Indian pharmaceuticals market.

In the near term, we will continue to drive productivity improvement and focus on our core therapeutic areas and big brands. We also have a wide range of COVID-19 portfolio drugs including a vaccine which may contribute to growth in the near to medium term. 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.

Revenue from India for FY2021 was ₹ 33.4 billion

PSAI

The PSAI business recorded revenues of ₹32 billion in FY2021, representing a 24% growth over the previous year.
In FY2021 we filed 149 drug master files (DMFs) globally, of which 14 were in the US.

This business primarily comprises of APIs and pharmaceutical services. We believe that with recent market developments, there will be a good opportunity for us to expand our API business. We are also focusing on expanding our services business and expect it to be a growth driver. With this intent, Aurigene Pharmaceutical Services Limited (APSL), a newly formed company, has been carved out to focus on contract research, development and manufacturing operations (CDMO).

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 being 'plain-vanilla' APIs. We aim to be a partner of choice for global generics manufacturers and achieve global leadership through costs and service.

Revenue from PSAI for FY2021 was ₹ 32 billion

PROPRIETARY PRODUCTS (PP)

The PP business recorded revenue of ₹ 0.5 billion in FY2021, a decline of 93% following the divestment of two brands of our neurology franchise in FY2020.
Going forward, our strategy is to focus on an in-house pipeline in a well calibrated manner which strives to achieve an optimal balance between risks and costs. At an overall level, this aligns well with our renewed strategy to enable us to achieve self-sustainability and profitable growth for each of our businesses.

AURIGENE DISCOVERY TECHNOLOGIES LIMITED (ADTL)

ADTL is our wholly-owned subsidiary and is a clinical stage biotech company committed to bringing novel therapeutics for the treatment of cancer and inflammation. It recorded revenue of ₹ 2.8 billion in FY2021, or a growth of 1%. It is reported as part of our 'Others' segment.

USFDA OBSERVATIONS: AN UPDATE

Our facilities are fully compliant with the USFDA regulations. Currently, the status for all our facilities is either 'NAI', which means 'No Action Initiated' or 'VAI' which means 'Voluntary Action Initiated'. The warning letter which was issued to us in November 2015 was closed in August 2020 after USFDA ascertained that we have addressed the cited violations and deviations.

We remain fully committed to following high standards of quality and 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 at the shop floor.

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

FINANCIALS

Table 2 gives the abridged IFRS consolidated revenue performance of Dr. Reddy's for FY2021 compared to FY2020. **Table 3** gives the consolidated income statement.

REVENUE

Total revenue grew by 9% to ₹ 189,772 million in FY2021. The growth was primarily aided by 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 certain other emerging markets. FY2020 sales included the sale of the US and select territory rights for two of our neurology brands pertaining to PP segment.

GROSS PROFIT

Gross profit increased by 10% to ₹ 103,077 million in FY2021. This resulted in a gross profit margin of 54.3% in FY2021 – representing an increase of 50 basis points compared to FY2020. The gross profit margin for GG was 59.0%. The GG gross profit margin was largely benefited from cost optimization initiatives taken by the company, favorable product mix and the benefit from depreciation of rupee against the US Dollar, which was partly offset with price erosion in the US, Europe and certain emerging markets as well as reduction in export benefits. For the PSAI business, the gross profit margin was 29.5%. PSAI's gross profit margin improved primarily on account of manufacturing cost leverage, productivity initiatives taken by the company and the benefit from depreciation of rupee against the US Dollar, which was partly offset with price erosion and reduction in export benefits.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

SG&A expenses increased by 9% to ₹ 54,650 million in FY2021. This was largely attributable to increase in logistics costs primarily due to COVID-19 situation; increase in personnel costs primarily on account of increased head count and annual increments; and increases pertaining to legal and professional charges. The increase was offset by lower marketing and travel expenses with restricted activities due to COVID-19. *SG&A accounted for 28.8% of sales in FY2021 versus 28.7% in FY2020 — or was in-line with last year.*

R&D EXPENSES

R&D expenses for FY2021 were ₹ 16,541 million, or 8.7% of revenue, versus 8.8% in FY2020. The R&D spends in FY2021 increased by 7% over FY2020, due to an increase in the development activities pertaining to generics segment, including COVID-19 related products development.

TABLE 2 | **CONSOLIDATED REVENUE MIX BY SEGMENT** (MILLION)

PARTICULARS	FY2021 (US$)	FY2021 (₹)	%	FY2020 (US$)	FY2020 (₹)	%	Growth %
Global Generics	**2,111**	**1,54,404**	**81.4**	**1,888**	**1,38,123**	**79.1**	**12**
North America		70,494			64,659		9
Europe[1]		15,404			11,707		32
India		33,419			28,946		15
Emerging Markets[2]		35,087			32,811		7
Pharmaceutical Services and Active Ingredients (PSAI)	**437**	**31,982**	**16.8**	**352**	**25,747**	**14.8**	**24**
Proprietary Products & Others	**46**	**3,336**	**1.8**	**147**	**10,730**	**6.1**	**(69)**
Total	**2,594**	**1,89,722**	**100**	**2,387**	**1,74,600**	**100**	**9**

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

TABLE 3 | **CONSOLIDATED INCOME STATEMENT** (MILLION)

PARTICULARS	FY2021 (US$)	FY2021 (₹)	%	FY2020 (US$)	FY2020 (₹)	%	Growth %
Revenues	**2,594**	**1,89,722**	**100.0**	**2,387**	**1,74,600**	**100.0**	**9**
Cost of Revenues	1,185	86,645	45.7	1,102	80,591	46.2	8
Gross Profit	**1,409**	**1,03,077**	**54.3**	**1,285**	**94,009**	**53.8**	**10**
Operating Expenses							
Selling, General & Administrative expenses	747	54,650	28.8	685	50,129	28.7	9
Research and Development expenses	226	16,541	8.7	211	15,410	8.8	7
Impairment of non-current assets	117	8,588	4.5	229	16,767	9.6	(49)
Other operating (income)	(13)	(982)	(0.5)	(59)	(4,290)	(2.5)	(77)
Results from operating activities	**332**	**24,280**	**12.8**	**219**	**15,993**	**9.2**	**52**
Finance (income), net	(23)	(1,653)	(0.9)	(20)	(1,478)	(0.8)	12
Share of (profit) of equity accounted investees, net of income tax	(7)	(480)	(0.3)	(8)	(561)	(0.3)	(14)
Profit before income tax	**361**	**26,413**	**13.9**	**247**	**18,032**	**10.3**	**46**
Income tax expense	125	9,175	4.8	(20)	(1,466)	(0.8)	(726)
Profit for the period	**236**	**17,238**	**9.1**	**267**	**19,498**	**11.2**	**(12)**
Diluted Earnings Per Share (EPS)	**1.42**	**103.65**		**1.61**	**117.40**		**(12)**

Note: The conversion rate is considered as US$ 1 = ₹ 73.14

Gross profit increased by 10% to ₹ 103,077 million. An increase of 50 basis points compared to FY2020.

IMPAIRMENT OF INTANGIBLES

In FY2021, there has been an impairment charge of ₹ 8,542 million which pertains to charges of:

- ₹ 3,180 million for the product Ethinyl Estradiol/Ethenogestral vaginal ring (generic equivalent to Nuvaring®). During the year, there were significant changes to the market for the product — including the launch by a competitor of a generic version of the product in January 2021, thereby reducing the overall potential of future cash flows for us.
- ₹ 1,587 million for the product Saxagliptin/Metformin (generic version of Kombiglyze®-XR) and Phentermine and Topiramate (generic version of Qsymia®). During the year, there has been a significant decrease in the market potential of these products, primarily due to higher than expected value erosion.
- ₹ 3,291 million for the product Xeglyze®. In view of the specific triggers occurring in the year with respect to the Xeglyze® forming part of the company's Proprietary Products segment, the company determined that there was a decrease in the market potential of this product.
- ₹ 484 million on other products of global generics segment, as the company determined that there was a decrease in the market potential of these products.

NET FINANCE INCOME

The net finance income was ₹ 1,653 million in FY2021 versus ₹ 1,478 million in FY2020.

NET PROFIT

Net profit decreased by 12% to ₹ 17,238 million in FY2021. This represents a PAT margin of 9.1% of revenues versus 11.2% in FY2020. In FY2020, the net profit after tax was benefitted largely due to recognition of a deferred tax asset related to the Minimum Alternate Tax ("MAT") credits and planned restructuring activity between the group companies. In FY2021, the net profit after tax was impacted largely by de-recognition of deferred tax asset due to non-availability of depreciation on goodwill pursuant to an amendment to the Income Tax Act.

LIQUIDITY AND CAPITAL RESOURCES

The data are given in **Tables 4 and 5.** Cash generated from operating activities in FY2021 was ₹ 35,703 million. Investing activities net outflow amounting to ₹ 22,660 million in FY2021 includes net investment in property, plant, equipment and intangibles to build capacity and capabilities for future business growth. Cash outflow from financing activities was ₹ 298 million. Closing cash and cash equivalents as on March 31, 2021 was ₹ 14,820 million.

DEBT-EQUITY

In FY2021, total borrowings, including the current and non-current portion, increased by ₹ 8,288 million. As on March 31, 2021 the company's debt-to-equity ratio was 0.16 as against 0.14 on March 31, 2020. The net debt-to-equity position was at (0.04) versus (0.03) last year. **Table 6** gives the data.

ENTERPRISE-WIDE 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, information security, safety and other assurance teams to identify and mitigate risks of business units, including risk relating to cyber security.

Our ERM function focuses on identification of key business, and operational and strategic risks. These are carried out through structured interviews, on-call discussions, and 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 the ERM function 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 FY2021, risk mitigation efforts included review of cyber security, ethics and compliance program across the company, monitoring of environmental including climate change related risks and reviews of other operating risk exposures.

HUMAN RESOURCES (HR)

With the pandemic in FY2021, the primary objective was to facilitate health and safety of our employees and their families while ensuring that we continue supplying medicines across the world. A number of interventions and support mechanisms were put in place to transition to remote working and also safeguard the well-being of those employees coming to sites. Some of these were:

- A well-being and support plan was launched comprising tele-consulting, helplines, 24x7 unlimited access to certified clinical psychologists through an online platform and a home isolation program. Dedicated separate COVID-19 care facilities were launched for employees and dependents across three locations to provide pre-hospitalization care amidst the dire state of uncertainty in the external environment.
- For employees coming on-site in manufacturing and R&D, stringent social distancing and safety measures were deployed in the work locations, transport facilities and cafeterias. Other measures included multiple stages of disinfection, provision of personal protective equipment and automating actions that require manual contact. Daily hardship allowance was also provided.
- An additional insurance coverage for COVID-19 which covers hospitalization and home quarantine expenses was extended for employees and their dependents in India. Employees have also been provided a provision of additional COVID-19 leave.
- Support mechanisms to enhance work from home experience like ergonomic infrastructure and network support through mobile data plans were provided and work from home guidelines were shared.

A combination of ambiguity in the external environment with the new reality of remote working, virtual collaboration and unsupervised workdays has become the new normal. We have relooked at our people processes with that lens. In doing so, we have revamped our performance process to help employees work in this new reality and pursue individual and organizational priorities. The new performance process has been developed with the following principles in mind:

We revamped our performance process to help employees work in this new reality and pursue individual and organizational priorities.

- Clarifying success in terms of outcomes and behaviors aligned to the organization goals.
- Frequent check-in and flexibility to change the goals anytime.
- Continuous, real time feedback — moving away from assessments to development.
- Clear feedback on performance against goals and behaviors demonstrated

Digitization of the people processes is a key focus area. We have digitized processes across the employee lifecycle which include joining assistance, on-boarding, internal hiring, employee referrals, learning and compensation processes. This has resulted in reducing turn-around times and enhanced employee experience.

In the new normal, there is also a need to gauge employee engagement in real time. To enable this, we launched 'Heartbeat' — our internal engagement platform that measures engagement levels on an everyday basis across different dimensions. Findings from the first cycle of Heartbeat indicated that 92% of employees were ready to put in discretionary effort for the organization and 82% would recommend Dr. Reddy's as a great place to work. 87% to 89% valued the employee wellness, safety and respect that the organization provided.

With the acquisition of select business of Wockhardt Limited, we successfully integrated the related sales and marketing teams, as well as the manufacturing plant located in Baddi. During these times, we focused on virtual on-boarding, training and induction. Cultural assimilation sessions focused on people and organization processes were conducted by leaders to enable seamless integration between teams.

We continue to strengthen our talent processes through cadre and capability building interventions. Significant work was done in strengthening the capability building agenda in the organization. Employees were assessed against functional and behavioral skills required for them to be more effective in their roles. As part of developing future ready talent, strategic interventions have been designed in areas of digital and analytics. Learning journeys focused on competency building across specific cohorts were rolled out — examples being in marketing and business development. We also invested in strengthening our learning resources to be more contemporary and set up a digital infrastructure in the form of a Learning Experience Platform.

To promote internal talent mobility, we launched 'growth bridges' that provide employees structured assignments and experiences equipping them to take on vertical and lateral growth opportunities.

Diversity and inclusion continues to remain important in the organizational agenda. 'Chrysalis', our flagship leadership development program, has been launched for women in middle management to prepare them for senior leadership roles.

TABLE 4 | **CONSOLIDATED CASH FLOW AS PER IFRS** (₹ MILLION)

PARTICULARS	FY2021	FY2020
Opening Cash and Cash Equivalents	**1,962**	**2,228**
Cash flows from:		
(a) operating activities	35,703	29,841
(b) investing activities	(22,660)	(4,923)
(c) financing activities	(298)	(25,159)
Effect of exchange rate changes	113	(25)
Closing Cash and Cash Equivalents	**14,820**	**1,962**

TABLE 5 | **CONSOLIDATED WORKING CAPITAL** (₹ MILLION)

PARTICULARS	AS ON MARCH 31, 2021	AS ON MARCH 31, 2020	CHANGE
Trade Receivables (A)	49,641	50,278	(637)
Inventories (B)	45,412	35,066	10,346
Trade Payables (C)	23,744	16,659	7,085
Working Capital (A+B-C)	**71,309**	**68,685**	**2,624**
Other Current Assets (D)	53,196	45,026	8,170
Total Current Assets (A+B+D)	**1,48,249**	**1,30,370**	**17,879**
Short & Long-term loans and borrowings, current portion (E)	24,000	20,707	3,293
Other Current Liabilities (F)	35,647	35,448	199
Total Current Liabilities (C+E+F)	**83,391**	**72,814**	**10,577**

TABLE 6 | **DEBT AND EQUITY POSITION** (₹ MILLION)

PARTICULARS	AS ON MARCH 31, 2021	AS ON MARCH 31, 2020	CHANGE
Total Shareholder's Equity	**1,73,062**	**1,54,988**	**18,074**
Long-term debt (current portion)	864	4,266	(3,402)
Long-term debt (non-current portion)	6,299	1,304	4,995
Short-term borrowings	23,136	16,441	6,695
Total Debt	**30,299**	**22,011**	**8,288**

For the fourth year in a row, we have been featured in the 2021 Bloomberg Gender Equality Index for our commitment to gender equality. We also won the 1st Runner up position in the 'Leadership' category (individual) in UN WEP awards.

DIGITAL TRANSFORMATION

In FY2021, we continued to make progress on our digital transformation journey, which is structured along the lines of Digitalize the Core and Transform with Digital.

Digitalize the Core:
We continued to simplify and digitalize our core business processes across the organization and ended the year with nearly 80% digitalization of all core business processes.

We expanded the digital footprint into regulatory and clinical processes resulting in faster cycle time and lower error rates. In manufacturing, we continued to expand implementation and adoption of the Manufacturing Execution System and the Laboratory Information Management Systems which result in paperless shopfloor and labs, eliminates errors and improves productivity. We also digitalized safety processes and equipment lifecycle management across the plants.

In branded markets, our digitalization efforts have been focused on increasing field productivity with improved accuracy of doctors information enriched with geocodes critical for route and call planning. Within B2B markets, digitalization of bid and tender management processes have resulted in higher win rates, improved pricing vis-à-vis profitability and maintaining product market share.

We extended our digital footprint to enable two major cross-functional value chain processes: 'Selection to Launch' and 'Product Management'. The 'Selection to Launch' platform digitalizes all core processes involved across R&D, manufacturing and supply chain leading up to the new product launch. The 'Product Management' platform helps facilitate a 360 degree view along the product lifecycles through internal KPIs as well as market intelligence.

Transform with Digital:
We continued to deploy digital and analytics solutions to improve customer engagement and drive speed and productivity in our value chain.

Within R&D, multiple digital solutions were deployed that drove reduction in cycle time of drug development and help improve our rate of being 'first time right'.

Within manufacturing, we are building Digital Lighthouse plants to increase plant productivity. These initiatives have markedly reduced Cost of Poor Quality (COPQ) and per pack costs. Higher productivity is also enabled by scaling up of Robotic Process Automation (RPAs) as well as digitalized processes with automated incident tracking and near zero manual errors.

Market facing digital transformations are focused on improving customer and patient engagement. We had invested in Omni-channel connect platforms for our customers that helped us when the pandemic hit us. Similarly, in the B2B businesses, digital solutions have been deployed to drive improved customer service and account management. We have also deployed advanced analytics-based insights to improve productivity of sales and marketing.

Few experiments have been underway to establish new patient engagement platforms - e.g., for an integrated end-to-end care management for cancer patients - as well as to look at adjacent business models in the healthcare ecosystem.

COVID-19 RELATED PRODUCTS

We have continued to play our role in the fight against COVID-19 by acting proactively to bring multiple preventive and curative treatment options, including a vaccine. Some of our major COVID-19 products are:

- **Sputnik V vaccine:** We partnered with The Russian Direct Investment Fund (RDIF), Russia's sovereign wealth fund, for conducting clinical trials and distribution of Sputnik V vaccine in India. We successfully completed Phase III trial for the vaccine, which demonstrated efficacy at 91.6%, consistent safety and immunogenicity results. In April 2021 we received the Government of India's approval for emergency use of Sputnik-V in India. We have launched Sputnik V in May 2021.
- **Remdesivir:** We signed a licensing agreement with Gilead Sciences, Inc. that grants Dr. Reddy's the right to register, manufacture and sell Remdesivir, a potential treatment for COVID-19, in 127 countries including India. We launched Remdesivir under the brand name "Redyx™" in India in September 2020. With the surge of COVID-19 cases in the second wave, we ramped-up our capacities to increase the availability of the medicine.
- **Avigan® (Favipiravir):** We entered into a licensing agreement with Fujifilm Toyama Chemical Co. Ltd. to develop, sell and distribute Avigan® (Favipiravir) in all countries other than Japan, China and Russia. This enabled us to launch Avigan® 200 mg tablets in India and few other markets. We are also conducting Phase III trials in North America for outpatient setting with mild to moderate symptoms.
- **2-deoxy-D-glucose (2DG™):** The 2-DG has been developed by Defence Research and Development Organization (DRDO), in collaboration with Dr. Reddy's. The drug received emergency use as adjunct therapy for hospitalized moderate to severe COVID-19 patients.

In addition to these, we are also working on Molnupiravir, Baricitinib and several other COVID-19 drugs for treatment ranging from mild to severe conditions. We are committed to do our best in this pandemic situation.

OUTLOOK, INCLUDING COVID-19

FY2021 started with multiple COVID-19 related disruptions with lockdowns in several of our major markets. This impacted the physical connect of doctors with patients and pharma representatives and also led to several challenges on operations, supply chain and logistics. Some of these challenges continued throughout the year.

We rose to the occasion with proactive measures such as leveraging digital channels for many of our operations — examples being the enabling remote working for our employees and digitally connecting with doctors and business partners.

We managed to continue with most of our manufacturing operations through the year and ensured that supplies were available for each of our markets. We worked with innovative solutions ensuring business continuity; and while doing so we ensured the health and safety of our employees and business partners. We also converted the challenge to an opportunity with multiple set of COVID-19 related products.

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

Our commitment towards quality is reflected in all our facilities being fully compliant with the respective regulatory agencies' regulations.

We remain focused on improving our market share position and continue our journey towards creating a leaner business model, leveraging productivity improvement, cost control and increased efficiencies across several functions in FY2021.

Simultaneously, we are committed to investing in business to make it even more competitive and future ready, especially through: (i) investments in digitalization; (ii) development of complex products and biosimilars; and (iii) strengthening sales and marketing activities in branded markets. These initiatives will continue in FY2022, as well, and thus provide necessary impetus to our performance in future years.

We will remain focused on patient centric product innovation, operational excellence, continuous improvement and attaining leadership in chosen spaces. We are committed to look for opportunities aligned with our future business strategies for inorganic growth. This is reflected in select brand acquisition from Wockhardt and other small scale acquisitions during FY2021. We will continue to seek more such opportunities in future.

The last few months have seen a second wave of COVID-19 impacting several parts of the world, and the most in India. While vaccinations and several treatment options are now available, rapid spread of the infection has led to further uncertainties in terms of business outlook. Consequently, our overall business growth may remain volatile in FY2022.

However, we believe that we have enough levers of growth in terms of expanding our market share, new product launches, scale up of several businesses and opportunities arising from COVID-19 products. These should enable us to deliver satisfactory performance in FY2022.

CAUTIONARY STATEMENT

The management of Dr. Reddy's 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.

Our commitment towards quality is reflected in all our facilities being fully compliant with the respective regulatory agencies' regulations.

FIVE YEARS AT A GLANCE

(₹ MILLION)

YEAR ENDING MARCH 31	2021	2020	2019	2018	2017
INCOME STATEMENT DATA					
Revenues	1,89,722	1,74,600	1,53,851	1,42,028	1,40,809
Cost of revenues*	86,645	80,591	70,421	65,724	62,118
Gross profit	**1,03,077**	**94,009**	**83,430**	**76,304**	**78,691**
as a % of revenues	*54.3*	*53.8*	*54.2*	*53.7*	*55.9*
OPERATING EXPENSES*					
Selling, general and administrative expenses	54,650	50,129	48,680	46,857	46,300
Research and development expenses	16,541	15,410	15,607	18,265	19,513
Impairment of non-current assets	8,588	16,767	210	53	445
Other Operating (income)/expenses, net	(982)	(4,290)	(1,955)	(788)	(1,065)
Total operating expenses	**78,797**	**78,016**	**62,542**	**64,387**	**65,193**
Operating income	**24,280**	**15,993**	**20,888**	**11,917**	**13,498**
as a % of revenues	*12.8*	*9.2*	*13.6*	*8.4*	*9.6*
FINANCE COSTS, NET					
Finance income	2,623	2,461	2,280	2,897	1,587
Finance expenses	(970)	(983)	(1,163)	(817)	(781)
Finance (expense)/income, net	**1,653**	**1,478**	**1,117**	**2,080**	**806**
Share of profit of equity accounted investees, net of income tax	480	561	438	344	349
Profit before income tax	**26,413**	**18,032**	**22,443**	**14,341**	**14,653**
Income tax benefit/(expense)	(9,175)	1,466	(3,648)	(4,535)	(2,614)
Profit for the year	**17,238**	**19,498**	**18,795**	**9,806**	**12,039**
as a % of revenues	*9.1*	*11.2*	*12.2*	*6.9*	*8.5*
EARNINGS PER SHARE (₹)					
Basic	104	118	113	59	72
Diluted	104	117	113	59	72
Dividend declared per share for the year (₹)	25	25	20	20	20
BALANCE SHEET DATA					
Cash and cash equivalents, net of bank overdraft	14,820	1,962	2,228	2,542	3,779
Operating working capital**	71,309	68,685	58,895	53,655	53,178
Total assets	2,65,491	2,32,241	2,25,427	2,25,604	2,19,821
Total long-term debt, excluding current portion	6,299	1,304	22,000	25,089	5,449
Total stockholders' equity	1,73,062	1,54,988	1,40,197	1,26,460	1,24,044
ADDITIONAL DATA					
Net cash provided by/(used in):					
Operating activities	35,703	29,841	28,704	18,029	21,513
Investing activities	(22,660)	(4,923)	(7,727)	(14,883)	(18,471)
Financing activities	(298)	(25,159)	(21,326)	(4,440)	(3,692)
Effect of exchange rate changes on cash	113	(25)	35	57	(492)
Expenditure on property, plant and equipment & Intangibles	(12,561)	(6,115)	(8,376)	(11,043)	(40,984)

* *Figures are restated for previous years*

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

Note: The numbers are as per IFRS reported financials

KEY FINANCIAL RATIOS

YEAR ENDING MARCH 31	2021	2020	2019	2018	2017
PROFITABILITY RATIOS					
EBITDA margin (%)#	25%	27%	22%	17%	18%
Gross Margin (%)	54%	54%	54%	54%	56%
Global Generics	59%	57%	59%	59%	62%
PSAI	29%	24%	25%	20%	21%
Net Profit Margin (%)#	9.1%	11.2%	12.2%	6.9%	8.5%
Return on Net Worth (%)#	10%	13%	13%	8%	10%
ASSET PRODUCTIVITY RATIOS					
Fixed Asset Turnover	3.5	3.3	2.7	2.5	2.5
Total Assets Turnover	0.8	0.8	0.7	0.6	0.7
WORKING CAPITAL RATIOS					
Working Capital Days	188	188	180	194	204
Inventory Days#	177	154	163	154	160
Debtors Days#	91	100	90	102	96
Creditor Days#	80	67	73	62	51
GEARING RATIOS					
Net Debt/Equity^#	(0.04)	(0.03)	0.09	0.24	0.25
Interest Coverage#	25.5	16.8	18.3	15.0	17.7
Current Ratio#	1.8	1.8	1.9	1.6	1.2
VALUATION RATIOS					
Earnings per share (₹)	103.6	117.4	113.1	59.0	72.1
Book Value per share (₹)	1,041	933	844	763	743
Dividend Payout	24%	21%	18%	34%	28%
Trailing Price/Earnings Ratio	43.6	26.6	24.6	35.3	36.5

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

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

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

*(4) Inventory Days: (Average of closing Inventory - as on end of September and March)/(Cost of Revenue during last 6 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 end of December and March)/(Material cost during last 3 months) * 90*

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

(8) Dividend Payout: DPS/EPS

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

^ *FY2021 Net debt/equity computation excludes current borrowings & current investments*

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

Note: The numbers are as per IFRS reported financials

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) and NSE IFSC Exchange Rules.

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 2020-21 (or FY2021).

BOARD OF DIRECTORS

COMPOSITION

As on March 31, 2021, our board had 10 directors, comprising of (i) two executive directors, including the chairman of the board, and (ii) eight independent directors as defined under the Companies Act, 2013 ("the Act"), the Listing Regulations and the Corporate Governance Guidelines of the NYSE Listed Company Manual. Their detailed profiles are available on the company's website: *www.drreddys.com/our-story/leadership/board-of-directors/*

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 October 22, 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 Act, 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 years on passing of a special resolution by the members. Moreover, independent directors cannot retire by rotation.

During FY2021, the members of the company approved the continuation of directorship of Mr. Prasad R Menon (DIN: 00005078), independent director on attaining the age of 75 years under Regulation 17(1A) of the Listing Regulations.

Additionally, members of the company approved 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 January 30, 2021.

Section 152 of the Act, 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. G V Prasad (DIN: 00057433) retires by rotation at the forthcoming annual general meeting (AGM) and being eligible, seeks reappointment.

Therefore, at the forthcoming annual general meeting, approval of members is being sought for the reappointment of Mr. G V Prasad, who retires by rotation and, being eligible, offers himself for the reappointment.

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 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 industryrelated 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.

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	√	√		√	√

* *Term ended on May 10, 2021, as a director.*

Note: FY2021 represents fiscal year 2020-21, from April 1, 2020, to March 31, 2021, and analogously for FY2020 and previously such labelled years.

TABLE 2 | **COMPOSITION OF OUR BOARD AND THEIR DIRECTORSHIPS AS ON MARCH 31, 2021**

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)	January 18, 1993	7	6	8	1	-
Mr. G V Prasad	Co-Chairman and Managing Director	Brother-in-law of Mr. K Satish Reddy(3)	April 8, 1986	7	3	3	1	-
Ms. Kalpana Morparia	Independent Director	None	June 5, 2007	2	-	1	-	2
Dr. Bruce L A Carter	Independent Director	None	July 21, 2008	2	-	4	1	-
Mr. Sridar Iyengar	Independent Director	None	August 22, 2011	4	1	4	-	3
Mr. Bharat N Doshi*	Independent Director	None	May 11, 2016	4	-	2	2	-
Mr. Prasad R Menon	Independent Director	None	October 30, 2017	1	-	2	-	-
Mr. Leo Puri	Independent Director	None	October 25, 2018	2	-	-	-	-
Ms. Shikha Sharma	Independent Director	None	January 31, 2019	5	-	-	4	-
Mr. Allan Oberman	Independent Director	None	March 26, 2019	1	-	1	-	-

* *Term ended on May 10, 2021, as a director.*

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

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

(3) Mr. K Satish Reddy (chairman) and Mr. G V Prasad (co-chairman and managing director) are not 'relative' as defined under Section 2(77) of the Act.

(4) None of the 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.

Details of the familiarization programs for independent directors are available on the company's website: *www.drreddys.com/media/997132/familiarization-programs-2021.pdf*

LETTER OF APPOINTMENT

Upon their appointment, independent directors are given a formal appointment letter containing, *inter alia*, the terms of appointment, roles, functions, 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. In FY2019, an independent expert was engaged to conduct the evaluation process and in FY2020 the evaluation and effectiveness process of the board, its committees and individual directors was undertaken internally.

During FY2021, also the evaluation process was undertaken internally. For the purpose, 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, conflict 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 March 31, 2021.

MEETINGS OF THE BOARD

The company plans and prepares the schedule of the board and board committee meetings 18 to 24 months in advance. The schedule of meetings and their agenda is 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. During FY2021, all board meetings were held through video conference in accordance with the provisions of law. Our board met five times during the financial year under review: on May 20, 2020, July 29, 2020, October 28, 2020, January 29, 2021, and March 24, 2021. 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;
- 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.

TABLE 3 | SHARES/ADRs HELD BY DIRECTORS AS ON MARCH 31, 2021

NAME	NO. OF SHARES/ADRs HELD
Mr. K Satish Reddy(1)	898,432
Mr. G V Prasad(1)(2)	-
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	-

* *Term ended on May 10, 2021, as a director.*

(1) *APS Trust owns 83.11% of Dr. Reddy's Holdings Limited, which in turn owns 41,325,300 shares 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.*

(2) *During the year, Mr. G V Prasad has transferred 11,17,940 equity shares from his individual account to his HUF account.*

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 FY2021, our independent directors met four times in 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 quality of information given to the board were also discussed.

ANNUAL BOARD RETREAT

During FY2021, the annual board retreat was held from January 5, 2021 - January 7, 2021, at the company's corporate office, Hyderabad through video conferencing, where the board conducted a detailed strategic review of the company's business segments 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, which 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/reappointed 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 a 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.

TABLE 4 | DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND THE AGM, FY2021

NAME	MEETINGS HELD IN DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS	ATTENDANCE IN LAST AGM HELD ON JULY 30, 2020
Mr. K Satish Reddy	5	4(1)	Present
Mr. G V Prasad	5	5	Present
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	5	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 May 10, 2021, as a director.*

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

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 Act, and has been considered and approved by the board and the members. The company, in compliance with Section 197 of the Act, and the Listing Regulations, has not granted any stock options to independent directors since FY2013. Remuneration paid or payable to the directors for FY2021 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, nomination, governance and compensation committee and corporate social responsibility committee;
- Dr. Bruce L A Carter: Science, technology and operations committee;
- Mr. Sridar Iyengar: Audit committee; He is also the financial expert and chief ombudsperson for the company's whistle-blower policy;
- Ms. Kalpana Morparia: Stakeholders' relationship committee; and
- Ms. Shikha Sharma: Risk management 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 and their significant transactions;

- 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; and
- Evaluate internal financial controls; and review suspected fraud, if any, committed against the company.
- Review compliance with provisions of SEBI (Prohibition of Insider Trading Regulations, 2015, and verify that the internal controls systems for ensuring compliance with these regulations are adequate and effective.

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), Ms. Kalpana Morparia and Ms. Shikha Sharma.

Under the Indian laws, the audit committee must meet at least four times in a year, with a maximum gap of 120 days between two meetings. The audit committee met seven times during the year: on May 19, 2020, July 29, 2020, August 17, 2020, October 27, 2020, January 28, 2021, February 11, 2021, and March 24, 2021. 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 CCO, 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 nonaudit related services undertaken by the statutory and independent auditors are also pre-approved by the committee.

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 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 May 19, 2020, October 27, 2020, and January 28, 2021. 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** 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 May 19, 2020, July 29, 2020, October 27, 2020, and January 29, 2021. **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 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 May 20, 2020, October 27, 2020, and January 28, 2021.

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. The committee consists of three directors, including two executive directors. The chairperson of the committee is an independent director. The committee met four times during the year: on May 19, 2020, July 28, 2020, October 27, 2020, and January 28, 2021. **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.*

TABLE 5 | **REMUNERATION PAID OR PAYABLE TO THE DIRECTORS FOR FY2021** (₹ '000)

NAME	SALARIES	PERQUISITES[1]	COMMISSION[2]	TOTAL
Mr. K Satish Reddy	21,015	4,333	80,000	105,348
Mr. G V Prasad	21,634	4,483	130,000	156,117
Ms. Kalpana Morparia	-	-	10,967	10,967
Dr. Bruce L A Carter	-	-	10,967	10,967
Mr. Sridar Iyengar	-	-	11,698	11,698
Mr. Bharat N Doshi	-	-	12,429	12,429
Mr. Prasad R Menon	-	-	12,794	12,794
Mr. Leo Puri	-	-	10,601	10,601
Ms. Shikha Sharma	-	-	10,967	10,967
Mr. Allan Oberman	-	-	10,601	10,601

(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 Act. The board of directors approved a fixed commission of ₹ 7,311,000 (US$ 100,000) per Independent director; a specific amount of ₹ 1,827,750 (US$ 25,000) to the chairman of the audit committee; ₹ 1,096,650 (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; ₹ 731,100 (US$ 10,000) to the other members of the committees; ₹ 1,827,750 (US$ 25,000) to the lead independent director; and ₹ 365,550 (US$ 5,000) variable fee per meeting based on the attendance at the board meetings to every independent director.

(3) Apart from receiving the above remuneration, the non-executive directors do not have any pecuniary relationship or transaction with the company.

TABLE 6 | **AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2021**

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Mr. Sridar Iyengar	Chairman	7	7
Mr. Bharat N Doshi*	Member	7	7
Ms. Shikha Sharma	Member	7	7
Mr. Leo Puri**	Member	5	5
Ms. Kalpana Morparia***	Member	2	2

** Term ended on May 10, 2021, as a director.*
*** Ceased to be a member of the committee with effect from February 2, 2021.*
**** Appointed as a member of the committee with effect from February 2, 2021.*

TABLE 7 | **NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2021**

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Mr. Prasad R Menon	Chairman	3	3
Mr. Bharat N Doshi*	Member	3	3
Mr. Leo Puri**	Member	3	3
Ms. Kalpana Morparia***	Member	-	-
Mr. Allan Oberman****	Member	-	-

** Term ended on May 10, 2021, as a director.*
*** Ceased to be a member of the committee with effect from February 2, 2021.*
**** Appointed as a member of the committee with effect from February 2, 2021.*
***** Appointed as a member of the committee with effect from April 1, 2021.*

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The committee consists of three directors, including two executive directors.
The chairman of the committee 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 Act;
- 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 implementation and adherence to the CSR programs and policy of the company from time to time;
- Recommend to the board an annual CSR action plan delineating the CSR projects or programmes to be undertaken during the financial year; and
- Appoint an independent agency/firm to carry out impact assessment study, if any.

The CSR committee met four times during the year: on May 19, 2020, July 28, 2020, October 27, 2020, and January 28, 2021. 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 authorizes executive directors and selected officers of the company to deal with day-today 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 met six times during the year: on May 20, 2020, July 29, 2020, October 28, 2020, December 1, 2020, January 6, 2021, and January 29, 2021. 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 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 company 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 FY2021, 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 at arm's length pricing and generally in the ordinary course of business. The details of related party transactions are discussed 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: *www.drreddys.com/media/764069/policy-materiality-related-party-transactions.pdf*

Interested directors are not present during 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 a 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: *www.drreddys.com/media/763674/policy-for-determining-material-subsidiaries.pdf*

DISCLOSURE ON ACCOUNTING TREATMENT

In the preparation of financial statements for FY2021, there is no treatment of any transaction which is different from that prescribed in the Indian Accounting Standards notified by the Government of India under Section 133 of the Act, 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 risks 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. 26-27 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 performance of various business units;
- 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 internal 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, designated persons and their relatives 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 the SEBI/SEs. 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:

- Organization's strategic objective;
- 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 our internal control systems are achieved through clear policies and procedures, process automation, training and development of employees and an organization structure that segregates responsibilities.

Our internal audit team is an independent assurance and advisory function, responsible for evaluating and improving the effectiveness of risk management,

TABLE 8 | SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2021

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

* *Ceased to be a member of the committee with effect from February 2, 2021.*
** *Appointed as a member of the committee with effect from February 2, 2021.*

TABLE 9 | RISK MANAGEMENT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2021

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Ms. Shikha Sharma	Chairperson	3	3
Dr. Bruce L A Carter	Member	3	3
Mr. Sridar Iyengar	Member	3	2[1]
Mr. Allan Oberman*	Member	3	3
Mr. Leo Puri**	Member	-	-

* *Ceased to be a member of the committee with effect from April 1, 2021.*
** *Appointed as a member of the committee with effect from February 2, 2021.*
[1] *Was given leave of absence on request for one meeting.*

TABLE 10 | STAKEHOLDERS' RELATIONSHIP COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2021

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	4
Mr. G V Prasad	Member	4	4
Mr. K Satish Reddy	Member	4	4

* *Term ended on May 10, 2021, as a director.*

TABLE 11 | CORPORATE SOCIAL RESPONSIBILITY COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2021

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Mr. Bharat N Doshi*	Chairman	4	4
Mr. Prasad R Menon**	Chairman	-	-
Mr. K Satish Reddy	Member	4	4
Mr. G V Prasad	Member	4	4

* *Term ended on May 10, 2021, as a director. Chairman of the committee till April 11, 2021.*
** *Appointed as a member and chairman, with effect from April 12, 2021.*

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 specialized 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 the 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 FY2021, 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 an 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 FY2021.

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/with 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 FY2021, 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; and to M/s. Ernst & Young Associates LLP, the independent auditors and other entities within their network.

(₹ MILLIONS)

TABLE 12 | **AUDITORS' FEES**

TYPE OF SERVICE	FY2021	FY2020
Audit fees	84.4	76.0
Tax audit fees	20.2	13.1
All other fees	7.0	2.1
Total	**111.6**	**91.2**

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, business partners, 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, where all official news releases and presentations made to institutional investors and analysts are posted. It contains a separate dedicated investors section, as required under Regulation 46(2) of the Listing Regulations, where the information for members is available. Webcast of the proceedings of the AGM is 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 information are 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 shareholders 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, NSE IFSC Limited and filed with SEC, as appropriate.
8. **Designated exclusive e-mail 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.

TABLE 13 | **DETAILS OF COMMUNICATION MADE DURING FY2021**

MEANS OF COMMUNICATION	NUMBER
Press releases/statements	61
Earnings calls	4
Publication of results	4

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

MR. G V PRASAD

Mr. G V Prasad (aged 60 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 especially in developed markets. He is also passionate about sustainable manufacturing and business practices. He 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, differentiated formulations, and the company's sustainability initiatives including the adoption of green technologies and processes.

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 2020 and 2021 Power List' of the most inspirational professionals shaping the future of drug development and under the category of "Small Molecules" for his remarkable work and contribution to pharmaceutical industry. He has also been named India Business Leader of the year by CNBC Asia in 2015, Regional Honoree for the 2020 YPO Global Impact Award, r eceived the V. Krishnamurthy Award for Excellence by the Centre for Organizational Development in 2019, and was designated The Boundary Breaker at the CEO Awards in 2018.

Prior to May 2014, Mr. Prasad held titles of chairman and chief executive officer. He was reappointed as a whole-time director designated as co-chairman and managing director of the company at the 36th AGM of the members held on July 30, 2020, for a period of five years commencing January 30, 2021, to January 29, 2026, liable to retire by rotation. He retires by rotation at the forthcoming 37th AGM of the company and, being eligible, offers himself for reappointment.

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, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Institute of Life Sciences, International Foundation for Research and Education and 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 FY2021. He does not hold any equity shares in the company as on March 31, 2021.

Mr. G V Prasad and Mr. K Satish Reddy are brother-in-laws. They are not 'relative' as defined under Section 2(77) of the Act.

LISTED COMPANY DIRECTORSHIP OF THE BOARD MEMBERS

Table 14 on page 64 enumerates the directors who are holding directorship in listed entities, including Dr. Reddy's, as on March 31, 2021.

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 FY2021. 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 nonexecutive 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.

TABLE 14 | LISTED COMPANY DIRECTORSHIP OF BOARD MEMBERS AS ON MARCH 31, 2021

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
	Aster DM Healthcare Limited		Independent Director
	Dr. Reddy's Laboratories Limited		Independent Director

III. APPLICABILITY

This policy is applicable to the following:

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

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 consists of three 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 FY2021, the audit committee met seven 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, internal audit plan and chief internal auditor's remuneration;

c) Related party transactions, as applicable;

d) The financial statements of the subsidiaries including their investments and significant transactions; and

e) Ombudsperson process/complaints and insider trading matters.

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 March 31, 2021, 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 March 31, 2021, 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 also recommended the appointment of the statutory auditor, secretarial auditor, cost auditor and independent auditor to the board.

SRIDAR IYENGAR
Chairman, Audit Committee

Place: USA
Date: May 13, 2021

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 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 and the impact of related significant regulatory and statutory changes, if any, to ensure that the company is at the forefront of good corporate governance;
- Periodically 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, KMPs 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:
  a) Establish annual key result areas (KRAs) for the executive directors and oversee the status of their achievement;
  b) Review, discuss and provide guidance to the management, on the KRAs for members of the MC, KMP and their remuneration; and
  c) Review the company's ESOP schemes and oversee its administration.

As on March 31, 2021, the company had 1,015,522 outstanding stock options, which amounts to 0.61% of total equity capital. These options are held by 247 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.

359,252 stock options are exercisable at par value i.e. ₹ 5/- per option and 656,270 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, this year the committee has given special emphasis to board renewal, identifying candidates for the board, 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: May 13, 2021

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 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, business development opportunities, interaction with academic and other outside research organizations;
- Assist the board and the management in the creation of valuable intellectual property (IP);
- Review the status of non-infringement patent challenges;
- Assist the board and the management 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. During the year, the committee also reviewed global manufacturing, R&D, product pipeline and digital transformation in R&D. It also apprised the board on key discussions and recommendations made at such meetings.

DR. BRUCE L A CARTER
Chairman, Science, Technology and Operations Committee

Place: USA
Date: May 13, 2021

EXHIBIT 4

REPORT OF THE RISK MANAGEMENT COMMITTEE

To the shareholders of Dr. Reddy's Laboratories Limited

The risk management committee of the board 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 that the management is taking 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 *inter alia* to review key initiatives and matters. The committee also recommended appropriate 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: Mumbai
Date: May 13, 2021

EXHIBIT 5

REPORT OF THE STAKEHOLDERS' RELATIONSHIP COMMITTEE

To the shareholders of Dr. Reddy's Laboratories Limited

The stakeholders' relationship committee of the board consists of three directors, including two executive directors. The chairperson 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:

- Review investor complaints and their redressal;
- Review of queries received from investors;
- Review of work done by the share transfer agent including their service standards;
- Review corporate actions related to security holders; and
- Review investor engagement plans/initiatives and movement in shareholdings and ownership structure.

The committee met four times during the financial year. In addition to the fulfilment of its normal responsibilities as described above, 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: Mumbai
Date: May 13, 2021

EXHIBIT 6

REPORT OF THE CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

To the shareholders of Dr. Reddy's Laboratories Limited

The corporate social responsibility (CSR) committee of the board 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's 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 and spent, key discussions and recommendations made at such meetings and shared information on the overall CSR initiatives undertaken by the company.

PRASAD R MENON
Chairman, Corporate Social Responsibility Committee

Place: Hyderabad
Date: May 13, 2021

EXHIBIT 7

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 ('COBE' and '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 2020-21.

EREZ ISRAELI
Chief Executive Officer

Place: Hyderabad
Date: May 14, 2021

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 Parag Agarwal, chief financial officer, to the

best of our knowledge and belief, hereby certify that:

A. We have reviewed the financial statements including the cash flow statement (standalone and consolidated) for the financial year ended March 31, 2021 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

PARAG AGARWAL
Chief Financial Officer

Place: Hyderabad
Date: May 14, 2021

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, 2021 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, 2021 and verified that at least 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 April 01, 2020 to March 31, 2021:
      (a) Board of Directors;
      (b) Audit committee;
      (c) Annual General meeting (AGM);
      (d) Nomination Governance and Compensation committee;
      (e) Stakeholders Relationship committee;
      (f) Science, Technology and Operation committee;
      (g) Corporate Social Responsibility committee; and
      (h) Risk management committee.
   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 wherein 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, 2021, 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: 21053315AAAABM6039

Place of Signature: Chennai
Date: May 14, 2021

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.

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

Note: Date of appointment of all the directors are original date of appointment as per MCA records.

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 (in table) for the Financial Year ending on 31st March, 2021 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: F004448C000279351

Place: Hyderabad
Date: May 11, 2021

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
Mr. 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
Mr. Amit Agarwal
Head - Investor Relations
Tel: +91-40-4900 2135
Fax: +91-40-4900 2999
E-mail ID: amita@drreddys.com

MEDIA
Ms. 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
Mr. Sandeep Poddar
Company Secretary
Tel: +91-40-4900 2222
Fax: +91-40-4900 2999
E-mail ID: shares@drreddys.com

ANNUAL GENERAL MEETING

Date: Wednesday, July 28, 2021
Time: 9.00 am (IST)
Mode: Through Video Conference (VC) facility/Other Audio Visual Means (OAVM)

Ministry of Corporate Affairs (MCA) vide circular no. 14/2020 dated April 8, 2020, general circular no. 17/2020 dated April 13, 2020, circular no. 20/2020 dated May 5, 2020, and general circular no. 02/2021 dated January 13, 2021, 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 37th AGM scheduled to be held on July 28, 2021, will be paid on or after August 2, 2021.

BOOK CLOSURE DATES

The dates of book closure are from Tuesday, July 13, 2021, to Thursday, July 15, 2021, (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 Tuesday, July 20, 2021.

The e-voting commences on Saturday, July 24, 2021, at 9.00 am (IST) and ends on Tuesday, July 27, 2021, 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**.

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.

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 March 31, 2021.

FINANCIAL CALENDAR

TENTATIVE CALENDAR FOR DECLARATION OF FINANCIAL RESULTS IN FY2022	
For the quarter ending June 30, 2021	Last week of July 2021
For the quarter and half-year ending September 30, 2021	Last week of October 2021
For the quarter and nine months ending December 31, 2021	Last week of January 2022
For the year ending March 31, 2022	Third week of May 2022
AGM for the year ending March 31, 2022	Last week of July 2022

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
NSE IFSC Limited, Unit No. 1201, Brigade International Financial Centre, 12th Floor, Block-14, Road 1C, Zone-1, GIFT SEZ, Gandhinagar, Gujarat 382355, India	-	DRREDDY

Notes:
1. *Listing fees to the Indian stock exchanges for listing of equity shares have been paid for the FY2022.*
2. *Listing fees to the NYSE for listing of ADRs has been paid for the CY2021.*
3. *The stock code on Reuters is REDY.NS and on Bloomberg is DRRD:IN.*

FY2021 represents fiscal year 2020-21, from April 1, 2020, to March 31, 2021, and analogously for FY2020 and other such labeled years.

TABLE 1 | PERSONS HOLDING 1% OR MORE OF THE EQUITY SHARES IN THE COMPANY AS ON MARCH 31, 2021[1]

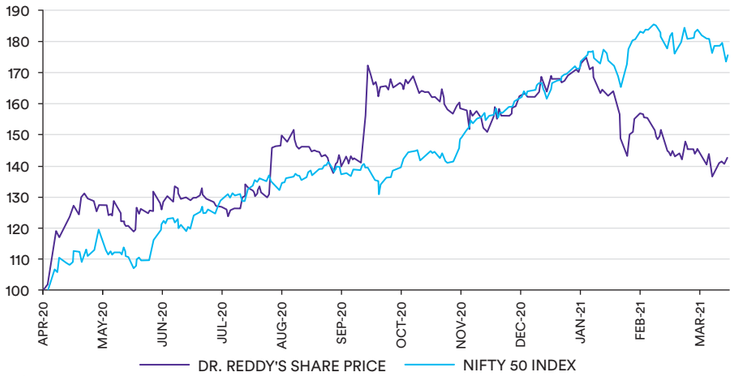
NAME	NO. OF SHARES	%
Dr. Reddy's Holdings Limited	41,325,300	24.85
Mitsubishi UFJ Financial Group, Stewart Investors & their associates	7,769,465	4.67
Blackrock and their associates	4,633,802	2.79
SBI Mutual Fund and their associates	4,123,231	2.48
Aditya Birla Sun Life Mutual Fund and their associates	3,233,048	1.94
Mirae Asset Mutual Fund and their associates	2,976,083	1.79
Government of Singapore	2,773,174	1.67
ICICI Prudential Life Insurance Company Limited	2,549,613	1.53
NPS Trust and their associates	2,046,925	1.23
DSP Mutual Fund and their associates	1,826,609	1.10
UTI Mutual Fund and their associates	1,825,177	1.10

[1] *Does not include ADR holding.*

TABLE 2 | EQUITY HISTORY OF THE COMPANY SINCE INCORPORATION OF THE COMPANY UP TO MARCH 31, 2021

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
2020-21	Allotment pursuant to exercise of stock options	129,149		166,301,231

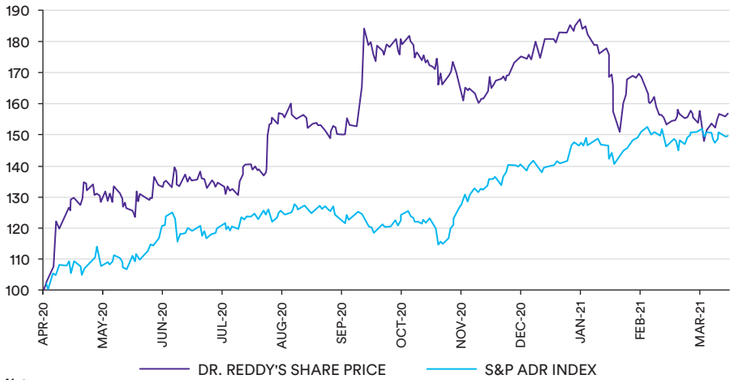
CHART 1 | MOVEMENT OF THE COMPANY'S SHARE PRICE ON NSE AND NIFTY 50 INDEX



Notes:

1. *All values are indexed to 100 as on April 1, 2020.*
2. *Nifty 50 is a diversified 50 stock index accounting for 13 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.*

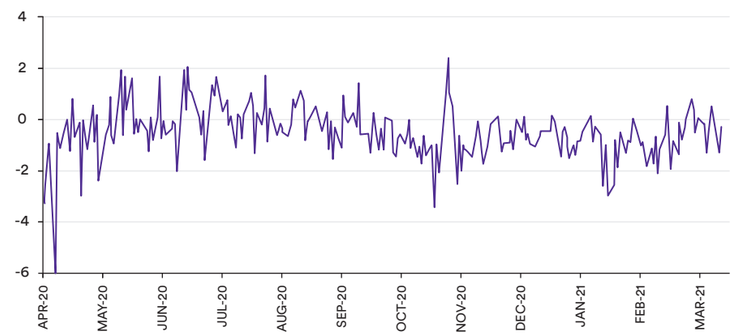
CHART 2 | MOVEMENT OF THE COMPANY'S ADR PRICES AND S&P ADR INDEX



Notes:

1. *All values are indexed to 100 as on April 1, 2020.*
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.*

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 EQUITY 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

EQUITY HISTORY OF THE COMPANY

Table 2 lists the equity history of the company since the incorporation of the company up to March 31, 2021.

STOCK DATA

Table 3 gives the monthly high/low and the total number of shares/ADRs traded on monthly basis on the BSE, NSE and the NYSE during FY2021.

Chart 1 gives the movement of company's share price on NSE vis-à-vis NIFTY 50 Index during FY2021.

Chart 2 gives the movement of company's ADR price on NYSE vis-à-vis S&P ADR Index during FY2021.

Chart 3 gives the premium in percent on company's ADR traded on NYSE compared to the share price quoted at NSE during FY2021.

SHAREHOLDING PATTERN AS ON MARCH 31, 2021

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

DIVIDEND HISTORY

Chart 4 shows the dividend history of the company from the FY2011 to FY2021.

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.

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. In terms of Regulation 40(1) of SEBI Listing Regulations, as amended from time to time, members may please note that shares can be transferred only in dematerialised form with effect from April 1, 2019, except in case of request received for transmission or transposition of shares. Further, SEBI has fixed March 31, 2021 as the cut-off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in demat mode. Therefore, members holding shares in physical form are requested to consider dematerilising their holdings, for their own benefit.

Pursuant to the provisions of Section 46 of the Companies Act, 2013 ("the Act"), read with Rule 6(2)(a) of the Companies (Share Capital and Debentures) Rules, 2014, duplicate share certificates, in lieu of those that are lost or destroyed, should only be issued with the prior consent of the board. Therefore, based on circular no. 19/2014 dated June 12, 2014, issued by the Ministry of Corporate Affairs, and consequent to delegation of power of issuing duplicate share certificates by the board of directors to the stakeholders' relationship committee, the 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**.

TABLE 3 | HIGH, LOW AND NUMBER OF SHARES TRADED PER MONTH ON BSE, NSE AND NYSE DURING FY2021

MONTH	BSE			NSE			NYSE		
	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH (US$)	LOW (US$)	NO. OF ADRs [1]
Apr-20	4,095.00	3,027.55	746,155	4,094.30	3,025.10	29,689,756	53.23	38.71	5,459,279
May-20	4,099.90	3,613.45	664,811	4,132.20	3,613.85	24,331,385	53.73	48.56	4,746,633
Jun-20	4,189.35	3,888.40	640,277	4,190.00	3,886.00	20,727,535	55.19	51.83	4,231,035
Jul-20	4,558.70	3,815.80	973,115	4,560.00	3,814.00	29,069,616	60.95	51.12	3,914,978
Aug-20	4,754.30	4,230.10	823,335	4,758.60	4,216.65	22,575,369	62.60	57.54	2,543,632
Sep-20	5,514.65	4,233.85	2,522,272	5,512.65	4,232.00	89,387,168	73.50	57.86	4,438,302
Oct-20	5,321.05	4,832.40	1,338,160	5,322.80	4,831.00	45,219,718	71.30	64.38	3,994,187
Nov-20	5,018.70	4,658.80	1,041,579	5,017.00	4,656.30	30,410,549	68.54	62.42	3,649,410
Dec-20	5,273.95	4,805.90	1,013,600	5,274.20	4,806.00	27,494,796	71.43	65.09	2,629,909
Jan-21	5,443.35	4,550.00	841,355	5,443.50	4,550.00	17,177,042	73.39	61.13	3,453,127
Feb-21	4,909.30	4,261.00	1,524,210	4,909.95	4,377.00	30,726,072	66.50	58.37	4,989,326
Mar-21	4,582.85	4,135.90	805,451	4,583.35	4,135.00	19,169,389	62.60	57.54	4,697,127

[1] One ADR is equal to one equity share. There was no trading in the company's ADRs on NSE IFSC except 20 ADRs were traded on December 9, 2020.

TABLE 4 | DISTRIBUTION OF SHAREHOLDING ON THE BASIS OF CATEGORY

CATEGORY	AS ON MARCH 31, 2021		AS ON MARCH 31, 2020		% CHANGE
	NO. OF SHARES	% OF TOTAL	NO. OF SHARES	% OF TOTAL	
Promoters' Holding [1]					
- Individuals/HUF	3,135,828	1.88	3,133,228	1.89	(0.01)
- Companies	41,325,300	24.85	41,325,300	24.87	(0.02)
Sub-total	**44,461,128**	**26.73**	**44,458,528**	**26.76**	**(0.03)**
Indian financial institutions	1,442,868	0.87	8,896,044	5.35	(4.48)
Banks	112,089	0.07	224,457	0.14	(0.07)
Mutual funds/UTI	22,138,337	13.31	14,539,166	8.75	4.56
Foreign holdings					
- Foreign institutional investors/foreign portfolio investors	48,276,060	29.03	50,098,326	30.15	(1.12)
- Non resident Indians	1,666,509	1.00	1,653,054	0.99	0.01
- ADRs	20,299,272	12.21	23,429,546	14.10	(1.89)
- Foreign nationals	1,459	0.00	4,199	0.00	-
Sub-total	**93,936,594**	**56.49**	**98,844,792**	**59.48**	**(2.99)**
Indian public and corporates	27,903,509	16.78	22,868,762	13.76	3.02
Total	**166,301,231**	**100.00**	**166,172,082**	**100.00**	**-**

[1] Change in percentage and number of shares are due to ESOP allotment and purchase of 2,600 shares by Mr. G Sharath Chandra Reddy, respectively.

CHART 4 | **DIVIDEND HISTORY FY2011-21 (%)**

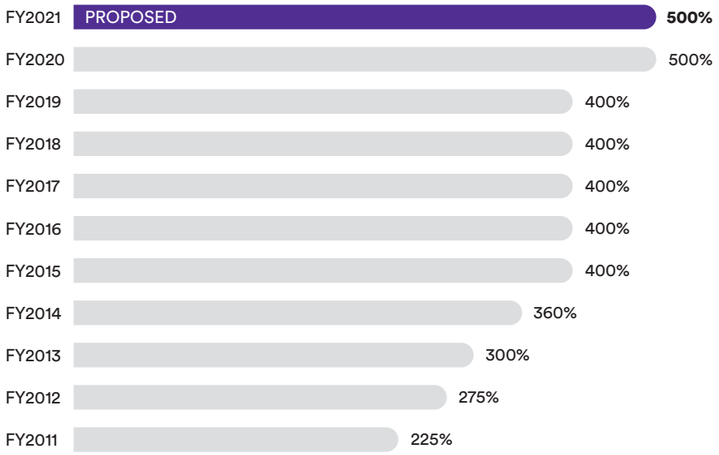
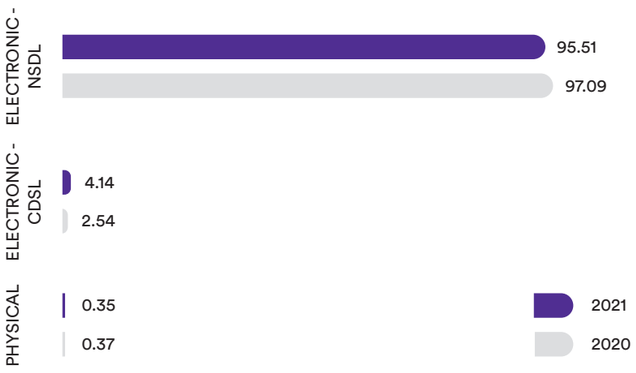


CHART 5 | **BREAK UP OF SHARES IN ELECTRONIC AND PHYSICAL FORM AS ON MARCH 31, 2021 AND MARCH 31, 2020 (%)**



DEMATERIALIZATION OF SHARES

The company's scrip forms part of the compulsory dematerialization segment for all investors with effect from February 15, 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 gives the breakup of dematerialized shares and shares in physical form as on March 31, 2021, compared with March 31, 2020. 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 Act, and corresponding Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a secretarial audit for FY2021 was carried out by M/s. Makarand M. Joshi & Co., practicing company secretaries, Mumbai, India (certificate of practice no. 3663) having more than 21 years of experience. The secretarial audit report forms a part of this annual report.

In accordance with the SEBI Circular dated February 8, 2019, the company has also obtained a Secretarial Compliance Report from M/s. Makarand M. Joshi & Co. confirming compliances with all applicable SEBI Regulations, Circulars and guidelines for the year ended March 31, 2021.

TABLE 5 | **DISTRIBUTION OF EQUITY SHAREHOLDING ACCORDING TO OWNERSHIP AS ON MARCH 31, 2021**

SHARES HELD	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHAREHOLDING
1 – 5,000	222,489	97.58	6,742,433	4.05
5,001 – 10,000	2,089	0.92	1,537,852	0.92
10,001 – 20,000	1,282	0.56	1,891,599	1.14
20,001 – 30,000	457	0.20	1,141,232	0.69
30,001 – 40,000	313	0.14	1,095,860	0.66
40,001 – 50,000	177	0.08	797,504	0.48
50,001 – 100,000	450	0.20	3,128,370	1.88
100,001 & above	743	0.32	129,667,109	77.97
Total (excluding ADRs)	**228,000**	**100.00**	**146,001,959**	**87.79**
Equity shares underlying ADRs[1]	1	0.00	20,299,272	12.21
Total	**228,001**	**100.00**	**166,301,231**	**100.00**

[1] Held by beneficial owners outside India.

In addition to the above, for each quarter of FY2021, 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' and also listed in India on NSE IFSC Ltd. under the ticker symbol 'DRREDDY'. Each ADR is represented by one equity share. As on March 31, 2021, there were approximately 63 registered holders and 15,257 beneficial shareholders of ADRs evidencing 20,299,272 ADRs.

QUERIES AND REQUESTS RECEIVED FROM SHAREHOLDERS IN FY2021

Table 7 gives details of the nature of shareholder queries received and replied to during FY2021. Pending requests as on March 31, 2021, were under process of statutory formalities and were subsequently attended to.

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 last three annual general meetings.

POSTAL BALLOT DETAILS

During the year, the company did not propose any special resolution through postal ballot.

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 Act, read with applicable Rules, the company provides 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 such 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 envelopes to its shareholders whose names appear on the register of members/list of beneficiaries as on the 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 dividends 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 to 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 Act, unclaimed dividend amounts for the FY2013 of ₹ 7,676,380/- and bonus debentures redemption amount along with third and final year's interest on debentures of ₹ 20,259,899/- has been transferred to the general revenue account of the Central Government/Investor Education and Protection Fund (IEPF).

The dividends for FY2014 which are unclaimed for seven years will be transferred to IEPF. **Table 9** gives the transfer dates in this regard.

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

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

The shareholders who have not cashed their dividend are requested to immediately approach the 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 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 Act, 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, the company has transferred (transmitted) 12,824 equity shares held under 96 folios on which dividend has not been paid or claimed for seven consecutive years to IEPF.

TABLE 6 | **SHARES TRANSFERRED/TRANSMITTED IN PHYSICAL FORM**

SHARES TRANSFERRED/TRANSMITTED IN PHYSICAL FORM	FY2021	FY2020
Number of transfers*/transmissions	6	26
Number of shares	2,100	7,637

**Transfers processed during FY2021 were all lodged within prescribed time.*

The company has sent individual notices to the latest available addresses of the shareholders, whose dividends are lying unpaid/unclaimed for FY2014 along with subsequent seven consecutive years' dividend, advising them to claim the dividends on or before August 18, 2021. It has also published a notice in newspapers inviting the shareholders' attention.

Shareholders who have not claimed their dividends since 2013-14 can write to the company's RTA or at the registered office of the company on or before August 18, 2021, 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 August 18, 2021, 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 Listing Regulations read with Schedule VI of the said Regulations, the company has dematerialized shares which have been returned undelivered by postal authorities and shares lying unclaimed after sub-division.

TABLE 7 | **SHAREHOLDER QUERIES AND PENDING COMPLAINTS RECEIVED AND REPLIED TO IN FY2021**

SL. NO.	NATURE	OPENING BALANCE	RECEIVED	REPLIED	CLOSING BALANCE*
1	Change of address	-	-	-	-
2	Request for revalidation and issue of duplicate dividend warrants	-	96	96	-
3	Request for sub-division of shares (exchange)	2	16	18	-
4	Share transfers	-	-	-	-
5	Transmission of shares	-	5	5	-
6	Split/consolidation of shares	-	-	-	-
7	Stop transfer	-	24	24	-
8	Power of attorney registration	-	-	-	-
9	Change of bank mandate	-	59	59	-
10	Correction of name	-	-	-	-
11	Dematerialization of shares	-	110	110	-
12	Rematerialization of shares	-	-	-	-
13	Issue of duplicate share certificates	-	18	16	2
14	Requests received from shareholders	-	750	750	-
15	Complaints received through stock exchanges/SEBI etc.	-	5	5	-
16	Claim of unclaimed share certificates	-	24	24	-

** The company has since attended all the shareholders' requests and queries which were pending as on March 31, 2021.*
The above table does not include shareholders' disputes, which are pending in various courts.

TABLE 8 | **LAST THREE ANNUAL GENERAL MEETINGS**

YEAR	DATE AND TIME	LOCATION	SPECIAL RESOLUTION(S) PASSED
2017-18	July 27, 2018 at 9.30 am (IST)	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 • Authorization to the Trust for secondary acquisition of equity shares for the purpose of stock options.
2018-19	July 30, 2019 at 9.30 am (IST)	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.
2019-20	July 30, 2020 at 9.00 am (IST)	Held through Video Conferencing (VC)/Other Audio Visual Means (OAVM)	• Continuation of directorship of Mr. Prasad R Menon (DIN: 00005078), independent director, in terms of Regulations 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 an 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 Act, and Rules made thereunder.

Table 10 gives the details of the unclaimed shares as on March 31, 2021, held by the company.

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

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.

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 APPOINTMENT/ REAPPOINTMENT/ CONTINUATION

The information is given in the chapter on *Corporate Governance* and *Notice of 37th AGM*.

PROCEDURE FOR CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to the provisions of Section 100 of the Act, 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 Act, any person, or some shareholders intending to propose such person for appointment as a director of the company, shall deposit a signed notice signifying his/her candidature to the office of a director, at the registered

TABLE 9 | **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 MARCH 31, 2021	DUE FOR TRANSFER ON
2013-14	Debenture redemption and 3rd & final year interest*	24-Mar-14	20,259,898.57	23-Mar-21
2013-14	Final dividend	31-Jul-14	8,709,606.00	30-Aug-21
2014-15	Final dividend	31-Jul-15	9,282,820.00	30-Aug-22
2015-16	Final dividend	27-Jul-16	10,321,640.00	30-Aug-23
2016-17	Final dividend	28-Jul-17	15,603,860.00	31-Aug-24
2017-18	Final dividend	27-Jul-18	14,262,560.00	30-Aug-25
2018-19	Final dividend	30-Jul-19	14,294,360.00	5-Sep-26
2019-20	Final dividend	30-Jul-20	12,802,965.52	31-Aug-27

**The unpaid debenture redemption and 3rd & final year interest amount was transferred to IEPF within a period of 30 days from the due date on April 9, 2021.*

TABLE 10 | **UNCLAIMED SHARES AS ON MARCH 31, 2021**

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*	2,233	374,953
ii.	No. of shareholders who approached to claim the unclaimed shares during the year	56	6,378
iii.	No. of shareholders who claimed and were given the unclaimed shares during the year	51	6,195
iv.	Aggregate no. of shareholders and the outstanding no. of unclaimed shares at the end of the year	2,182	368,758

**This includes 2,040 shares under three folios dematerialized in April 2020, in the unclaimed suspense account.*

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 are 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 2.28 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 ("the Act"), as amended, effective as on date, and applicable to the company;

(b) Maintained all books of accounts and statutory registers prescribed under the Act;

(c) Filed all forms and returns and furnished all necessary particulars to the Registrar of Companies and/or other authorities as required under the Act;

(d) Conducted the board meetings, shareholders' meeting and postal ballot as per the Act, and the minutes thereof were properly recorded in the respective minutes books;

(e) Effected share transfers or transmissions and dispatched the certificates, wherever applicable 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: May 14, 2021

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. 75A, 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 (SEZ)
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
Village Khol, PO - Bhud, Baddi,
Nalagarh Road, Tehsil Nalagarh,
Solan District,
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 8 - FORMULATIONS BADDI PLANT
Village Mauja Thana, PO - Bhud,
Baddi, Nalagarh Baddi Road,
Tehsil Nalagarh, Solan District,
Himachal Pradesh, Pin: 173 205

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

FTO 12 - FORMULATIONS BADDI PLANT
Village Kunjhal, PO - Barotiwala, Baddi,
Tehsil Nalagarh Road, Solan District,
Himachal Pradesh, Pin: 174 103

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, BENGALURU
39-40, KIADB Industrial Area,
Electronic City Phase II,
Hosur Road, Bengaluru,
Karnataka, Pin: 560 100

AURIGENE PHARMACEUTICAL SERVICES LIMITED, 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 37th annual report for the year ended March 31, 2021.

The financial year 2021 started with COVID-19 related lockdowns in India and several parts of our major markets. The pandemic which started about 15 months back impacted almost everyone and your company was no exception. There were challenges around movement of people and all the business operations were impacted — be it manufacturing, research and development (R&D), marketing or the supply chain and logistics. Our team accepted the situation as a challenge and solved the issues one by one to ensure that your company continues to make medicines and serve its patients across the globe.

We also collaborated with multiple global partners and have been developing a number of COVID-19 related drugs. We have successfully launched a vaccine. We found new ways of working by leveraging digitalization and undertaking several precautionary measures to ensure the health and safety of our employees and business partners. We contributed our bit to support the needy and front line workers. Our actions during the pandemic have been driven by our purpose of *'Good Health Can't Wait'* and reflect the dynamism and empathy which are core to us.

FINANCIAL HIGHLIGHTS AND COMPANY AFFAIRS*

Table 1 gives the consolidated and standalone financial highlights of the company based on Indian Accounting Standards (Ind AS) for FY2021 (i.e. from April 1, 2020, to March 31, 2021) compared to the previous financial year.

The company's consolidated total income for the year was ₹ 193.39 billion, which was up by 7% over the previous year. This amounted to US$ 2.64 billion. Profit before tax (PBT) was ₹ 28.84 billion, representing an increase of 53% over the previous year. This translated to US$ 394 million.

The company's standalone total income for the year was ₹ 141.50 billion, which was up by 12% over the previous year. This was US$ 1.93 billion. PBT was ₹ 30.56 billion (US$ 418 million), which was up by 10% in rupee terms over the previous year.

Revenues from Global Generics were up by 12% and stood at ₹ 154.4 billion. There was growth across North America Generics, Emerging Markets and India, with strong growth in Europe.

Revenues from North America stood at ₹ 70.5 billion, registering a year-on-year growth of 9%. This was largely on account of revenue contribution from new products launched, increase in volumes for some of our base products, and favorable foreign exchange movement, partly offset by high price erosions in some of our products.

During the year, the company filed 20 abbreviated new drug applications (ANDAs) and one new drug application (NDA) under Section 505(b)(2) in the USA. As of March 31, 2021, there were 95 generic filings awaiting approval with the US Food and Drug Administration (USFDA), comprising 92 ANDAs and three NDAs filed under Section 505(b)(2). Of the 92 ANDAs, 47 are Para IV applications, and we believe that 23 of these have 'First to File' status.

Revenues from Emerging Markets were ₹ 35.1 billion, registering a year-on-year growth of 7%. Revenues from India stood at ₹ 33.4 billion, showing a year-on-year growth of 15%. Revenues from Europe were ₹ 15.4 billion, or a year-on-year growth of 32%.

Revenues from Pharmaceutical Services and Active Ingredients (PSAI) stood at ₹ 32 billion, with a year-on-year growth of 24%. During the year, the company filed 149 drug master files (DMFs) worldwide, including 14 filings in the US.

SCHEME OF AMALGAMATION

During FY2020, the scheme of amalgamation of Dr. Reddy's Holdings Limited with the company was approved by the board of directors, members and unsecured creditors of the company.

TABLE 1 | **FINANCIAL HIGHLIGHTS** (₹ MILLION)

PARTICULARS	CONSOLIDATED		STANDALONE	
	FY2021	FY2020	FY2021	FY2020
Total income	193,389	181,376	141,502	125,936
Profit before depreciation, amortization, impairment and tax	47,411	46,694	39,062	35,650
Depreciation and amortization	12,288	11,631	8,350	7,892
Impairment of non-current assets	6,768	16,767	150	-
Profit before tax and before share of equity accounted investees	28,355	18,296	30,562	27,758
Share of profit of equity accounted investees, net of tax	480	561	-	-
Profit before tax	28,835	18,857	30,562	27,758
Tax expense	9,319	(1,403)	8,698	(1,619)
Net profit for the year	**19,516**	**20,260**	**21,864**	**29,377**
Opening balance of retained earnings	128,349	112,000	124,979	99,511
Net profit for the year	19,516	20,260	21,864	29,377
Other comprehensive income/(loss)	3	5	3	5
Dividend paid during the year	(4,147)	(3,314)	(4,147)	(3,314)
Tax on dividend paid	-	(602)	-	(600)
Transfer to general reserve	-	-	-	-
Transfer to SEZ re-investment reserve, net	(1,326)	-	(1,326)	-
Closing balance of retained earnings	**142,395**	**128,349**	**141,373**	**124,979**

**The conversion rate is considered as US$ 1 = ₹ 73.14.*
Note: FY2021 represents fiscal year 2020-21, from April 1, 2020, to March 31, 2021, and analogously for FY2020 and other such labelled years.

The no-observation letters from the BSE Limited and National Stock Exchange of India Limited were received on the basis of no comments received from the Securities and Exchange Board of India (SEBI). The petition for approval of the said scheme was filed with the Hon'ble National Company Law Tribunal (NCLT), Hyderabad Bench.

During FY2021, hearings on the petition took place and on April 20, 2021, the Hon'ble NCLT has reserved the order.

DIVIDEND

Your directors are pleased to recommend a dividend of ₹ 25 (500%) for FY2021, 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 37th 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 July 12, 2021. In terms of the provisions of the Income Tax Act, 1961, such dividend will be taxable in the hands of the members.

In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the dividend distribution policy, is available on the company's website on *www.drreddys.com/investors/governance/policies-and-documents/*

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 ₹ 0.65 million to ₹ 831.51 million in FY2021 due to allotment of 129,149 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'.

On December 9, 2020, the company also listed its ADRs on NSE International Exchange in GIFT City, Gujarat (NSE IFSC).

PUBLIC DEPOSITS

The company has not accepted any deposits covered under Chapter V of the Companies Act, 2013 ("the Act"). 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. Further, there was no significant change in the nature of business carried on by 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 52 subsidiaries and one joint venture company as on March 31, 2021. During FY2021, Dr. Reddy's (Beijing) Pharmaceutical Company Limited in China and Dr. Reddy's Formulations Limited in India were incorporated as a step-down subsidiary company and a wholly-owned subsidiary, respectively. Pursuant to sale of the membership interests in DRANU, LLC, it ceased to be a joint venture during the year. Further, the company sold its Contract Development and Manufacturing Organization (CDMO) division of Custom Pharmaceutical Services (CPS) business to Aurigene Pharmaceutical Services Limited (APSL), a wholly-owned subsidiary, on slump sale basis, for a consideration of ₹ 5,434.5 million.

Section 129(3) of the Act, 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 statements of the company and of all subsidiaries and associate companies in the same form and manner as that of its own and also attach along with its financial statements, 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 associates, 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 I** 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 Act, 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 and/or in electronic mode.

Any member desirous of inspecting such documents are requested to write to the company by sending an email to shares@drreddys.com.

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 Act, 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 FY2021, members of the company approved the reappointment of Mr. G V Prasad as a whole-time director designated as co-chairman and managing director of the company for a further period of five years with effect from January 30, 2021. The members also approved the continuation of Mr. Prasad R Menon as an independent director, pursuant to regulation 17(1A) of the Listing Regulations, who attained the age of seventy five years.

Mr. G V Prasad retires by rotation at the forthcoming 37th AGM and being eligible, seeks reappointment.

Mr. Bharat N Doshi completed his term as an independent director on May 10, 2021, and does not seek reappointment. The board places on record its appreciation for his contributions as director of the company.

Mr. Saumen Chakraborty retired as chief financial officer of the company with effect from December 1, 2020. The board of directors, at its meeting held on October 28, 2020, appointed Mr. Parag Agarwal as chief financial officer of the company with effect from December 1, 2020. The board records its appreciation for the excellent work done by Mr. Chakraborty across various departments of the company, including finance, during his long stint at Dr. Reddy's.

In accordance with Section 149(7) of the Act, 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 Act, and 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 Act.

For reference of the members, a brief profile of Mr. G V Prasad is given in the chapter on *Corporate Governance* and in the *Notice* convening the 37th AGM.

BOARD EVALUATION

As per provisions of the Act, 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 refer to the chapter on *Corporate Governance*.

APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY

Assessment and appointment of members to the board are 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 Act, and Regulation 16(1)(b) of the Listing Regulations.

In accordance with Section 178(3) of the Act, 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

As on March 31, 2021, the audit committee of the board of directors consisted entirely of independent directors: Mr. Sridar Iyengar (chairman), Ms. Kalpana Morparia, Mr. Bharat N Doshi and Ms. Shikha Sharma. Mr. Bharat N Doshi ceased to be a member of the committee on completing his term as a director on May 10, 2021. Further details are given in the chapter on *Corporate Governance*. The board has accepted all recommendations made by the audit committee during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134(5) of the Act, 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 FY2021 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.

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.

ENTERPRISE 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 their respective mitigation strategies. The risk management committee reviews 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 the compliance council are management level committees which operate under a charter and focus on risks associated with the company's business and compliance matters. The FIRM council and the compliance council periodically review matters pertaining to risk management and compliance and ethics respectively. Additionally, the enterprise wide risk management (ERM) function helps management and the board to 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 FY2021, focus areas of risk management committee included review of cyber security, ethics and compliance program across the company and monitoring environmental and climate change related risks and other operating risk exposures.

RELATED PARTY TRANSACTIONS

In accordance with Section 134(3)(h) of the Act, and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of the contracts or arrangements with related parties referred to in Section 188(1) of the Act, in Form AOC-2 is attached as **Annexure II** to the board's report. All contracts and arrangements with related parties were at arm's length and in the ordinary course of business 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. Reporting channels under the vigil mechanism include an independent hotline, a web based reporting site (drreddys.ethicspoint.com) and a dedicated e-mail to chief compliance officer. 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 July 27, 2016, for a period of five years till the conclusion of the 37th AGM.

Consequently, M/s. S.R. Batliboi & Associates LLP, chartered accountants, complete their first term of five consecutive years as the statutory auditors of the company at the conclusion of 37th AGM of the company.

Pursuant to section 139(2) of the Act, the company can appoint an auditors firm for a second term of five consecutive years.

M/s. S.R. Batliboi & Associates LLP, have consented to the said reappointment, and confirmed that their reappointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be reappointed as statutory auditor in terms of the provisions of the Act, and the provisions of the Companies (Audit and Auditors) Rules, 2014, as amended from time to time.

The audit committee and the board of directors recommend the reappointment of M/s. S.R. Batliboi & Associates LLP, chartered accountants, as statutory auditors of the company from the conclusion of the 37th AGM till the conclusion of 42nd AGM, to the members.

SECRETARIAL AUDITOR

Pursuant to Section 204 of the Act, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s. Makarand M. Joshi & Co., practicing company secretaries (certificate of practice no. 3662), Mumbai, India, were appointed as secretarial auditors of the company for FY2021. The secretarial audit report for FY2021 is annexed as **Annexure III** to this report.

Based on the consent received from M/s. Makarand M. Joshi & Co., practicing company secretaries (certificate of practice no. 3662), Mumbai, India and on the recommendation of the audit committee, the board has approved their appointment as the secretarial auditor of the company for FY2022.

COST AUDITORS

Pursuant to Section 148(1) of the Act, 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 FY2022 at a remuneration of ₹ 700,000/- 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 FY2020 were filed with the Central Government on August 28, 2020, within the stipulated timeline. The cost audit report for FY2021 will also be filed within the timeline.

AUDITORS' QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE

There are no qualifications, reservations or adverse remarks 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 Act.

SECRETARIAL STANDARDS

In terms of Section 118(10) of the Act, 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.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE COURTS/REGULATORS/ TRIBUNALS

Securities class-action lawsuit in the USA

On August 25, 2017, a securities class action lawsuit was filed against the company, its then chief executive officer (CEO) and its then 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., USA, 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, the 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.

On December 23, 2020, the court issued a final order and judgment approving the settlement. Pursuant to the settlement/court order, the escrow was funded on January 4, 2021. The effective date of the settlement occurred on February 1, 2021, upon transfer of the settlement fund balance into the final escrow account.

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, 2021.

INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The company has a policy to ensure prevention, prohibition and redressal of sexual harassment at the workplace. It has an apex committee and an internal complaints committee which operate under a defined framework for complaints pertaining to sexual harassment at workplace. Details are available in the principle 3 of the *Business Responsibility Report* forming part of this annual report.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As per Section 135 of the Act, the company has a board-level CSR committee consisting of Mr. Prasad R Menon (chairman), Mr. G V Prasad and Mr. K Satish Reddy. Based on the recommendation of the CSR committee, the board has adopted a revised CSR policy that provides guiding principles for selection, implementation and monitoring of CSR activities and formulation of the annual action plan. During the year, the committee monitored the spend and 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 IV** 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 chapter in this annual report.

TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the provisions of the Act, 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 Rules also mandate transfer of shares on which dividends 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 August 18, 2021. 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 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: *www.drreddys.com/investors/governance/policies-and-documents/*. 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 Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are attached as **Annexure V** to the board's report

In terms of Section 197(12) of the Act, 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 Act, 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 or through electronic mode during business hours on working days up to the date of the forthcoming 37th AGM, by members. Any member 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 Act, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are attached as **Annexure VI** to the board's report.

ANNUAL RETURN

The annual return of the company as on March 31, 2021, in terms of the provisions of Section 134(3)(a) of the Act, is available on the company's website: www.drreddys.com/investors/reports-and-filings/annual-reports/

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, business partners, members and investors at large.

It looks forward to your continued support in the company's endeavor 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: May 14, 2021

ANNEXURE-I

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 MARCH 31, 2021					FOR THE YEAR ENDED MARCH 31, 2021					
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.	31/03/2021	26/09/2007	100%	MYR	17.63	16	24	2	42	42	13	25	23	2	-	2	-
2	Aurigene Discovery Technologies, Inc.	31/03/2021	29/04/2002	100%	USD	73.11	257	(257)	-	-	-	-	-	1	(1)	-	(1)	-
3	Aurigene Discovery Technologies Limited	31/03/2021	10/08/2001	100%	INR	1.00	905	5,112	2,599	8,616	8,616	5,483	3,062	1,389	1,673	422	1,251	-
4	Aurigene Pharmaceutical Services Limited	31/03/2021	16/09/2019	100%	INR	1.00	401	(4,342)	6,700	2,759	2,759	342	1,914	2,093	(179)	(619)	440	-
5	beta Institut gemeinnützige GmbH[1]	31/03/2021	15/02/2006	100%	EUR	85.75	5	-	4	9	9	-	-	2	(2)	-	(2)	-
6	betapharm Arzneimittel GmbH[1]	31/03/2021	15/02/2006	100%	EUR	85.75	60	29	8,338	8,427	8,427	-	10,513	10,533	(20)	-	(20)	-
7	Cheminor Investments Limited	31/03/2021	23/01/1990	100%	INR	1.00	1	-	-	1	1	-	-	-	-	-	-	-
8	Chirotech Technology Limited	31/03/2021	30/04/2008	100%	GBP	100.75	1,060	217	162	1,439	1,439	-	-	(12)	12	(8)	20	-
9	DRL Impex Limited	31/03/2021	18/08/1986	100%	INR	1.00	760	(762)	13	11	11	-	-	-	-	-	-	-
10	Dr. Reddy's Bio-Sciences Limited	31/03/2021	09/07/2003	100%	INR	1.00	589	(356)	71	304	304	-	-	28	(28)	-	(28)	-
11	Dr. Reddy's (Beijing) Pharmaceutical Co. Limited	31/03/2021	19/08/2020	100%	RMB	11.16	110	(3)	8	115	115	-	58	61	(3)	-	(3)	-
12	Dr. Reddy's Farmaceutica Do Brasil Ltda.	31/03/2021	06/07/2000	100%	BRL	12.83	818	(920)	1,132	1,030	1,030	-	1,262	1,189	73	31	42	-
13	Dr. Reddy's Formulations Limited	31/03/2021	11/03/2021	100%	INR	1.00	-	-	-	-	-	-	-	-	-	-	-	-
14	Dr. Reddy's Laboratories (Australia) Pty. Limited	31/03/2021	07/06/2006	100%	AUD	55.70	35	(314)	823	544	544	-	936	880	56	17	39	-
15	Dr. Reddy's Laboratories (Canada), Inc.	31/03/2021	29/08/2013	100%	CAD	58.03	-	431	246	677	677	-	1,513	1,448	65	17	48	-
16	Dr. Reddy's Laboratories Chile SPA	31/03/2021	16/06/2017	100%	CLP	0.10	140	(71)	174	243	243	-	268	225	43	-	43	-
17	Dr. Reddy's Laboratories (EU) Limited	31/03/2021	17/04/2002	100%	GBP	100.75	723	2,323	1,889	4,935	4,935	-	1,888	1,447	441	94	347	-
18	Dr. Reddy's Laboratories, Inc.[2]	31/03/2021	13/05/1992	100%	USD	73.11	580	20,656	34,170	55,406	55,406	24	68,123	64,648	3,475	(494)	3,969	-
19	Dr. Reddy's Laboratories Japan KK	31/03/2021	14/04/2015	100%	JPY	66.12	34	(20)	4	18	18	-	29	26	3	1	2	-
20	Dr Reddy's Laboratories Kazakhstan LLP	31/03/2021	30/11/2016	100%	KZT	0.17	81	135	979	1,195	1,195	-	2,008	1,847	161	33	128	-
21	Dr. Reddy's Laboratories LLC	31/03/2021	11/05/2011	100%	UAH	2.62	71	165	1,355	1,591	1,591	-	3,560	3,347	213	38	175	-

Part "A" | Subsidiaries

All amounts in Indian Rupees millions, except share data and where otherwise stated

							AS AT MARCH 31, 2021						FOR THE YEAR ENDED MARCH 31, 2021					
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
22	Dr. Reddy's Laboratories Louisiana, LLC[2]	31/03/2021	30/04/2008	100%	USD	73.11	-	(3,011)	7,543	4,532	4,532	-	2,937	3,905	(968)	-	(968)	-
23	Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	31/03/2021	10/07/2017	100%	MYR	17.63	49	9	88	146	146	-	182	160	22	1	21	-
24	Dr. Reddy's Laboratories New York, LLC	31/03/2021	24/05/2011	100%	USD	73.11	-	(2,448)	3,107	659	659	-	-	354	(354)	(10)	(344)	-
25	Dr. Reddy's Laboratories Philippines Inc.	31/03/2021	09/05/2018	100%	PHP	1.51	20	(24)	13	9	9	-	-	11	(11)	-	(11)	-
26	Dr. Reddy's Laboratories (Proprietary) Limited	31/03/2021	13/06/2002	100%	ZAR	4.94	-	403	839	1,242	1,242	-	1,822	1,705	117	33	84	-
27	Dr. Reddy's Laboratories Romania SRL	31/03/2021	07/06/2010	100%	RON	17.44	24	409	1,177	1,610	1,610	-	2,218	2,086	132	21	111	-
28	Dr. Reddy's Laboratories SA	31/03/2021	16/04/2007	100%	USD	73.11	20,539	21,337	13,871	55,747	55,747	2,120	24,202	28,235	(4,033)	391	(4,424)	-
29	Dr. Reddy's Laboratories SAS	31/03/2021	04/11/2014	100%	COP	0.02	104	9	297	410	410	-	575	514	61	21	40	-
30	Dr. Reddy's Laboratories Taiwan Limited	31/03/2021	23/02/2018	100%	TWD	2.57	32	(16)	3	19	19	-	16	12	4	-	4	-
31	Dr. Reddy's Laboratories (Thailand) Limited	31/03/2021	13/06/2018	100%	TWD	2.57	35	(53)	253	235	235	-	280	254	26	-	26	-
32	Dr. Reddy's Laboratories (UK) Limited	31/03/2021	29/11/2002	100%	GBP	100.75	-	3,547	1,633	5,180	5,180	-	3,771	3,422	349	85	264	-
33	Dr. Reddy's Research and Development B.V.	31/03/2021	15/02/2013	100%	EUR	85.75	460	1,795	1,289	3,544	3,544	-	1,051	(1,840)	2,891	-	2,891	-
34	Dr. Reddy's S.R.L.	31/03/2021	05/08/2008	100%	EUR	85.75	6	(778)	1,458	686	686	-	828	982	(154)	-	(154)	-
35	Dr. Reddy's New Zealand Limited	31/03/2021	01/02/2008	100%	NZD	51.17	-	82	36	118	118	-	203	202	1	-	1	-
36	Dr. Reddy's (WUXI) Pharmaceutical Co. Limited	31/03/2021	02/06/2017	100%	RMB	11.16	65	(28)	54	91	91	-	88	93	(5)	-	(5)	-
37	Dr. Reddy's Venezuela, C.A.	31/03/2021	20/10/2010	100%	VES	0.00	58	(4,735)	4,684	7	7	-	-	(115)	115	-	115	-
38	Dr. Reddy's Laboratories B.V.	31/03/2021	11/09/2007	100%	EUR	85.75	37	(2,625)	2,615	27	27	-	-	2,776	(2,776)	-	(2,776)	-
39	Idea2Enterprises (India) Private Limited	31/03/2021	22/05/2010	100%	INR	1.00	25	1,511	4	1,540	1,540	1	-	-	-	-	-	-
40	Imperial Credit Private Limited	31/03/2021	22/02/2017	100%	INR	1.00	12	13	-	25	25	24	-	(1)	1	-	1	-
41	Industrias Quimicas Falcon de Mexico, S.A. de CV	31/03/2021	30/12/2005	100%	MXN	3.58	594	298	5,136	6,028	6,028	-	5,893	5,782	111	62	49	-
42	Kunshan Rotam Reddy Pharmaceutical Company Limited[5]	31/03/2021	15/08/2001	51.33%	RMB	11.16	-	-	-	-	-	-	-	-	-	-	461	-
43	Lacock Holdings Limited	31/03/2021	15/12/2005	100%	EUR	85.75	1	466	1	468	468	-	-	2	(2)	-	(2)	-
44	OOO Dr. Reddy's Laboratories Limited	31/03/2021	05/04/2003	100%	RUB	0.97	738	1,934	11,753	14,425	14,425	-	18,603	18,371	232	53	179	-
45	OOO DRS LLC	31/03/2021	11/09/2007	100%	RUB	0.97	30	19	89	138	138	-	-	4	(4)	-	(4)	-
46	Promius Pharma, LLC[2]	31/03/2021	14/02/2003	100%	USD	73.11	13,908	(13,865)	305	348	348	-	20	(16)	36	-	36	-
47	Reddy Holding GmbH[1]	31/03/2021	15/02/2006	100%	EUR	85.75	1	23,931	2,998	26,930	26,930	-	-	(3,190)	3,190	1,057	2,133	-
48	Reddy Netherlands B.V.	31/03/2021	20/02/1997	100%	EUR	85.75	7	2,917	-	2,924	2,924	-	-	(9)	9	-	9	-
49	Reddy Pharma Iberia S.A.U.	31/03/2021	18/05/2006	100%	EUR	85.75	(147)	394	457	704	704	-	998	992	6	(80)	86	-
50	Reddy Pharma Italia S.R.L.	31/03/2021	13/10/2006	100%	EUR	85.75	257	65	1,289	1,611	1,611	-	-	1	(1)	-	(1)	-
51	Reddy Pharma SAS	31/03/2021	29/10/2015	100%	EUR	85.75	386	(137)	391	640	640	-	1,135	1,038	97	(29)	126	-
52	SVAAS Wellness Limited (formerly Regkinetics Services Limited)	31/03/2021	08/07/2009	100%	INR	1.00	1	4	3	8	8	6	-	3	(3)	-	(3)	-

** Includes all investments excluding investment in subsidiaries.*

[1] Tax expense for these entities is computed together as per the tax laws of Germany. The total tax expense is presented in Sl. No. 47 - Reddy Holding GmbH.

[2] 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. 18 - Dr. Reddy's Laboratories, Inc.

[3] The investment has been accounted using equity method. Refer note 2.5 of consolidated financial statements.

[4] There were no subsidiaries which have been liquidated or sold during the year.

Part "B" | Associates and Joint ventures

All amounts in Indian Rupees millions, except share data and where otherwise stated

			SHARES OF ASSOCIATE/ JOINT VENTURES HELD BY THE COMPANY ON THE YEAR END				PROFIT/LOSS FOR THE YEAR			
SL. NO.	NAME OF THE ASSOCIATE/ JOINT VENTURE	LATEST AUDITED BALANCE SHEET DATE	NO.	AMOUNT OF INVESTMENT IN ASSOCIATES/JOINT VENTURE	EXTEND OF HOLDING %	NET WORTH ATTRIBUTABLE TO SHAREHOLDING AS PER LATEST AUDITED BALANCE SHEET	CONSIDERED IN CONSOLIDATION	NOT CONSIDERED IN CONSOLIDATION	DESCRIPTION OF HOW THERE IS A SIGNIFICANT INFLUENCE	REASON WHY THE ASSOCIATE/JOINT VENTURE IS NOT CONSOLIDATED
1	DRANU LLC, USA[1]	NA	NA	360	50%	-	-	-	NA	NA
2	DRES Energy Private Limited, India	31/03/2021	8,580,000	86	26%	-	19	54	NA	NA

[1] Ceased to be a joint venture with effect from March 31, 2021.

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
Parag Agarwal	Chief Financial Officer
Sandeep Poddar	Company Secretary

Place : Hyderabad
Date : May 14, 2021

ANNEXURE-II

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
(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 an estimated amount of up to ₹ 36,550 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-III

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021
[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

We 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 us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our 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, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021 (hereinafter called the **'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:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2021 according to the provisions of:

(i) The Companies Act, 2013 (the Act), and the rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) 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 and Guidelines 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;

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).**

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India;

(ii) 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 and Standards, etc. mentioned above.

We further report that, having regard to the compliance system prevailing in the Company and on the examination of the relevant documents and records in pursuance thereof, on test- check basis, the Company has complied with the following law applicable specifically to the Company:

(i) The Drugs and Cosmetics Act, 1940 and Rules made thereunder;

(ii) Drugs (Prices Control) Order, 2013 and Notifications made thereunder and;

(iii) The Narcotic Drugs and Psychotropic Substances Act, 1985.

We 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 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 are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We 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.

We further report that during the audit period, the American Depository Receipts (ADRs) of the Company have been listed on NSE IFSC Limited (NSE International Exchange, GIFT City, Gujarat, India).

For Makarand M. Joshi & Co.
Practicing Company Secretaries

Makarand Joshi
Partner
FCS No. 5533
CP No. 3662
UDIN: F005533C000301708
Peer Review No: P2009MH007000

Place: Mumbai
Date: May 14, 2021

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

ANNEXURE A

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

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For Makarand M. Joshi & Co.
Practicing Company Secretaries

Makarand Joshi
Partner
FCS No. 5533
CP No. 3662
UDIN: F005533C000301708
Peer Review No: P2009MH007000

Place: Mumbai
Date: May 14, 2021

ANNEXURE–IV

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. Brief outline on CSR policy of the company:

At Dr. Reddy's, all our activities are guided by our purpose and belief "We accelerate access to affordable and innovative medicines because *Good Health Can't Wait.*" Our business is based on a deep respect for people and the planet. Our contribution to societal change embodies our values. We will continue to catalyse replicable, sustainable, and innovative actions for social change. We believe in contributing to a sustainable community development and facilitating our efforts towards creating shared value.

2. Composition of CSR committee:

SL. NO.	NAME OF THE DIRECTOR	DESIGNATION / NATURE OF DIRECTORSHIP	NUMBER OF MEETINGS OF CSR COMMITTEE HELD DURING THE YEAR	NUMBER OF MEETINGS OF CSR COMMITTEE ATTENDED DURING THE YEAR
1	Mr. Bharat N Doshi*	Independent Director, Chairman of CSR committee (upto April 11, 2021)	4	4
2	Mr. Prasad R Menon**	Independent Director, Chairman of CSR committee	-	-
3	Mr. K Satish Reddy	Chairman, member of CSR committee	4	4
4	Mr. G V Prasad	Co-chairman and Managing Director, member of CSR committee	4	4

** Term ended on May 10, 2021, as a director.*
*** Appointed as a member and chairman, with effect from April 12, 2021.*

3. The web-link where composition of CSR committee, CSR policy and CSR projects approved by the board are disclosed on the website of the company:

(a) Composition of the CSR committee - *www.drreddys.com/investors/governance/committees-of-the-board/*

(b) CSR policy - *www.drreddys.com/media/993225/csr-policy.pdf*

(c) CSR projects - *www.drreddys.com/our-people-and-our-citizenship/community/our-approach/*

4. Details of impact assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report):

There are no projects undertaken or completed in FY2021 after the effective date of the aforementioned rules which warrant impact assessment. The company will carry out impact assessment of projects as may be applicable, and will provide details of the same as part of its future reports as required pursuant to Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

5. Details of the amount available for set-off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, and amount required for set-off for the financial year, if any: Not Applicable

6. Average net profit of the company as per Section 135(5) of the Act: ₹ 17,050,145,140/-

7. (a) Two percent of average net profit of the company as per Section 135(5) of the Act: ₹ 341,002,903/-

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: NA

(c) Amount required to be set-off for the financial year, if any: NA

(d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 341,002,903/-

8. (a) CSR amount spent or unspent for the financial year:

TOTAL AMOUNT SPENT FOR THE FINANCIAL YEAR	AMOUNT UNSPENT (IN ₹)				
	TOTAL AMOUNT TRANSFERRED TO UNSPENT CSR ACCOUNT AS PER SECTION 135 (6)		AMOUNT TRANSFERRED TO ANY FUND SPECIFIED UNDER SCHEDULE VII AS PER THE SECOND PROVISION OF SECTION 135 (5)		
	AMOUNT	DATE OF TRANSFER	NAME OF THE FUND	AMOUNT	DATE OF TRANSFER
₹ 360,801,226			NA		

(b) Details of CSR amount spent against ongoing projects for the financial year: Not Applicable

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

SL. NO.	NAME OF THE PROJECT	ITEM FROM THE LIST OF ACTIVITIES IN SCHEDULE VII OF THE ACT	LOCAL AREA (YES/NO)	LOCATION OF THE PROJECT		AMOUNT SPENT ON THE PROJECT (IN ₹)	MODE OF IMPLEMENTATION DIRECT (YES/NO)	MODE OF IMPLEMENTATION THROUGH IMPLEMENTING AGENCY	
				STATE	DISTRICT			NAME	CSR REGD. NUMBER
1	Quality education support serving low-income community schools	Education	Yes	Telangana	Hyderabad	41,148,447	No	Dr. Reddy's Foundation	CSR00000794
2	Providing quality education to low-income peri-urban children through pudami schools	Education	Yes	Telangana	Ranga Reddy, and Medchal - Malkajgiri	15,000,000	No	Pudami Educational Society	CSR00003112
3	School Improvement Programme (SIP) in government schools	Education	Yes	Telangana and Andhra Pradesh	Hyderabad, Nalgonda, Krishna, Guntur, Visakhapatnam, Vizianagaram, and Srikakulam	35,864,553	No	Dr. Reddy's Foundation	CSR00000794
4	Enabling pure sciences higher education research -Dr Anji Reddy Chair	Education	Yes	Telangana	Hyderabad	5,000,000	No	University of Hyderabad	CSR00006281
5	Skilling and employability program for youth	Livelihood	No	Kerala, Madhya Pradesh, Tamil Nadu and Karnataka	Ernakulam, Jabalpur, Indore, Chennai, and Bangalore	1,300,000,000	No	Dr. Reddy's Foundation	CSR00000794
6	MITRA - Agricultural program	Livelihood	Yes	Telangana and Andhra Pradesh	Nalgonda and Srikakulam	9,900,000	No	Dr. Reddy's Foundation	CSR00000794
7	Farmer livelihood project	Livelihood	Yes	Andhra Pradesh	Visakhapatnam	10,573,167	No	Naandi Foundation	CSR00001184
8	Psychological health support	Health	Yes	Telangana	Hyderabad	1,220,000	No	Roshni Trust	CSR00000664
9	Community health intervention programme	Health	Yes	Telangana and Andhra Pradesh	Vizianagaram and Srikakulam	15,000,000	No	NICE Foundation	CSR00000497
10	Community development	Rural development	Yes	Telangana and Andhra Pradesh	Nalgonda and Srikakulam	587,350	Yes	NA	NA
11	COVID-19 relief activities	Health	Yes	Telangana, Andhra Pradesh and Himachal Pradesh	Hyderabad, Nalgonda, Visakhapatnam, Vizianagaram, Srikakulam, and Solan	91,683,464	Yes	NA	NA
	Total					**355,976,981**			

(d) Amount spent in administrative overheads: ₹ 4,824,245

(e) Amount spent on impact assessment, if applicable: Not Applicable

(f) Total amount spent for the financial year (8c+8d+8e): ₹ 360,801,226

(g) Excess amount for set off, if any:

SL. NO.	PARTICULAR	AMOUNT (IN ₹)
(i)	Two percent of average net profit of the company as per Section 135(5)	341,002,903
(ii)	Total amount spent for the financial year	360,801,226
(iii)	Excess amount spent for the financial year [(ii)-(i)]	19,798,323
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NA
(v)	Amount available for set-off in succeeding financial years [(iii)-(iv)]	19,798,323

9. (a) Details of unspent CSR amount for the preceding three financial years: Not Applicable

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not Applicable

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year: Not Applicable

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per Section 135(5): Not Applicable

G V Prasad
Co-Chairman and Managing Director

Prasad R Menon
Chairman of CSR Committee

ANNEXURE - V

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/ (decrease) in remuneration of each director, CEO, CFO and CS for FY2021:

NAME	DESIGNATION	RATIO OF REMUNERATION OF EACH DIRECTOR TO THE MEDIAN REMUNERATION OF EMPLOYEES	% INCREASE/(DECREASE) IN REMUNERATION DURING/FOR FY2021
Mr. K Satish Reddy[1]	Chairman	211	14
Mr. G V Prasad[1]	Co-Chairman and Managing Director	313	9
Mr. Allan Oberman	Independent director	21	(11)
Mr. Bharat N Doshi	Independent director	25	-
Dr. Bruce L A Carter	Independent director	22	(11)
Ms. Kalpana Morparia	Independent director	22	(3)
Mr. Leo Puri	Independent director	21	(11)
Mr. Prasad R Menon	Independent director	26	(3)
Ms. Shikha Sharma	Independent director	22	(3)
Mr. Sridar Iyengar	Independent director	23	(10)
Mr. Erez Israeli[5]	Chief Executive Officer (CEO)	NA	6
Mr. Saumen Chakraborty[2][4][5]	Chief Financial Officer (CFO)	NA	NA
Mr. Parag Agarwal[3][4][5]	Chief Financial Officer (CFO)	NA	NA
Mr. Sandeep Poddar[5]	Company Secretary (CS)	NA	8

(1) Includes commission, salary and perquisites. They do not receive any amount as remuneration from any subsidiary company.
(2) Retired with effect from December 1, 2020.
(3) Was appointed chief financial officer (CFO) with effect from December 1, 2020.
(4) Remuneration in FY2021 was paid for part of the year, hence not comparable.
(5) Includes fixed pay, actual variable pay, fuel & maintenance on actuals and excludes value of stock options.

(ii) The median remuneration of employees decreased by 1.5% in FY2021.

(iii) The number of permanent employees on the rolls of the company as on March 31, 2021, is 23,704.

(iv) Average percentage increase in the salaries of employees other than KMP for FY2021 was 6% as compared to FY2020. There was an increase of 15% in the total remuneration of executive directors and KMP for FY2021 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 FY2021 is as per the remuneration policy of the company.

K Satish Reddy
Chairman

ANNEXURE–VI

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 ₹ 154 million against an investment of ₹ 207 million.

With above energy saving projects implementation, we have reduced 23,033 tons of CO_2 emissions on FY2020 base.

Additional ₹ 301 million is being spend for the energy conservation projects including IOT for HVAC systems on high side & low side, FLP EC plus blowers for giving saving in FY2022.

Major categories of energy projects are:

1. **Installation of Innovative technology:** Steam operated pump trap technology adopted to use in steam distribution system, which reduced the losses in steam distribution network. Intelligent flow controller technology adopted to use in compressed air distribution system, which reduced the losses in compressed air network replacement of conventional blowers with energy efficient blowers in effluent treatment operation. Replacement of conventional split AC unit with variable refrigerant volume technology in HVAC system. Replacement of conventional belt driven axial fan motor assembly with electronically commutated (EC) motor technology in cooling towers across FTO sites. Phase-II implementation of artic maser in most of the HVAC systems to regulate the flow of refrigerant and to reduce the power consumption. Horizontal deployment of Phase-IV, replacement of conventional belt driven blower motor assembly with electronically commutated (EC) motor technology in HVAC systems across FTO sites. Phase-V, horizontal deployment of automatic tube cleaning system in refrigeration chillers and heat pumps. Phase-V zero purge loss air dryers/HOC drier replaced in place of purge loss drier in compressed air network. Replacement of existing conventional lights with LED lights, installation of occupancy sensors to have energy efficient lighting system. Phase–II implementation 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 compressed air piping, 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. Optimization of HVAC usage by shut down/sleep mode operations based on plant operational requirements. 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. Installed heat pumps to reduce steam consumption, effectively reduced FO consumption by improving hot condensate recovery, integrated chillers and DG cooling towers to stop multiple cooling towers running which resulted in better power saving. Integrated compressor system to meet variable load demand and to stop multiple compressor running. 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:** Roof top solar power plants of 2.6 MW got commissioned in FTO-2, FTO-7, FTO-9, FTO-PU1 and FTO-11 plants. 1.5 MW hydel power supply started to FTO-7 and FTO-9 plants. 1 MW solar power supply started to IPDO.

   With above renewable power additions, we have reduced 4,970 tons of CO_2 emissions on FY2020 base.

   New power purchase agreements signed off for supply of 11 MW solar power for FTO-2, Biologics, FTO-11 & IPDO plants, 5.5 MW roof top & land mounted solar capacities for various plants to supply power in FY2022.

   With the above renewable capacity addition the total roof top capacity has become 8.9 MW, 45 MW third party PPA's and 15 MW through JVC.

   During the year, the company has joined the Science Based Targets initiative's (SBTi) business ambition for 1.5 °C, becoming the first Indian and the third Asian pharmaceutical company to have set its Science-Based Targets to further minimize environmental impact.

(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

iv.	Expenditure incurred on R&D	FY2021	FY2020
	a) Capital (₹ million)	562	654
	b) Recurring* (₹ million)	12,542	11,343
	c) Total (₹ million)	13,104	11,997
	Total R&D expenditure as a % of total turnover	**9.82%**	**10.12%**

** 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:

(₹ MILLION)

PARTICULARS	FY2021
Foreign exchange earned in terms of actual inflows	97,699
Foreign exchange outgo in terms of actual outflows	34,420

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 2021, 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 2021, its profit including other comprehensive income, 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 2021. 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

Business transfer agreement with Wockhardt Limited *(as described in note 1.3(d) of the significant accounting policies and note 2.38 of the standalone Ind AS financial statements)*

During the current year, the Company completed the acquisition of select divisions of the branded generics business of Wockhardt Limited in India and the territories of Nepal, Sri Lanka, Bhutan and Maldives. The transaction was accounted for as a business combination. The Company's accounting for the acquisition included determining the fair value of the assets acquired, which primarily included product related intangibles. In connection with the acquisition, the Company recognized a contingent consideration liability for acquisition consideration that is payable based on a multiple of incremental revenue targets subject to a maximum amount.

The accounting for the business combination was complex due to the significant estimation required by management to determine the fair value of the intangible assets and the contingent consideration. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to the underlying assumptions utilized in the measurement of the fair value of the intangible assets and contingent consideration. The Company used a discounted cash flow model to measure the fair value of the intangible assets, which included significant assumptions such as the discount rate, useful life, and long-term growth rate. The Company measured the contingent consideration at its estimated fair value, and the significant assumptions used to determine the fair value of contingent consideration included forecasted revenue projections, revenue volatility and a risk adjusted discount rate. Considering the above, this has been included as a Key Audit Matter.

Our audit procedures, among others included the following:

- We evaluated the design and tested the operating effectiveness of the controls over the Company's calculation of the estimated fair values of the intangible assets and the contingent consideration.
- We assessed the competence and independence of the third-party valuer by reference to their qualifications and experience.
- We tested the estimated fair value of the intangible assets and the contingent consideration liability, evaluated Company's selected valuation methods and tested the significant assumptions used in the models. In testing the valuation of contingent consideration, we assessed, among others, the terms of the arrangement and the conditions met for the amounts to become payable.
- We compared the significant assumptions to current industry, market and economic trends, assumptions used to value similar assets, and to the historical results of the acquired business.
- We involved valuation specialist to assist in evaluating the appropriateness of the valuation model, key assumptions used in the valuation models and to test the model's computational accuracy.
- We tested the arithmetical accuracy of the models.
- We also tested the completeness and accuracy of the underlying data used in the model.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matter

Assessment of 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 2021, the Company has intangible assets, including intangible assets under development, of Rs. 22,035 million and goodwill of Rs. 853 million. 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. As the assessment of recoverable amount involves significant degree of management judgement, we have identified this a key audit matter.

Our audit procedures, among others included the following:

- We evaluated the design and tested the operating effectiveness of the Company's controls in assessing the recoverable value of goodwill, intangible assets and intangible assets under development.
- We assessed the Company's methodology applied in determining the CGUs to which these assets are allocated.
- We tested the estimated recoverable value of these assets and assessed the methodologies used by management in deriving the recoverable value and tested the significant assumptions and the underlying data used by the Company in its analyses.
- We compared the significant assumptions to current industry, market and economic trends, to the Company's historical data.
- We performed sensitivity analyses of the significant assumptions to evaluate the potential change in the recoverable values of these assets resulting from hypothetical changes in underlying assumptions. We also assessed the recoverable value headroom by performing sensitivity testing of key assumptions used.
- We tested the arithmetical accuracy of the models.
- We involved valuation specialist to assist in evaluating the methodologies used and significant assumptions and inputs used to determine the recoverable value of certain intangible assets.

Contingencies, including litigations and tax *(as described in note 1.3(k) of the significant accounting policies, and note 2.29 (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.

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, among others 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 compared the evaluation with the provision or disclosure in the standalone Ind AS financial statements. We tested the underlying computation of the management in relation to the measurement of provision or the contingency.
- We obtained 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 inspected relevant communication with tax authorities.
- We involved tax experts in assessing the nature and amount of material indirect tax positions and assessed the technical merits based on the correspondence and assessments from the relevant tax authorities.
- We also evaluated the disclosures made in the standalone Ind AS financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matter

Rebates, discounts and other deductions 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 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, among others included the following:

- We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the sales deduction processes.
- We also tested management's controls over the accuracy and completeness of the estimates used to calculate the sales deductions.
- We tested management's estimated sales deductions and obtained management's calculations for the respective estimates. We tested management's estimates over the determination of sales deductions accruals by comparing the rates used in management's estimate to rates in the underlying contracts and historical sales deductions data.
- We compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns, as applicable to current payment trends.
- We also considered the historical accuracy of the management's estimates in prior years and assessed the estimated amounts, we evaluated trends in actual sales and discount accrual balances.
- We also tested the underlying data used in management's calculations for accuracy and completeness and verified source data supporting the inventory levels, rebate claims paid subsequent to period end, and volume discounts settled during the period.
- We tested recording of revenue in appropriate period which included the following procedures:
  - Performed trend analysis over sales levels as compared to previous periods;
  - Verified 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 2021 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.

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 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 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 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 March 31, 2021 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;

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:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements– Refer Note 2.29(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 2.27 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: 21053315AAAABK8303

Place: Chennai
Date : 14 May 2021

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, except for the immovable properties acquired during the current year. As explained to us, Registration of title deeds is in progress in respect of an immovable property acquired during the year aggregating Rs. 194 million.

(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 2021 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 customs, 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 customs, 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 customs, 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: 21053315AAAABK8303

Place: Chennai
Date: 14 May 2021

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	1,778	89	2001-2019	Appellate Authority - upto Commissioners
		406		2003-2017	CESTAT
		54		2002-2008	High Court
Customs Act, 1962	Custom Duty	41	6	2010-2020	Appellate Authority - upto Commissioners
		6		2010-2011	High Court
Finance Act, 1994	Cenvat Credit of Service Tax, Interest and Penalty	110	6	2012- 2016	CESTAT
		29		2005- 2016	Appellate Authority - upto Commissioners
	Service Tax and Penalty	177		2010-2015	CESTAT
Central Sales Tax Act and Sales Tax Acts of various States	Sales Tax and Penalty	103	207	2002-2015	Sales Tax Appellate Tribunal.
		69		2003-2018	Appellate Tribunal - Upto Commissioners
		73		2007-2014	High Court
CGST Act , 2017	GST	22		2017-2019	Appellate Authority – upto Commissioners
Income Tax Act, 1961	Income Tax	2		2002-2003	High Court
		90		2017-2019	Commissioner Appeal

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 with reference to standalone Ind AS financial statements of Dr. Reddy's Laboratories Limited ("the Company") as of 31 March 2021 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 ("ICAI"). 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls 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, both issued by the ICAI. 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 with reference to 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 with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone Ind AS financial statements included obtaining an understanding of internal financial controls 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 Company's internal financial controls with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls With Reference to these Standalone Ind AS Financial Statements

A company's internal financial controls with reference to standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to 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 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 With Reference to these Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 with reference to standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control with reference to 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.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone Ind AS financial statements and such internal financial controls with reference to standalone Ind AS financial statements were operating effectively as at 31 March 2021, 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 issued by the ICAI.

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership Number: 53315
UDIN: 21053315AAAABK8303

Place: Chennai
Date: 14 May 2021

BALANCE SHEET

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

PARTICULARS	NOTE	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Assets			
Non-current assets			
Property, plant and equipment	2.1	35,792	37,698
Capital work-in-progress		8,771	3,841
Goodwill	2.2	853	323
Other intangible assets	2.3	21,798	6,318
Intangible assets under development	2.4	237	277
Financial assets			
Investments	2.5 A	33,922	33,671
Trade receivables	2.5 B	118	1,737
Loans	2.5 C	12	12
Other financial assets	2.5 D	492	474
Deferred tax assets, net	2.26	2,548	6,129
Tax assets, net		2,151	3,073
Other non-current assets	2.6 A	160	138
		106,854	93,691
Current assets			
Inventories	2.7	28,197	21,904
Financial assets			
Investments	2.5 A	15,972	21,184
Trade receivables	2.5 B	40,800	46,387
Derivative instruments	2.27	915	783
Cash and cash equivalents	2.5 E	13,063	392
Other financial assets	2.5 D	529	1,888
Other current assets	2.6 B	9,966	8,529
		109,442	101,067
Total assets		**216,296**	**194,758**
Equity and Liabilities			
Equity			
Equity share capital	2.8	832	831
Other equity		169,005	151,088
		169,837	151,919
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	2.9 A	177	193
Provisions	2.10 A	251	545
Deferred tax liabilities, net	2.26	-	-
Other non-current liabilities	2.11 A	428	296
		856	1,034
Current liabilities			
Financial liabilities			
Borrowings	2.9 B	11,809	10,436
Trade payables	2.9 C		
Total outstanding dues of micro enterprises and small enterprises		152	55
Total outstanding dues of creditors other than micro enterprises and small enterprises		13,212	10,629
Derivative instruments	2.27	306	1,524
Other financial liabilities	2.9 D	12,169	13,928
Provisions	2.10 B	2,987	2,073
Other current liabilities	2.11 B	4,968	3,160
		45,603	41,805
Total equity and liabilities		**216,296**	**194,758**

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 Number: 53315
UDIN : 21053315AAAABK8303

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal	Chief Financial Officer
Sandeep Poddar	Company Secretary

Place: Hyderabad
Date: 14 May 2021

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Income			
Sales	2.12	132,094	109,925
Service income and License fees	2.12	720	8,105
Other operating income	2.13	677	474
Total revenue from operations		133,491	118,504
Other income	2.14	8,011	7,432
Total income		141,502	125,936
Expenses			
Cost of materials consumed		32,663	25,565
Purchase of stock-in-trade		12,523	11,172
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.15	(3,956)	(999)
Employee benefits expense	2.16	22,701	20,302
Depreciation and amortisation expense	2.17	8,350	7,892
Impairment of non current assets		150	-
Finance costs	2.18	467	478
Selling and other expenses	2.19	38,042	33,768
Total expenses		110,940	98,178
Profit before tax		30,562	27,758
Tax expense/(benefit)	2.26		
Current tax		5,401	4,839
Deferred tax		3,297	(6,458)
Profit for the year		21,864	29,377
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss		(169)	88
Income tax on items that will not be reclassified subsequently to profit or loss		62	(33)
		(107)	55
Items that will be reclassified subsequently to profit or loss		994	(750)
Income tax on items that will be reclassified subsequently to profit or loss		(346)	259
		648	(491)
Total other comprehensive income/(loss) for the year, net of tax		541	(436)
Total comprehensive income for the year		22,405	28,941
Earnings per share:	2.22		
Basic earnings per share of ₹ 5/- each		131.84	177.23
Diluted earnings per share of ₹ 5/- each		131.46	176.88

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 Number: 53315
UDIN: 21053315AAAABK8303

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal	Chief Financial Officer
Sandeep Poddar	Company Secretary

Place: Hyderabad
Date: 14 May 2021

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											
		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	Special economic zone re- investment reserve[10]	Cash flow hedge reserve[7]	FVTOCI** reserve[8]	Remeasurements of the net defined benefits plan[9]	Total equity
Balance as at 1 April 2020 (A)	**831**	**(1,006)**	**5,909**	**1,038**	**267**	**25**	**20,302**	**124,979**	**-**	**(353)**	**(13)**	**(60)**	**151,919**
Profit for the year	-	-	-	-	-	-	-	21,864	-	-	-	-	21,864
Net change in fair value of FVTOCI** equity instruments, net of tax benefit of ₹ Nil	-	-	-	-	-	-	-	-	-	-	17	-	17
Transfer on disposal of equity instruments classified as FVTOCI instruments	-	-	-	-	-	-	-	3	-	-	(3)	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax expense of ₹ 346 (Refer note 2.27)	-	-	-	-	-	-	-	-	-	641	-	-	641
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of ₹ 62 (Refer note 2.25)	-	-	-	-	-	-	-	-	-	-	-	(117)	(117)
Total comprehensive income (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,867**	**-**	**641**	**14**	**(117)**	**22,405**
Transactions with owners of the Company													
Contributions and distributions													
Issue of equity shares on exercise of options (Refer note 2.8)	1	232	392	(356)	-	-	-	-	-	-	-	-	269
Share-based payment expense (Refer note 2.24)	-	-	-	584	-	-	-	-	-	-	-	-	584
Purchase of treasury shares, net	-	(1,193)	-	-	-	-	-	-	-	-	-	-	(1,193)
Dividend paid	-	-	-	-	-	-	-	(4,147)	-	-	-	-	(4,147)
Total contributions and distributions	**1**	**(961)**	**392**	**228**	**-**	**-**	**-**	**(4,147)**	**-**	**-**	**-**	**-**	**(4,487)**
Changes in ownership interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners of the Company (C)	**1**	**(961)**	**392**	**228**	**-**	**-**	**-**	**(4,147)**	**-**	**-**	**-**	**-**	**(4,487)**
Transfer to special economic zone re-investment reserve	-	-	-	-	-	-	-	(1,402)	1,402	-	-	-	-
Transfer from special economic zone re-investment reserve on utilization	-	-	-	-	-	-	-	76	(76)	-	-	-	-
Transfer to special economic zone re-investment reserve, net (D)[10]	-	-	-	-	-	-	-	**(1,326)**	**1,326**	-	-	-	-
Balance as at 31 March 2021 [(A)+(B)+(C)+(D)]	**832**	**(1,967)**	**6,301**	**1,266**	**267**	**25**	**20,302**	**141,373**	**1,326**	**288**	**1**	**(177)**	**169,837**

PARTICULARS	Equity share capital	Other components of 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	Special economic zone re- investment reserve[10]	Cash flow hedge reserve[7]	FVTOCI** reserve[8]	Remeasurements of the net defined benefits plan[9]	Total equity
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 2.27)	-	-	-	-	-	-	-	-	-	(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	3	278	(278)	-	-	-	-	-	-	-	-	4
Share-based payment expense (Refer note 2.24)	-	-	-	521	-	-	-	-	-	-	-	-	521
Purchase of treasury shares,	-	(474)	-	-	-	-	-	-	-	-	-	-	(474)
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	-	(3914)	-	-	-	-	(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**

**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.

(10) The Company has created a Special Economic Zone ("SEZ") Reinvestment Reserve out of profits of its eligible SEZ Units in accordance with the terms of Section 10AA(1) of the Indian Income Tax Act, 1961. This reserve is to be utilized by the Company for acquiring Plant and equipment in accordance with Section 10AA(2) of such Act.

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 Number: 53315
UDIN: 21053315AAAABK8303

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal	Chief Financial Officer
Sandeep Poddar	Company Secretary

Place: Hyderabad
Date: 14 May 2021

STATEMENT OF CASH FLOWS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Cash flows from/(used in) operating activities		
Profit before tax	**30,562**	**27,758**
Adjustments:		
Depreciation and amortisation expense	8,350	7,892
Impairment of non current assets	150	-
Equity settled share-based payment expense	584	521
Fair value gain on financial instruments at fair value through profit or loss	(510)	(821)
Foreign exchange loss / (gain), net	(443)	(229)
(Profit)/Loss on sale/disposal of property , plant and equipment and other intangible assets, net	(4,711)	135
Interest income	(1,223)	(856)
Finance costs	467	478
Allowance for credit losses (on trade receivables and other advances)	69	95
Dividend from subsidiary, joint ventures and other entities	-	(397)
Changes in operating assets and liabilities:		
Trade receivables	7,137	(10,927)
Inventories	(5,827)	(1,748)
Trade payables	2,680	368
Other assets and other liabilities, net	2,337	892
Cash generated from operations	**39,622**	**23,161**
Income taxes paid, net	(4,480)	(4,769)
Net cash from operating activities	**35,142**	**18,392**
Cash flows from/(used in) investing activities		
Proceeds from sale of property, plant and equipment	4900	58
Expenditures on property, plant and equipment	(8,575)	(4,262)
Expenditures on other intangible assets	(2,364)	(476)
Purchase of investments	(69,520)	(122,726)
Proceeds from sale of investments	74,861	109,186
Loans and advances repaid by subsidiaries	-	343
Payment for acquisition of business	(15,514)	-
Dividend income received	-	397
Interest income received	1,632	588
Net cash used in investing activities	**(14,580)**	**(16,892)**
Cash flows from/(used in) financing activities		
Proceeds from issuance of equity shares (including treasury shares)	269	4
Purchases of treasury shares	(1,193)	(474)
Proceeds from short-term loans and borrowings, net (Refer note 2.9 (d))	1,527	4,630
Repayment of long-term loans and borrowings, net (Refer note 2.9 (d))	(3,743)	(1,805)
Payment of principal portion of lease liabilities (Refer note 2.9 (d))	(38)	(155)
Dividends paid (including corporate dividend tax for the year ended 31 March 2020)	(4,147)	(3,914)
Interest paid	(618)	(527)
Net cash used in financing activities	**(7,943)**	**(2,241)**
Net increase / (decrease) in cash and cash equivalents	12,619	(741)
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)	391	1,132
Cash and cash equivalents at the end of the year (Refer note 2.5 E)	**13,054**	**391**

**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 Number: 53315
UDIN: 21053315AAAABK8303

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal	Chief Financial Officer
Sandeep Poddar	Company Secretary

Place: Hyderabad
Date: 14 May 2021

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, the National Stock Exchange, the NSE IFSC Limited 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 of and for the year ended 31 March 2021 comply in all material aspects with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015, and presentation requirements of Division II of Schedule III to the Companies Act, 2013, and as amended from time to time together with the comparative period data as at and for the year ended 31 March 2020.

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 2021. These financial statements were authorised for issuance by the Company's Board of Directors on 14 May 2021.

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;
- share-based payments are measured at fair value;
- assets held for sale are measured at fair value;
- assets acquired and liabilities assumed as part of business combinations 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 Dr. Reddy's Laboratories Limited. 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 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 (c) — Financial instruments;
- Note 1.3 (d) — Business combinations;
- Notes 1.3 (e) and 1.3 (f) — Useful lives of property, plant and equipment and intangible assets;
- Notes 1.3(g) — Determinationof 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

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

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:

- it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within twelve months after the reporting date; or
- 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:

- it is expected to be settled in the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within twelve months after the reporting date; or
- 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 classified 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

On 24 July 2020, the Ministry of Corporate Affairs (MCA) has issued amendments to certain Ind AS as summarised below:

Amendments to Ind AS 1 and Ind AS 8: *Definition of Material*

The amendments provided a new definition to the word material as follows:

'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

An information is considered to be obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The amendments provided examples of circumstances that may result in information being obscured.

An entity should apply the amendments prospectively for annual periods beginning on or after 1 April 2020.

The amendments to the definition of material had no impact on the financial statements of the Company.

Amendments to Ind AS 103: *Definition of a Business*

The amendments clarified the definition of a business for the purpose of identifying a business combination under Ind AS 103. As per the revised definition, business is 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities'.

A related amendment has been made to the definition of 'output' as an element of business.

The amendments include an election to use a 'concentration test'. This is a simplified assessment that would cause an acquisition to qualify as an asset acquisition. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets.

An entity is required to apply the amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the 1 April 2020 and to asset acquisitions that occur on or after the beginning of that period.

This amendment had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to Ind AS 109 and Ind AS 107: *Interest Rate Benchmark Reform*

The amendments to Ind AS 109 "*Financial Instruments*" provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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The amendments to Ind AS 107 "*Financial Instruments: Disclosures*" prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in Ind AS 109 are applied.

These amendments are applicable for annual periods beginning on or after the 1 April 2020.

These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments Ind AS 116: *COVID-19 related rent concessions*

Ind AS 116 has been amended to provide limited relief to lessees in respect of rent concessions arising due to COVID-19 pandemic. No relief has been allowed to the lessors.

The amendments provide a practical expedient that lessees may elect to not treat any rent concessions, provided by lessors as a direct consequence of COVID-19 pandemic, as lease modifications. However, to be eligible for this relief:

- the revised consideration for the lease should be less than or equal to the lease consideration immediately before the change, the rent concession should be for a period that does not extend beyond 30 June 2021 (for example, lease rents are reduced for a period upto 30 June 2021 and increased for periods thereafter); and
- there should be no substantial modification to the other terms and conditions of the lease.

Lessee should apply the amendments for annual reporting periods beginning on or after 1 April 2020. In case a lessee has not yet approved the financial statements for issue before the issuance of the amendments, then the same may be applied for annual reporting periods beginning on or after the 1 April 2019.

The aforesaid amendments had no impact on the financial statements of the Company.

For the year ended 31 March, 2020

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 existing standard on leases i.e. Ind AS 17, Leases with effect from 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 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 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.

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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.

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 FVTOCI;
- certain equity instruments where the Company had made an irrevocable election to present in OCI 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 *"Revenue from Contracts with Customers"*.

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 fair value through FVTOCI.

Debt instruments at amortised cost

A "debt instrument" is measured at the amortised cost if both the following conditions are met:

- the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- 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 statement of profit and loss and presented in other gains/(losses). The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

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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 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 an "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 OCI 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, on sale 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.

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.

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Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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 FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. 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 FVTPL 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 FVTPL.

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.

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, South African rands ("ZAR"), Romanian new leus ("RON") 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.

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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 OCI, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in OCI 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.

d) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. 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 determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Company;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the sum of:

- the consideration transferred
- the amount of any non-controlling interest in the acquired entity; and
- the acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the statement of profit and loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Amounts classified as a financial liability are subsequently re-measured to fair value, with changes in fair value recognized in the statement of profit and loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in the statement of profit and loss.

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.

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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 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.

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 equipment	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 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. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.
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 2021, 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".

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: • 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.

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
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. Changes in the expected useful lives or expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortization period or method, as appropriate and are treated as change in accounting estimate.

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 under "Impairment of non-current assets".

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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 note 1.3(a) above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below. Refer note 1.3(a) for the impact of the change in accounting policy.

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 Company 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 Company, 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 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 the 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.

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.

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

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").

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(All amounts in Indian Rupees millions, except share data and where otherwise stated)

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 joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in joint venture is tested for impairment as a single asset when there is objective evidence that the investment in joint venture 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.

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 recognized 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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

Equity settled share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee benefit 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.

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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

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.

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 records 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.

Refund Liability

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 actual sales returns, levels of inventory in the distribution channel, estimated shelf life, any revision in the shelf life of the product, 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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

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 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) 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, general and administrative expenses.

n) 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.

o) 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 deferred tax asset will be utilised. 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.

Current and deferred tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

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.

p) 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.

q) Government grants and incentives

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.

r) 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.

s) 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-financialassets 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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as assets acquired in a business combination and significant liabilities, such as contingent consideration. Involvement of external valuers is determined by the Management, based on market knowledge, reputation, independence and whether professional standards are maintained.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

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.

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).

h) Contingent consideration

The fair value of the contingent consideration arising out of business combination is estimated by applying the income approach. The fair value measurement is based on significant inputs that are not observable in the market, which Ind AS 103, "*Fair Value Measurement*" refers to as Level 3 inputs.

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 EQUIPMENT	FURNITURE, FIXTURES AND OFFICE EQUIPMENT	VEHICLES	TOTAL
Gross carrying value						
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[3]	-	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**
Balance as at 1 April 2020	1,674	19,368	63,530	4,587	458	89,617
Assets acquired through business combinations[1]	84	113	165	11	-	373
Additions	13	418	3,762	252	185	4,630
Disposals[2]	-	(9)	(1,143)	(132)	(127)	(1,411)
Balance as at 31 March 2021	**1,771**	**19,890**	**66,314**	**4,718**	**516**	**93,209**
Accumulated Depreciation						
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**
Balance as at 1 April 2020	-	5,657	42,308	3,740	214	51,919
Depreciation for the year	-	901	5,214	430	143	6,688
Disposals[2]	-	(1)	(990)	(117)	(82)	(1,190)
Balance as at 31 March 2021	**-**	**6,557**	**46,532**	**4,053**	**275**	**57,417**
Net carrying value						
As at 31 March 2020	1,674	13,711	21,222	847	244	37,698
As at 31 March 2021	**1,771**	**13,333**	**19,782**	**665**	**241**	**35,792**

(1) *Refer note 2.38 of these financial statements for further details*

(2) *During the year ended 31 March 2021, the Company sold contract development and manufacturing organisation (CDMO) division of the Custom Pharmaceutical Services (CPS) business of the Company. 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.*

(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	BUILDINGS	PLANT AND EQUIPMENT	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**
Balance as at 1 April 2020	131	3	45	312	491
Additions	22	-	7	177	206
Disposals	-	-	(1)	(125)	(126)
Balance as at 31 March 2021	**153**	**3**	**51**	**364**	**571**
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**
Balance as at 1 April 2020	37	1	13	108	159
Depreciation for the year	42	-	12	126	180
Disposals	2	-	(1)	(79)	(78)
Balance as at 31 March 2021	**81**	**1**	**24**	**155**	**261**
Net carrying value					
As at 31 March 2020	94	2	32	204	332
As at 31 March 2021	**72**	**2**	**27**	**209**	**310**

NOTES TO FINANCIAL STATEMENTS

(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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Depreciation expense of right-of-use assets	180	173
Interest expense on lease liabilities	62	60
	242	**233**

The Company had total cash outflows for leases of ₹ 377 during the year ended 31 March 2021. The maturity analysis of lease liabilities are disclosed in note 2.9 of these financial statements.

Capital commitments
As of 31 March 2021 and 31 March 2020, the Company was committed to spend ₹ 9,560 and ₹ 4,485, 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 2021 and 31 March 2020, the Company capitalised interest cost of ₹ 149 and ₹ 52, respectively, with respect to qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2021 and 31 March 2020 was approximately 4.25% and 4.22% respectively.

Depreciation for the year includes an amount of ₹ 595 (31 March 2020: ₹ 617) pertaining to assets used for research and development. During the year, the Company incurred ₹ 522 (31 March 2020: ₹ 628) towards capital expenditure for research and development. (Refer note 2.40)

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 2021	AS AT 31 MARCH 2020
Gross carrying value		
Opening balance	323	323
Goodwill arising on Business combination	530	-
Disposals	-	-
Closing balance	**853**	**323**
Impairment loss		
Opening balance	-	-
Impairment loss	-	-
Disposals	-	-
Closing balance	-	-
Net carrying value	**853**	**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 2021	AS AT 31 MARCH 2020
Global Generics-Branded Formulations	853	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.
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 10.5% for the cash generating unit. The pre-tax discount rate is 15.7%.

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.

NOTES TO FINANCIAL STATEMENTS

(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 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**
Balance as at 1 April 2020	10,606	-	1,613	12,219
Additions	16,998	-	273	17,271
Disposals/ De- recognitions	(53)	-	(49)	(102)
Balance as at 31 March 2021	**27,551**	**-**	**1,837**	**29,388**
Amortisation/impairment loss				
Balance as at 1 April 2019	4,519	-	820	5,339
Amortisation for the year	595	-	228	823
Disposals/ De- recognitions	(261)	-	-	(262)
Balance as at 31 March 2020	**4,853**	**-**	**1,048**	**5,901**
Balance as at 1 April 2020	4,853	-	1,048	5,901
Amortisation for the year	1,418	-	244	1,662
Disposals/ De- recognitions	(53)	-	(30)	(83)
Impairment loss [(1)]	110	-	-	110
Balance as at 31 March 2021	**6,328**	**-**	**1,262**	**7,590**
Net carrying value				
As at 31 March 2020	5,753	-	565	6,318
As at 31 March 2021	**21,223**	**-**	**575**	**21,798**

(1) *Refer note 2.4 for "Impairment losses recorded for the year ended 31 March 2021.*

Amortisation for the year includes an amount of ₹ 17 (31 March 2020: ₹ 31) pertaining to assets used for research and development. During the year, the Company incurred ₹ 40 (31 March 2020: ₹ 27) towards capital expenditure for research and development. (Refer note 2.40)

Details of significant intangible assets as at 31 March 2021:

PARTICULARS	ACQUIRED FROM	CARRYING COST
Select portfolio of branded generics business	Wockhardt	14,241
Select portfolio of dermatology, respiratory and pediatric assets	UCB India Private Limited and affiliates	4,568
Select Anti-allergy brands	Glenmark	1,487

2.4 INTANGIBLE ASSETS UNDER DEVELOPMENT

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Opening balance	277	
Add: Additions during the year	-	277
Less: Capitalisations during the year	-	-
Less: Impairments during the year[(1)]	(40)	-
Closing balance	**237**	**277**

(1) ***Impairment losses recorded for the year ended 31 March 2021:***
As a result of the Company's decision to discontinue a few products pertaining to its Global Generics segment, ₹ 150 was recorded as total impairment charge in the statement of Profit and loss for the year ended 31 March 2021 of which ₹ 43 was pertaining to Doxercalciferol inj, ₹ 40 pertaining to Enalaprilat and the balance of ₹ 67 was on account of other product related intangibles

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 2021	AS AT 31 MARCH 2020
i. Investments at FVTOCI		
Quoted equity shares (fully paid-up)		
25,000 (31 March 2020: 58,000) equity shares of ₹ 1/- each of State Bank of India, India	9	11
Quoted equity shares (fully paid-up) (I)	9	11
Investments in Market linked debentures (II)	-	1,993
Total investments at FVTOCI (I + II) (A)	**9**	**2,004**
ii. Investments carried at cost		
Unquoted equity shares (fully paid-up)		
I. In subsidiary companies		
105,640,410 (31 March 2020: 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 2020: 2,499,726) equity shares of ₹ 10/- each of Idea2Enterprises (India) Private Limited, India	1,537	1,537
90,544,104 (31 March 2020: 90,544,104) equity shares of ₹ 10/- each of Aurigene Discovery Technologies Limited, India	974	974
36,249,230 (31 March 2020: 36,249,230) shares of Real $ 1 each of Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	825	825
140,526,270 (31 March 2020: 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 2020: 58,932,070) equity shares of ₹ 10/- each of Dr. Reddy's Bio-sciences Limited, India	515	515
123,000 (31 March 2020: 123,000) equity shares of ₹ 100/- each of Imperial Credit Private Limited, India	31	31
50,000 (31 March 2020: 50,000) equity shares of ₹ 10/- each of Svass Wellness Limited, India (formerly Regkinetics Services Limited, India)	1	1
134,513 (31 March 2020: 134,513) equity shares of ₹ 10/- each of Cheminor Investments Limited, India	1	1
	18,108	18,108
Less: Impairment		
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	(622)	(622)
Total unquoted investments in equity shares of subsidiary companies, net (I)	17,486	17,486
II. In joint ventures		
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China[1]	429	429
8,580,000 (31 March 2020: 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**	**18,001**

(1) *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 2020: 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 2020: 200,000) equity shares of ₹ 10/- each of Altek Engineering Limited, India	-	-

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 2021	AS AT 31 MARCH 2020
24,000 (31 March 2020: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	-	-
20,250 (31 March 2020: 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.*

II. Investment in partnership firms		
Investment in ABCD Technologies LLP	400	-
Total investment in partnership firms (II)	**400**	**-**
III. Investment in unquoted mutual funds	**12,048**	**11,370**
Total investments at FVTPL (I + II + III) (C)	**12,449**	**11,371**
Investments carried at amortised cost		
I. Investments in 2,000,000 (31 March 2020: 2,000,000) preference shares of CHF 100 each of Dr. Reddy's Laboratories SA, Switzerland	15,511	15,658
II. Investments in term deposit accounts with banks (original maturity more than 3 months)	3,402	5,003
III. Investments in bonds	522	1,851
IV. Investments in commercial paper	-	967
Total investments carried at amortised cost (D)	**19,435**	**23,479**
Total investments (A+B+C+D)	**49,894**	**54,855**
Current	15,972	21,184
Non-current	33,922	33,671
	49,894	**54,855**
Aggregate book value of quoted investments	9	11
Aggregate market value of quoted investments	9	11
Aggregate value of unquoted investments	50,507	55,466
Aggregate amount of impairment in the value of investments in the unquoted equity shares	622	622

2.5 B. TRADE RECEIVABLES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Trade receivables from other parties	13,594	11,532
Receivables from subsidiaries and joint ventures(Refer note 2.23)	27,324	36,592
	40,918	**48,124**
Details of security		
Considered good, unsecured	41,069	48,256
Credit impaired	289	314
	41,358	**48,570**
Less: Allowance for credit losses	(440)	(446)
	40,918	**48,124**
Current	40,800	46,387
Non-current[1]	118	1,737
	40,918	**48,124**

(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 2021 and 31 March 2020 are as follows:

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.5 B. TRADE RECEIVABLES (CONTINUED)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Balance at the beginning of the year	446	467
Provision made during the year, net of reversals	64	93
Trade receivables written off during the year	(70)	(114)
Effect of changes in the foreign exchange rates	-	-
Balance at the end of the year	**440**	**446**

2.5 C. LOANS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Considered good, unsecured		
Loans and advances to wholly owned subsidiaries[1]	12	12
Others	-	-
	12	12
Less: Allowance for doubtful loans and advances	-	-
	12	**12**

[1] *Loans and advances to wholly owned subsidiaries comprise:*

PARTICULARS	BALANCE AS AT		MAXIMUM AMOUNT OUTSTANDING AT ANY TIME DURING THE YEAR ENDED	
	31 MARCH 2021	31 MARCH 2020	31 MARCH 2021	31 MARCH 2020
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	-	-	-	343
Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	-	-	-	-
Reddy Antilles N.V., Netherlands	-	-	-	-
	12	**12**		

[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.

2.5 D. OTHER FINANCIAL ASSETS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
I. Non-current assets		
Considered good, unsecured		
Security deposits	492	474
	492	**474**
II. Current assets		
Considered good, unsecured		
Claims receivable	167	1,045
Interest accrued but not due on investments	114	523
Receivables from subsidiary companies including step down subsidiaries:		
Dr. Reddy's Bio-sciences Limited, India	55	55
Aurigene Pharmaceutical Services Limited	48	-
Aurigene Discovery Technologies Limited, India	4	17
Others	8	6
Other assets	133	242
	529	1,888
Less: Allowance for doubtful advances	-	-
	529	**1,888**

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 2021	AS AT 31 MARCH 2020
Balances with banks		
In current accounts	4,094	248
In EEFC accounts	8,689	19
In term deposits with banks (original maturities less than 3 months)	54	-
Cash on hand	-	1
Other bank balances		
In unclaimed dividend accounts	86	86
In unclaimed fractional share pay order accounts	-	1
In unclaimed debentures and debenture interest account	20	25
LC and Bank guarantee margin money	80	12
Balances in Escrow account pursuant to the Business Transfer Agreement with Wockhardt Limited (Refer to Note 2.38 for details)	40	-
Cash and cash equivalents in the balance sheet	**13,063**	**392**
Less: Bank overdraft used for cash manangement purposes	(9)	(1)
Cash and cash equivalents in the statement of cash flow (including restricted cash)	**13,054**	**391**
Restricted cash balances included above		
Balance in unclaimed dividend and debenture interest account	106	112
Other restricted cash balances	120	12

2.6 OTHER ASSETS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
A. Non-current assets		
Considered good, unsecured		
Capital advances	159	124
Dues from joint ventures and other related parties	1	14
	160	**138**
B. Current assets		
Considered good, unsecured		
Balances and receivables from statutory authorities [1]	5,909	3,733
Export benefits receivable [2]	2,070	2,652
Advances to material suppliers	582	544
Prepaid expenses	738	530
Dues from joint ventures and other related parties	17	49
Others	650	1,021
Considered doubtful, unsecured		
Other advances	107	104
	10,073	**8,633**
Less: Allowance for doubtful advances	(107)	(104)
	9,966	**8,529**

[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.*

2.7 INVENTORIES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Raw materials (includes in transit ₹ 53 ; 31 March 2020: ₹ 82)	10,166	8,562
Work-in-progress	8,886	5,960
Finished goods	4,621	3,477
Stock-in-trade	1,505	1,619
Packing materials, stores and spares	3,019	2,286
	28,197	**21,904**

During the year ended 31 March 2021, the Company recorded inventory write-down of ₹ 1,242 (31 March 2020: ₹ 1,586) in the statement of profit and loss.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.8 SHARE CAPITAL

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Authorised share capital		
240,000,000 equity shares of ₹ 5/- each (31 March 2020: 240,000,000)	1,200	1,200
Issued equity capital		
166,301,431 equity shares of ₹ 5/- each fully paid-up (31 March 2020: 166,172,282)	832	831
Subscribed and fully paid-up		
166,301,231 equity shares of ₹ 5/- each fully paid-up (31 March 2020: 166,172,082)	832	831
Add: Forfeited share capital (e)	-	-
	832	**831**

a) Reconciliation of the equity shares outstanding is set out below:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021		FOR THE YEAR ENDED 31 MARCH 2020	
	NO. OF SHARES	AMOUNT	NO. OF SHARES	AMOUNT
Opening number of equity shares/share capital	166,172,082	831	166,065,948	830
Add: Equity shares issued pursuant to employee stock option plan[1]	129,149	1	106,134	1
Closing number of equity shares/share capital	**166,301,231**	**832**	**166,172,082**	**831**
Treasury shares[2]	575,201	1,967	395,950	1,006

[1] *During the years ended 31 March 2021 and 31 March 2020, 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. The options exercised had an exercise price of ₹ 5, ₹ 2,607 or ₹ 2,814 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"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 (as defined therein) upon exercise of stock options thereunder. During the year ended 31 March 2021 and 31 March 2020, an aggregate of 85,250 and 1,150 equity shares, respectively 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. The options exercised had an exercise price of ₹ 2,607 or ₹ 2,814 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 "securities premium" in the statement of changes in equity. In addition, any difference between the carrying amount of treasury shares and the consideration received was recognised in the "securities premium". As of 31 March 2021 and 31 March 2020, the ESOS Trust had outstanding 575,201 and 395,950 shares, respectively, which it purchased from the secondary market for an aggregate consideration of ₹ 1,967 and ₹ 1,006, 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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Dividend per share (in absolute ₹)	25	20
Dividend distribution tax on the dividend paid	-	600
Dividend paid during the year	4,147	3,314

At the Company's Board of Directors' meeting held on 14 May 2021, the Board proposed a dividend of ₹ 25 per share and aggregating to ₹ 4,158, 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 2021		AS AT 31 MARCH 2020	
	NO. OF SHARES HELD	% HOLDING IN THE CLASS	NO. OF SHARES HELD	% HOLDING IN THE CLASS
Dr. Reddy's Holdings Limited	**41,325,300**	**24.85**	41,325,300	24.88
Life Insurance Corporation of India and their associates	**1,110,352**	**0.67**	8,468,983	5.10

(d) 217,253 (31 March 2020: 232,837) 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", 412,339 (31 March 2020: 354,343) 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 385,930 (31 March 2020: 375,775) 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)

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.8 SHARE CAPITAL (CONTINUED)

(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				
	2021	2020	2019	2018	2017
Ordinary shares of ₹ 5 each	-	-	-	-	5,077,504

2.9 FINANCIAL LIABILITIES

2.9 A. NON-CURRENT BORROWINGS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Unsecured		
Long-term loans from banks (a)	-	-
Secured		
Long-term maturities of lease obligation	177	193
	177	**193**

2.9 B. CURRENT BORROWINGS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
From Banks		
Unsecured		
Pre-shipment credit (b)	10,300	10,432
Bank overdraft	9	1
Others	1,500	3
	11,809	**10,436**

(a) Represents External Commercial Borrowing for the year ended 31 March 2020, carrying interest rate of 1 Month LIBOR plus 82.7 bps and is repayable in two equal installments in the year 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.

The aggregate maturities of long-term loans and borrowings, based on contractual maturities, as of 31 March 2021 were as follows:

PARTICULARS	AS AT 31 MARCH 2021		
	FOREIGN CURRENCY LOAN	OBLIGATIONS UNDER LEASES	TOTAL
Maturing in the year ending 31 March[1]			
2021	-	159	159
2022	-	106	106
2023	-	57	57
2024	-	13	13
2025	-	1	1
Thereafter			
	-	**336**	**336**

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]			
2020	3,783	157	3,940
2021	-	105	105
2022	-	42	42
2023	-	28	28
2024	-	18	18
Thereafter			
	3,783	**350**	**4,133**

[1] *Long-term debt obligations disclosed in the above table does not reflect any netting of transaction costs amounting to ₹ 0 and ₹ 0 as at 31 March 2021 and 31 March 2020, respectively.*

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.9 B. CURRENT BORROWING (CONTINUED)

(b) Packing credit loans for the year ended 31 March 2021, comprised of INR denominated loans carrying rates of 3-months Treasury Bill plus 30 bps and fixed rate of 5.75% and are repayable within 6 to 12 months from the date of drawdown. 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.

(c) The Company had uncommitted lines of credit of ₹ 18,361 and ₹ 20,743 as of 31 March 2021 and 31 March 2020, 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	FOR THE YEAR ENDED 31 MARCH 2021		
	NON-CURRENT BORROWINGS[1]	CURRENT BORROWINGS[2]	TOTAL
Opening balance at the beginning of the year	4,133	10,435	14,568
Recognition of right-of-use liability during the year	24	-	24
Borrowings (repaid)/made during the year	-	19,083	19,083
Borrowings repaid during the year	(3,743)	(17,556)	(21,299)
Payment of principal portion of lease liabilities	(38)	-	(38)
Effect of changes in foreign exchange rates	(40)	(162)	(202)
Others	-	-	-
Closing balance at the end of the year	**336**	**11,800**	**12,136**

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2020		
	NON-CURRENT BORROWINGS[1]	CURRENT BORROWINGS[2]	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) *Includes current portion.*

(2) *Does not include movement in bank overdraft and includes current portion.*

2.9 C TRADE PAYABLES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Trade payables to third parties		
Due to micro, small and medium enterprises[1]	152	55
Other parties	12,559	9,809
Trade payables to subsidiaries including step down subsidiaries (Refer note 2.23)	653	820
	13,364	**10,684**

(1) (a) *The principal amount remaining unpaid as at 31 March 2021 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMED) is ₹ 152 (31 March 2020: ₹ 55). The interest amount computed based on the provisions under Section 16 of the MSMED is ₹ 0.00 (31 March 2020: ₹ 0.00) is remaining unpaid as of 31 March 2021. The interest amount of ₹ 0.00 that remained unpaid as at 31 March 2020 was paid fully during the current year.*

(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 2020: 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 2.28 of the financial statements under "Liquidity risk".

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.9 D OTHER FINANCIAL LIABILITIES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Accrued expenses	6,705	5,710
Payable to subsidiary companies including step down subsidiaries (Refer note 2.23)	3,049	2,113
Current maturity of long-term borrowings[1]	-	3,783
Due to capital creditors	2,019	1,186
Unclaimed dividends, debentures and debenture interest[2]	106	111
Trade and security deposits received	59	60
Interest accrued but not due on loans	-	2
Current maturity of lease obligations	159	157
Others	72	806
	12,169	**13,928**

(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.*

(2) *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. 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 2021	AS AT 31 MARCH 2020
A. Non-current provisions		
Provision for employee benefits (Refer note 2.25)		
Compensated absences	195	493
Long service award benefit plan	56	52
	251	**545**
B. Current provisions		
Provision for employee benefits (Refer note 2.25)		
Compensated absences	595	409
Gratuity	631	189
Long service award benefit plan	16	14
Other provisions [a]		
Refund liability	1,134	914
Others	611	547
	2,987	**2,073**

(a) Details of changes in other provisions during the year ended 31 March 2021 are as follows:

PARTICULARS	REFUND LIABILITY[1]	OTHERS[2]
Balance as at beginning of the year	914	547
Provision made during the year, net of reversals	248	64
Provision used during the year	(28)	-
Balance as at end of the year	**1,134**	**611**

(1) *Refund liability 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 liability.*

(2) *Primarily consists of provision recorded towards the potential liability arising out of a litigation relating to cardiovascular and anti-diabetic formulations. Refer note 2.29 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.*

2.11 OTHER LIABILITIES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
A. Non-current liabilities		
Deferred revenue	428	294
Others	-	2
	428	**296**
B. Current liabilities		
Salary and bonus payable	2,022	1,921
Due to statutory authorities	2,514	633
Advance from customers	296	487
Deferred revenue	136	119
	4,968	**3,160**

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

Revenue from contracts with customers:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Sales	132,094	109,925
Service income	199	416
License fees[1]	521	7,689
	132,814	**118,030**

(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 million) towards the aforesaid sale transaction.*

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Global Generics	106,156	89,683
Pharmaceutical Services and Active Ingredients	26,188	20,703
Proprietary Products	470	7,644
	132,814	**118,030**

Details of refund liabilities:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Balance at the beginning of the year	914	899
Provision made during the year, net of reversals	248	1,041
Provision used during the year	(28)	(1,026)
Balance at the end of the year	**1,134**	**914**
Current	1,134	914
Non-current	-	-
	1,134	**914**

Details of contract asset:

As mentioned in the accounting policies for refund liability set forth in note 1.3 (l) of these 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 2021 and 31 March 2020, the Company had ₹ 37 and ₹ 23, 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 2021 and 31 March 2020:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Balance at the beginning of the year	413	388
Revenue recognised during the year	(217)	(109)
Milestone payment received during the year	368	134
Balance at the end of the year	**564**	**413**
Current	136	119
Non-current	428	294
	564	**413**

Details of contract liabilities :

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Advance from customers	296	487
	296	**487**

2.13 OTHER OPERATING INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Sale of spent chemicals	270	306
Scrap sales	115	137
Miscellaneous income	292	31
	677	**474**

2.14 OTHER INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Interest income		
On fixed deposits	245	311
On loans to subsidiaries	-	11
On investment in preference shares of subsidiary[1]	516	-
Others	462	534
Dividend income[2]	-	397
Profit on disposal of property, plant and equipment and other intangibles, net[3]	4,711	-
Foreign exchange gain, net	1,237	1,705
Fair value gain on financial instruments measured at fair value through profit or loss	510	821
Miscellaneous income, net[4]	330	3,653
	8,011	**7,432**

(1) *Includes ₹ 516 of preference dividend from Dr. Reddy's Laboratories S.A.*

(2) *Includes dividends received from Kunshan Rotam Reddy Pharmaceutical Company Limited, China.*

(3) *Profit on disposal of property, plant and equipment and other intangibles includes an amount of ₹ 4,772 representing the profit on sale of business unit during the year ended 31 March 2021. The Company sold contract development and manufacturing organisation (CDMO) division of the Custom Pharmaceutical Services (CPS) business of the Company. 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.*

(4) *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.*

2.15 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021		FOR THE YEAR ENDED 31 MARCH 2020	
Opening				
Work-in-progress	5,960		5,630	
Finished goods	3,477		3,070	
Stock-in-trade	1,619	11,056	1,357	10,057
Closing				
Work-in-progress	8,886		5,960	
Finished goods	4,621		3,477	
Stock-in-trade	1,505	15,012	1,619	11,056
		(3,956)		**(999)**

2.16 EMPLOYEE BENEFITS EXPENSE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Salaries, wages and bonus	18,876	17,123
Contribution to provident and other funds	1,295	1,203
Staff welfare expenses	1,917	1,427
Share-based payment expenses	613	549
	22,701	**20,302**

2.17 DEPRECIATION AND AMORTISATION EXPENSE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Depreciation of property, plant and equipment	6,688	7,069
Amortisation of intangible assets	1,662	823
	8,350	**7,892**

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.18 FINANCE COSTS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Interest on long-term borrowings	96	156
Interest on other borrowings	371	322
	467	**478**

2.19 SELLING AND OTHER EXPENSES

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Consumption of stores, spares and other materials	5,275	4,842
Clinical trial expenses	1,605	916
Other research and development expenses	3,612	3,386
Advertisements	370	122
Commission on sales	181	176
Carriage outward	4,696	2,566
Other selling expenses	8,744	9,134
Legal and professional	3,587	3,163
Power and fuel	2,913	2,905
Repairs and maintenance		
Buildings	163	223
Plant and equipment	760	734
Others	1,727	1,429
Insurance	456	298
Travel and conveyance	491	810
Rent	87	131
Rates and taxes	418	358
Corporate Social Responsibility and donations [1]	479	447
Allowance for credit losses, net (Refer note 2.5 B)	64	93
Allowance for doubtful advances, net	5	2
Non-Executive Directors' remuneration	91	108
Auditors' remuneration (Refer note 2.21)	16	16
Provision/(reversal of provision) relating to non-current investments, net	-	-
Loss on sale/disposal of property , plant and equipment and other intangibles, net	-	135
Other general expenses	2,302	1,774
	38,042	**33,768**

[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			**341**
Amount spent during the year ending on 31 March 2021	361	-*	361
Amount spent during the year ending on 31 March 2020	275	-	275

* *Rounded off to millions*

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Employee benefits expense (included in note 2.16)	3,257	3,230
Other expenses (included in note 2.19)		
Clinical trial expenses	1,605	916
Materials and consumables	3,861	3,610
Power and fuel	207	201
Other research and development expenses	3,612	3,386
	12,542	**11,343**

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.21 AUDITORS' REMUNERATION

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Audit fees	14	13
Other charges – Certification fee	1	1
Reimbursement of out of pocket expenses	1	2
	16	**16**

2.22 EARNINGS PER SHARE (EPS)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Earnings		
Profit attributable to equity shareholders of the Company	21,864	29,377
Shares		
Number of equity shares at the beginning of the year (excluding treasury shares)	165,776,132	165,847,972
Effect of treasury shares held during the year	(56,014)	(154,020)
Effect of equity shares issued on exercise of stock options	124,222	64,432
Weighted average number of equity shares – Basic	**165,844,340**	**165,758,384**
Dilutive effect of stock options outstanding [1]	471,701	323,601
Weighted average number of equity shares – Diluted	**166,316,041**	**166,081,985**
Earnings per share of par value ₹ 5/- – Basic (₹)	131.84	177.23
Earnings per share of par value ₹ 5/- – Diluted (₹)	131.46	176.88

[1] *As at 31 March 2021 and 31 March 2020, 235,460 and 475,575 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 (under liquidation)
9	Dr Reddy's Laboratories Kazakhstan, Kazakhstan
10	Dr. Reddy's (Thailand) Limited, Thailand
11	Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China
12	Dr. Reddy's (Beijing) Pharmaceutical Co. Limited (from 19 August 2020)
13	Dr. Reddy's Bio-sciences Limited, India
14	Dr. Reddy's Formulations Limited, India (from 11 March 2021)
15	Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil
16	Dr. Reddy's Laboratories (Australia) Pty. Limited, Australia
17	Dr. Reddy's Laboratories (EU) Limited, UK
18	Dr. Reddy's Laboratories (Proprietary) Limited, South Africa
19	Dr. Reddy's Laboratories (UK) Limited, UK
20	Dr. Reddy's Laboratories B.V., Netherlands (Formerly Eurobridge Consulting B.V.)
21	Dr. Reddy's Laboratories Canada, Inc., Canada
22	Dr. Reddy's Laboratories Inc., USA
23	Dr. Reddy's Laboratories International SA, Switzerland (merged with Dr. Reddy's Laboratories SA, Switzerland w.e.f 1 January 2019)
24	Dr. Reddy's Laboratories LLC, Ukraine
25	Dr. Reddy's Laboratories Malaysia Sdn. Bhd., Malaysia
26	Dr. Reddy's Laboratories New York, LLC (transfer of ownership from DRL Swiss to DRL Inc. effective 29 October 2020 and conversion from Inc. to LLC effective 30 October 2020)
27	Dr. Reddy's New Zealand Limited, New Zealand
28	Dr. Reddy's Philippines Inc., Philippines
29	Dr. Reddy's Research and Development B.V. (formerly Octoplus BV)

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.23 RELATED PARTIES (CONTINUED)

30	Dr. Reddy's SRL, Italy	
31	Dr. Reddy's Laboratories Chile SPA., Chile	
32	Dr. Reddy's Laboratories Japan KK, Japan	
33	Dr. Reddy's Laboratories Louisiana LLC, USA	
34	Dr. Reddy's Laboratories Romania S.R.L., Romania	
35	Dr. Reddy's Laboratories SA, Switzerland	
36	Dr. Reddy's Laboratories SAS, Colombia	
37	Dr. Reddy's Laboratories Taiwan Limited, Taiwan	
38	Dr. Reddy's Singapore PTE Limited (till 04 June 2019)	
39	Dr. Reddy's Venezuela, C.A., Venezuela	
40	DRL Impex Limited, India	
41	Idea2Enterprises (India) Private Limited, India	
42	Imperial Credit Private Limited, India	
43	Industrias Quimicas Falcon de Mexico, S.A.de C.V, Mexico	
44	Lacock Holdings Limited, Cyprus	
45	OOO Dr. Reddy's Laboratories Limited, Russia	
46	OOO DRS LLC, Russia	
47	Promius Pharma LLC, USA	
48	Reddy Antilles N.V. (till 02 November 2019)	
49	Reddy Holding GmbH, Germany	
50	Reddy Netherlands B.V., Netherlands	
51	Reddy Pharma Iberia SAU, Spain	
52	Reddy Pharma Italia S.R.L, Italy	
53	Reddy Pharma SAS, France	
54	Svaas Wellness Limited (formerly Regkinetics Services Limited) (name change effective 18 December 2020)	
Joint ventures		
55	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
56	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
57	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		
58	Cheminor Employees Welfare Trust, India	The Company does not have any equity interests in this entity, but has significant influence or control over it.
59	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.
60	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.

(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	K 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
19	Samarjita Management Consultancy Private Limited	Enterprise controlled by Key Managerial Personnel

(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	Allan Oberman	Independent director
4	Anupam Puri (till 26 July 2019)	Independent director
5	Bharat Narotam Doshi	Independent director
6	Dr. Bruce LA Carter	Independent director
7	Dr. Omkar Goswami (till 30 July 2019)	Independent director
8	Kalpana Morparia	Independent director
9	Leo Puri	Independent director
10	Prasad R Menon	Independent director
11	Shikha Sharma	Independent director
12	Sridar Iyengar	Independent director
13	Anil Namboodiripad	Management council member
14	Archana Bhaskar	Management council member
15	Deepak Sapra	Management council member
16	Dr. Raymond de Vre (till 31 March 2021)	Management council member
17	Erez Israeli	CEO and management council member
18	Ganadhish Kamat	Management council member
19	Marc Kikuchi	Management council member
20	Mukesh Rathi (from 1 December 2020)	Management council member
21	M V Ramana	Management council member
22	Parag Agarwal (from 1 December 2020)	Management council member
23	Patrick Aghanian (from 7 October 2019)	Management council member
24	P Yugandhar	Management council member
25	Saumen Chakraborty	Management council member
26	Sanjay Sharma	Management council member
27	Sauri Gudlavalleti	Management council member
28	Sandeep Poddar	Company secretary

(d) Particulars of related party transactions

The following is a summary of significant related party transactions:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Revenues from:		
Subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories Inc.	35,914	31,455
OOO Dr. Reddy's Laboratories Limited	13,410	12,517
Dr. Reddy's Laboratories SA	6,252	6,001
Others	15,799	10,948
	71,375	**60,921**
Joint Ventures		
Reddy Kunshan	22	14
Total	**71,397**	**60,935**

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Interest income from subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories SA[1]	516	-
Dr. Reddy's Farmaceutica Do Brasil Ltda.	-	11
Dr. Reddy's Bio-sciences Limited, India*	-	-
Total	**516**	**11**
Service income from subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories Inc.	10	143
Dr. Reddy's Laboratories SA	44	-
Total	**54**	**143**
Joint Ventures		
Reddy Kunshan	39	-
Total	**39**	**-**
Licence fees from subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories Inc.	3	14
Total	**3**	**14**

* *Rounded off to millions*

(1) *Represents preference dividend*

Commission on guarantee to subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories SA	-	49
Aurigene Pharmaceutical Services Limited	15	-
Total	**15**	**49**
Lease rentals received from		
Subsidiaries including step down subsidiaries:		
Aurigene Discovery Technologies Limited	4	18
Aurigene Pharmaceutical Services Limited	44	-
Joint ventures		
DRES Energy Private Limited	1	1
Total	**49**	**19**
Dividend income from Reddy Kunshan	**-**	**392**
Reimbursement of operating expenses by subsidiaries and step down subsidiaries:		
Aurigene Discovery Technologies Limited	2	40
Aurigene Pharmaceutical Services Limited	19	-
Dr. Reddy's (Beijing) Pharmaceutical Co. Limited	2	-
Total	**23**	**40**
Purchases and services from		
Subsidiaries including step down subsidiaries		
OOO Dr. Reddy's Laboratories Limited	2,738	3,024
Dr. Reddy's Research and Development B.V.	1,048	968
Industrias Quimicas Falcon de Mexico, S.A. de CV	952	995
Dr. Reddy's Laboratories LLC, Ukraine	664	623
Dr. Reddy's Laboratories Inc.	626	590
Dr. Reddy's Laboratories (EU) Limited	533	488
Others	688	634
Total	**7,249**	**7,322**
Joint ventures		
DRES Energy Private Limited	127	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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Other related parties		
Dr. Reddy's Institute of Life Sciences	105	105
Indus Projects Private Limited	55	101
Samarjita Management Consultancy Private Limited	28	-
Others	2	4
Total	**190**	**210**
Sale of assets to subsidiaries including step down subsidiaries		
Aurigene Pharmaceutical Services Limited	5,346	-
Contributions towards social development		
Dr. Reddy's Foundation	217	218
Pudami Educational Society	15	15
Total	**232**	**233**
Catering services from Green Park Hospitality Services Private Limited	301	344
Facility management services from Green Park Hospitality Services Private Limited	36	24
Hotel expenses		
Green Park Hotels and Resorts Limited	7	15
Stamlo Industries Limited	1	7
Total	**8**	**22**
Lease rentals paid under cancellable leases to		
Key Managerial Personnel		
K Satish Reddy	14	13
Relatives of Key Managerial Personnel	23	22
Total	**37**	**35**
Salaries to relatives of Key Managerial Personnel	**8**	**7**
Remuneration to Key Managerial Personnel		
Salaries and other benefits[1]	575	495
Contributions to defined contribution plans	34	35
Commission to directors	301	298
Share-based payments expense	261	168
Total	**1,171**	**996**

(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.*

Investment made/(disposed) in		
Subsidiaries		
Dr. Reddy's Laboratories SA	-	14,485
Reddy Antilles N.V.	-	(411)
Svaas Wellness Limited (formerly Regkinetics Services Limited)	-	(200)
Dr. Reddy's Bio-sciences Limited	-	49
Total	**-**	**13,923**
Impairment/(reversal of impairment) in the value of non-current investments:		
Subsidiaries		
Reddy Antilles N.V.	-	(411)
Total	**-**	**(411)**

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 2021	AS AT 31 MARCH 2020
Loans and advances given /(repaid by), net		
Subsidiaries and step down subsidiaries		
Dr. Reddy's Farmaceutica Do Brasil Ltda.	-	(343)
Dr. Reddy's Bio-sciences Limited	-*	-*
Total	**-**	**(343)**
* Loans given / (repaid by) is inclusive of accrued interest		
Loans and advances given /(repaid by), net		
Joint ventures		
DRES Energy Private Limited	-	(6)
Total	**-**	**(6)**
Movement in other receivables from		
Subsidiaries including step down subsidiaries:		
Aurigene Pharmaceutical Services Limited	48	-
Aurigene Discovery Technologies Limited	(13)	-
Dr. Reddy's (Beijing) Pharmaceutical Co. Limited	2	-
Joint ventures		
DRES Energy Private Limited	(16)	2
Total	**21**	**2**
Guarantee given/(released) on behalf of Subsidiaries including step down subsidiaries		
Aurigene Pharmaceutical Services Limited	4,000	-
Dr. Reddy's Laboratories SA	-	(17,289)

(e) The Company has the following amounts due from/to related parties:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Due from related parties		
Subsidiaries including step down subsidiaries (included in trade receivables)		
Dr. Reddy's Laboratories Inc.	12,014	20,785
OOO Dr. Reddy's Laboratories Limited	4,677	6,335
Others	10,633	9,468
Total	**27,324**	**36,589**
Joint ventures (included in other assets)		
Reddy Kunshan	-	3
DRES Energy Private Limited	1	16
	1	**19**
Others		
Greenpark Hospitality Services Private Limited	17	47
Rental deposit to Key Managerial Personnel and their relatives	8	8
Others	-*	-*
Total	**25**	**55**
*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	2,440	1,591
Dr. Reddy's Research and Development B.V.	251	256
Industrias Quimicas Falcon de Mexico, S.A. de CV	238	341
Dr. Reddy's Laboratories LLC, Ukraine.	161	134
Dr. Reddy's Laboratories Inc.	159	290
Dr. Reddy's Laboratories (EU) Limited	143	190
Others	310	131
Total	**3,702**	**2,933**

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 2021	AS AT 31 MARCH 2020
Due to related parties (included in trade payables and other current liabilities) (continued)		
Joint ventures		
DRES Energy Private Limited	3	12
Others		
Greenpark Hospitality Services Private Limited	38	48
Indus Projects Private Limited	17	31
Green Park Hotels & Resorts Limited	1	-*
Dr. Reddy's Institute of Life Sciences	34	-*
Total	**90**	**79**
*Rounded off to millions.		
Outstanding Guarantee given on behalf of Aurigene Pharmaceutical Services Limited	**4,000**	**-**

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 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.

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**

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 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 2021 and 31 March 2020 is as follows:

Category A — Fair Market Value Options: There was no stock activity under this category during the years ended 31 March 2021 and 31 March 2020 and there were no stock options outstanding under this category as of 31 March 2021 and 31 March 2020.

Category B — Par Value Options: Stock options activity under this category during the years ended 31 March 2021 and 31 March 2020 was as set forth in the below table.

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021			
	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	232,837	5.00	5.00	69
Granted during the year	92,092	5.00	5.00	93
Expired/forfeited during the year	(35,646)	5.00	5.00	-
Exercised during the year	(72,030)	5.00	5.00	-
Outstanding at the end of the year	**217,253**	**5.00**	**5.00**	**69**
Exercisable at the end of the year	**46,130**	**5.00**	**5.00**	**44**

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**

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was ₹ 3,677 and ₹ 2,746 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was ₹ 4,565 and ₹ 2,681 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was ₹ 328 and ₹ 193, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of ₹ 980 and options exercisable had an aggregate intrinsic value of ₹ 208.

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 options activity under the DRL 2007 Plan for the above two categories of options during the years ended 31 March 2021 and 31 March 2020 was as follows:

CATEGORY A -FAIR MARKET VALUE OPTIONS	FOR THE YEAR ENDED 31 MARCH 2021			
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	202,760	1,982.00 to 2,814.00	2,353.62	72
Granted during the year	96,080	3,679.00	3,679.00	90
Expired/forfeited during the year	(13,348)	2,607.00/ 2,814.00	2,678.03	-
Exercised during the year	(15,152)	2,607.00/ 2,814.00	2,643.48	-
Outstanding at the end of the year	**270,340**	**1,982.00 to 3,679.00**	**2,791.65**	**67**
Exercisable at the end of the year	**69,530**	**1,982.00 to 2,814.00**	**2,182.21**	**45**

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 to 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**

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was ₹ 1,255 and ₹ 993 per option, respectively. The weighted average share price on the date of exercise of options during the year ended 31 March 2021 was ₹ 4,506

The aggregate intrinsic value of options exercised during the year ended 31 March 2021 was ₹ 28. As of 31 March 2021, options outstanding had an aggregate intrinsic value of ₹ 466 and options exercisable had an aggregate intrinsic value of ₹ 120.

CATEGORY B — PAR VALUE OPTIONS	FOR THE YEAR ENDED 31 MARCH 2021			
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	151,583	5.00	5.00	73
Granted during the year	52,316	5.00	5.00	89
Expired/forfeited during the year	(19,933)	5.00	5.00	-
Exercised during the year	(41,967)	5.00	5.00	-
Outstanding at the end of the year	**141,999**	**5.00**	**5.00**	**71**
Exercisable at the end of the year	**15,393**	**5.00**	**5.00**	**41**

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**

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 weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was ₹ 3,631 and ₹ 2,747, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was ₹ 4,334 and ₹ 2,757, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was ₹ 182 and ₹ 93, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of ₹ 641 and options exercisable had an aggregate intrinsic value of ₹ 69.

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 2021, the outstanding shares purchased from secondary market are 575,201 shares for an aggregate consideration of ₹ 1,967.

Stock option activity under the DRL 2018 Plan during the years ended 31 March 2021 and 31 March 2020 was as follows:

FAIR MARKET VALUE OPTIONS	FOR THE YEAR ENDED 31 MARCH 2021			
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	375,775	2,607.00/ 2,814.00	2,697.12	75
Granted during the year	150,740	3,679.00	3,679.00	90
Expired/forfeited during the year	(55,335)	2,607.00 to 3,679.00	2,904.51	-
Exercised during the year	(85,250)	2,607.00/ 2,814.00	2,671.71	-
Outstanding at the end of the year	**385,930**	**2,607.00 to 3,679.00**	**3,056.51**	**71**
Exercisable at the end of the year	**71,225**	**2,607.00/ 2,814.00**	**2,665.63**	**51**

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 to 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**

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 weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was ₹ 1,255 and ₹ 994 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was ₹ 4,609 and ₹ 2,914 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was ₹ 165 and ₹ 0.35, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of ₹ 563 and options exercisable had an aggregate intrinsic value of ₹ 104.

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		
	27 OCTOBER 2020	19 MAY 2020	19 MAY 2020
Expected volatility	30.81%	29.12%	30.47%
Exercise price	₹ 5.00	₹ 3,679.00	₹ 5.00
Option life	2.5 Years	5.0 Years	2.5 Years
Risk-free interest rate	4.36%	5.67%	4.62%
Expected dividends	0.49%	0.68%	0.68%
Grant date share price	₹ 5,099.00	₹ 3,700.00	₹ 3,700.00

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

Share-based payment expense

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Equity settled share-based payment expense [1]	584	521
Cash settled share-based payment expense [2]	29	28
	613	**549**

[1] *As of 31 March 2021 and 31 March 2020, there was ₹ 612 and ₹ 515, respectively, of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 1.95 years and 1.93 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 2021 and 31 March 2020, there was ₹ 22 and ₹ 25, respectively, of total unrecognised compensation cost related to unvested awards. This cost is expected to be recognised over a weighted-average period of 1.82 years and 1.88 years, respectively. This scheme does not involve dealing in or subscribing to or purchasing securities of the Company, directly or indirectly.*

NOTES TO FINANCIAL STATEMENTS

(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 2021 and 31 March 2020 amounted to ₹ 22,701 and ₹ 20,302, 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 2021 and 31 March 2020 consist of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Current service cost	281	276
Interest on net defined benefit liability	8	(4)
Gratuity cost recognised in statement of profit and loss	**289**	**272**

Details of the employee benefits obligations and plan assets are provided below:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Present value of funded obligations	2,628	2,349
Fair value of plan assets	(1,997)	(2,160)
Net defined benefit liability recognised	**631**	**189**

Details of changes in the present value of defined benefit obligations are as follows:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Defined benefit obligations at the beginning of the year	2,349	2,200
Current service cost	281	276
Interest on defined obligations	140	152
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	153	(96
Actuarial loss/(gain) due to demographic assumptions	(26)	(48)
Actuarial loss/(gain) due to experience changes	51	59
Benefits paid	(345)	(194)
Liabilities assumed/(transferred)*	25	-
Defined benefit obligations at the end of the year	**2,628**	**2,349**

* *Liabilities assumed/(transferred) of ₹ 25 comprises of :*

a) *₹ 70 increase in liability on account of acquisition of employees pursuant to the Business Transfer Agreement with Wockhardt limited. Refer to Note 2.38 of these standalone financial statements for further details.*

b) *₹ 45 transfer of liability on account of restructuring of the pharmaceutical services business between the parent company and its subsidiary.*

Details of changes in the fair value of plan assets are as follows:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Fair value of plan assets at the beginning of the year	2,160	2,174
Employer contributions	25	14
Interest on plan assets	132	156
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	(1)	10
Benefits paid	(345)	(194)
Assets acquired / (transferred)*	26	-
Plan assets at the end of the year	**1,997**	**2,160**

* *Assets acquired/(transferred) of ₹ 26 comprise of:*

a) *₹ 70 increase in asset on account of acquisition of employees pursuant to the Business Transfer Agreement with Wockhardt limited. Refer to Note 2.38 of these financial statements for further details.*

b) *₹ 44 transfer of asset on account of restructuring of the pharmaceutical services business between the parent company and its subsidiary.*

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.25 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis:

PARTICULARS	AS AT 31 MARCH 2021
Defined benefit obligation without effect of projected salary growth	1,795
Add: Effect of salary growth	833
Defined benefit obligation with projected salary growth	2,628
Defined benefit obligation, using discount rate minus 50 basis points	2,700
Defined benefit obligation, using discount rate plus 50 basis points	2,559
Defined benefit obligation, using salary growth rate plus 50 basis points	2,698
Defined benefit obligation, using salary growth rate minus 50 basis points	2,560

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Discount rate	6.00%	6.65%
Rate of compensation increase	8.00%	7.50%

The assumptions used to determine gratuity cost:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Discount rate	6.65%	7.45%
Rate of compensation increase	7.50%	8% per annum for the first year and 9% per annum thereafter

Contributions: The Company expects to contribute ₹ 317 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 2021 and 31 March 2020, by asset category, was as follows:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Funds managed by insurers	100%	99%
Others	0%	1%

The expected future cash flows in respect of gratuity as at 31 March 2021 were as follows:

PARTICULARS	AMOUNT
Expected contributions	
During the year ended 31 March 2022 (estimated)	317
Expected future benefit payments	
31 March 2022	452
31 March 2023	390
31 March 2024	361
31 March 2025	339
31 March 2026	308
Thereafter	1,971

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 ₹ 854 and ₹ 780 to the provident fund plan during the years ended 31 March 2021 and 31 March 2020, 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 ₹ 84 and ₹ 82 to the superannuation plan during the years ended 31 March 2021 and 31 March 2020, 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 ₹ 790 and ₹ 902 as at 31 March 2021 and 31 March 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

(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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Current taxes	5,401	4,839
Deferred taxes expense/(benefit)	3,297	(6,458)
Total income tax expense recognised in the statement of profit and loss	**8,698**	**(1,619)**

(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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Tax effect on effective portion of change in fair value of cash flow hedges	346	(259)
Tax effect on actuarial gains/losses on defined benefit obligations	(62)	33
Total income tax expense/(benefit) recognised in the equity	**284**	**(226)**

(c) Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended 31 March 2021 and 31 March 2020:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Profit before income taxes	30,562	27,758
Enacted tax rate in India	34.94%	34.94%
Computed expected tax expense	10,678	9,699
Effect of:		
Unrecognised deferred tax assets/(recognition of previously unrecognised deferred tax assets), net	-	(6,640)
Differential Tax rate impact on dividend income received from Subsidary/JV outside India	(87)	(68)
Income exempt from income taxes	(1,504)	(811)
Incremental deduction allowed for research and development costs [1]	-	(1,241)
Income from sale of capital assets	-	(2,620)
Other items	(389)	62
Income tax expense	**8,698**	**(1,619)**
Effective tax rate	**28.46%**	**(5.83)%**

[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 from 1 April 2020.*

The Company's average effective tax rate for the years ended 31 March 2021 and 31 March 2020 were 28.46% and (5.83)%, respectively.

The Company's effective tax rate for the year ended 31 March 2020 was lower as compared to the year ended 31 March 2021 primarily on account of:

- de-recognition of deferred tax asset during the year ended 31 March 2021 due to non-availability of depreciation on goodwill pursuant to an amendment to section 2(11) of the Income Tax Act in the Finance Act, 2021;
- recognition of a deferred tax asset related to the Minimum Alternate Tax ("MAT") credits during the fiscal year ended 31 March 2020.
- Weighted deduction on eligible research and development expenditure in Dr. Reddy's laboratories limited, India for the year ended 31 March 2020.
- income from sale of capital assets during the year ended 31 March 2020, which was 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 2021	AS AT 31 MARCH 2020
Taxable/Deductible temporary differences, net	-	-

NOTES TO FINANCIAL STATEMENTS

(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 2021	AS AT 31 MARCH 2020
Deferred tax assets/(liabilities):		
Minimum Alternate Tax*	4,749	6,247
Trade receivables	255	243
Operating tax loss/capital loss	355	1,651
Current liabilities and provisions	462	597
Loans	(65)	(65)
Property , plant and equipment	(3,091)	(2,331)
Investments	(117)	(213)
Net deferred tax assets/(Liabilities)	**2,548**	**6,129**

* *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.

(f) Movement in deferred tax assets and liabilities during the years ended 31 March 2021 and 31 March 2020

PARTICULARS	AS AT 1 APRIL 2020	RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS	RECOGNISED IN EQUITY	AS AT 31 MARCH 2021
Deferred tax assets/(liabilities)				
Minimum Alternate Tax	6,247	(1,498)	-	4,749
Trade receivables	243	12	-	255
Operating tax loss/capital loss	1,651	(1,296)	-	355
Current liabilities and provisions	597	149	(284)	462
Loans	(65)	-	-	(65)
Property , plant and equipment	(2,331)	(760)	-	(3,091)
Investments	(213)	96	-	(117)
Net deferred tax assets/(liabilities)	**6,129**	**(3,297)**	**(284)**	**2,548**

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**

(g) Uncertain tax positions

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 2021.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.27 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 2021 and 31 March 2020 were as follows:

PARTICULARS	AS AT 31 MARCH 2021		AS AT 31 MARCH 2020	
	TOTAL CARRYING VALUE	TOTAL FAIR VALUE/ AMORTISED COST	TOTAL CARRYING VALUE	TOTAL FAIR VALUE/ AMORTISED COST
Financial assets				
Cash and cash equivalents	13,063	13,063	392	392
Investments*	49,894	49,894	54,855	54,855
Trade receivables	40,918	40,918	48,124	48,124
Loans	12	12	12	12
Derivative instruments	915	915	783	783
Other financial assets	1,021	1,021	2,362	2,362
Total	**105,823**	**105,823**	**106,528**	**106,528**
Financial liabilities				
Trade payables	13,364	13,364	10,684	10,684
Long-term borrowings	177	177	193	193
Short-term borrowing	11,809	11,809	10,436	10,436
Derivative instruments	306	306	1,524	1,524
Other financial liabilities	12,169	12,169	13,928	13,928
Total	**37,825**	**37,825**	**36,765**	**36,765**

* *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 2021:

PARTICULARS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FVTPL - Financial asset - Investments in units of mutual funds	12,048	-	-	12,048
FVTPL - Financial asset – Investment in limited liability partnership firm	-	-	400	400
FVTPL - Financial asset - Investments in equity securities	-	-	1	1
FVTOCI - Financial asset -Investment in equity securities	9	-	-	9
Derivative financial instruments – net gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts [1]	-	609	-	609
Contingent consideration pursuant to the Business Transfer Agreement with Wockhardt Limited (Refer to Note 2.38 for details)	-	-	420	420

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
FVTPL - Financial asset - Investments in equity securities	-	-	1	1
FVTOCI - Financial asset - Investment in equity securities	11	-	-	11
FVTOCI - Financial asset - Investment in market linked debenturesn	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)

[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.*

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.27 FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2021 and 31 March 2020, 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 ₹ 915 and ₹ 306, respectively, as at 31 March 2021 as compared to derivative financial asset and derivative financial liability of ₹ 783 and ₹ 1,524, respectively, as at 31 March 2020 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 2021	FOR THE YEAR ENDED 31 MARCH 2020
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	2,377	(986)
Net gain/(loss) recognised in equity in respect of hedges of highly probable forecast transactions, net of amounts reclassified from equity and recognised as component of revenue	987	(743)
Net gain/(loss) reclassified from equity and recognised as component of revenue occurrence of forecasted transaction	354	(34)

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a gain of ₹ 452 as at 31 March 2021, as compared to a loss of ₹ 537 as at 31 March 2020.

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 2021:

CATEGORY	INSTRUMENT	CURRENCY[1]	CROSS CURRENCY[1]	AMOUNTS IN MILLIONS	BUY/SELL
Hedges of recognised assets and liabilities	Forward contract	AUD	INR	AUD 7	Sell
	Forward contract	CHF	INR	CHF 200	Sell
	Forward contract	GBP	INR	GBP 8	Sell
	Forward contract	RUB	INR	RUB 2,799	Sell
	Forward contract	US $	INR	US $ 353	Sell
	Forward contract	US $	MXN	US $ 10	Buy
	Forward contract	US $	UAH	US $ 9	Buy
	Forward contract	ZAR	INR	ZAR 111	Sell
Hedges of highly probable forecasted transactions	Forward contract	AUD	INR	AUD 10	Sell
	Forward contract	RUB	INR	RUB 6,850	Sell
	Option contract	US $	INR	US $ 645	Sell
	Forward contract	ZAR	INR	ZAR 148	Sell

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

[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, "ZAR" means South Aftrican rands, "MXN" means Mexican Peso and "UAH" means Ukrainian Hryvnia.*

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.27 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 2021	AS AT 31 MARCH 2020
Cash flows in US$		
Not later than one month	3,656	2,648
Later than one month and not later than three months	7,311	5,297
Later than three months and not later than six months	12,063	7,945
Later than six months and not later than one year	24,126	4,540
	47,156	**20,430**
Cash flows in Russian Roubles		
Not later than one month	437	-
Later than one month and not later than three months	874	-
Later than three months and not later than six months	1,748	-
Later than six months and not later than one year	3,593	-
	6,651	**-**
Cash flows in South African Rands		
Not later than one month	61	-
Later than one month and not later than three months	121	-
Later than three months and not later than six months	182	-
Later than six months and not later than one year	364	-
	728	**-**
Cash flows in Australian Dollars		
Not later than one month	46	-
Later than one month and not later than three months	92	-
Later than three months and not later than six months	139	-
Later than six months and not later than one year	277	-
	555	**-**

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 ₹ 164 and a net gain of ₹ 36 for the year ended 31 March 2021 and 31 March 2020 respectively.

The Company had outstanding cross currency swap against INR borrowing of ₹ 7,240 as at 31 March 2021 and ₹ Nil as on 31 March 2020. The swap hedges the principal repayment of underlying INR liability and transforms it into USD principal repayment liability.

2.28 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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.28 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2.27 above.

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 ₹ 4,895/(4,267) increase/(decrease) in the Company's hedging reserve and a ₹ 5,063/(5,063) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2021;
- 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;

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2021:

(All figures in equivalent Indian Rupees millions)

PARTICULARS	US$	EURO	RUSSIAN ROUBLES	OTHERS [1]	TOTAL
Assets:					
Cash and cash equivalents	12,400	5	29	73	12,507
Trade receivables	28,132	1,692	5,391	2,388	37,603
Investments	-	-	-	15,511	15,511
Other financial assets	30	18	3	12	63
Total	**40,562**	**1,715**	**5,423**	**17,984**	**65,684**
Liabilities:					
Trade payables	1,658	390	-	643	2,691
Long-term borrowings	-	-	15	4	19
Short-term borrowings	-	-	-	-	-
Other financial liabilities	615	209	2,521	658	4,003
Total	**2,273**	**599**	**2,536**	**1,305**	**6,713**

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**

[1] *Others include currencies such as Mexican pesos, U.K pounds sterling and Swiss francs.*

For the years ended 31 March 2021 and 31 March 2020, 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 ₹ 5,897 and ₹ 4,400, respectively.

Interest rate risk

As of 31 March 2021, the Company had loans with floating interest rates as follows: ₹ 8,800 of loans carrying a floating interest rate of 3 Months India Treasury Bill plus 30 bps. As of 31 March 2020, the Company had loans with floating interest rates as follows: ₹ 10,215 of loans carrying a floating interest rate of 1 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. 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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.28 FINANCIAL RISK MANAGEMENT (CONTINUED)

For the years ended 31 March 2021 and 31 March 2020, every 10% increase or decrease in the floating interest rate component (i.e., Treasury bill) applicable to its loans and borrowings would affect the Company's net profit by ₹ 29 and ₹ 27.

The carrying value of the Company's borrowings, interest component of which designated in a cash flow hedge was ₹ Nil as of 31 March 2021 and 31 March 2020.

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 2021, 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. 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 2021. 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 2021	AS AT 31 MARCH 2020
Neither past due nor impaired	30,625	38,935
Past due but not impaired		
Less than 365 days	10,444	9,321
More than 365 days	289	314
	41,358	48,570
Less: Allowance for credit losses	(440)	(446)
Total	**40,918**	**48,124**

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.

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 2021 and 31 March 2020, the Company had uncommitted lines of credit from banks of ₹ 18,361 and ₹ 20,743 respectively.

As at 31 March 2021, the Company had working capital of ₹ 63,839, including cash and cash equivalents of ₹ 13,063, investments in term deposits with banks (i.e., deposits having original maturities of more than 3 months) of ₹ 3,402, investments in bonds of ₹ 522, investment in commercial paper of ₹ Nil, investments in marked linked debentures of ₹ Nil and investments mutual funds of ₹ 12,048.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.28 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 in mutual funds of ₹ 11,370.

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 2021:

PARTICULARS	2022	2023	2024	2025	THEREAFTER	TOTAL
Trade payables	13,364	-	-	-	-	13,364
Short-term borrowings	11,809	-	-	-	-	11,809
Other financial liabilities	12,169	-	-	-	-	12,169
Derivative financial instruments – liabilities	306	-	-	-	-	306

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 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 financial instruments – liabilities	1,524	-	-	-	-	1,524

2.29 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 based on internal and external legal advice 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

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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 29 July 2021 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 3 August 2021 for hearing.

Based on its best estimate, the Company has recorded a provision of ₹ 310 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).

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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.

(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. 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 case is continuing in pretrial discovery.

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 million.

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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

On 23 December 2020, the court issued a final order and judgment approving the settlement. Pursuant to the settlement/court order, the escrow was funded on 4 January 2021. The effective date of the settlement occurred on 1 February 2021, upon transfer of the settlement fund balance into the final escrow account. As the transfer of funds to the final escrow account constitutes settlement of liability, the amount of liability has been derecognised during the three months ended 31 March 2021.

(iv) Internal Investigation

The Company has commenced a detailed investigation into an anonymous complaint. The complaint alleges that healthcare professionals in Ukraine and potentially in other countries were provided with improper payments by or on behalf of the Company in violation of U.S. anti-corruption laws, specifically the US Foreign Corrupt Practices Act. A US law firm is conducting the investigation at the instruction of a committee of the Company's Board of Directors. The investigation is ongoing. The Company has disclosed the matter to the US Department of Justice, Securities and Exchange Commission and Securities Exchange Board of India. While the matter may result in government enforcement actions against the Company in the United States and/or foreign jurisdictions, which could lead to civil and criminal sanctions under relevant laws, the probability of such action and the outcome are not reasonably ascertainable at this time.

(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 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 fiscal 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 30 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 the fiscal years 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 the fiscal years 2016-2017 to 2018-2019 to the TSPCB. The Company intends to vigorously defend itself against the Operational Guidelines.

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 fiscal 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 fiscal year 2018-2019 payable in the fiscal 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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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.

(vii) Indirect taxes related matters

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

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.29 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

The Company has recorded a provision of ₹ 51 as of 31 March 2021, 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 ₹ 307. The Company has received orders dropping the demand of ₹ 307.

The Company has recorded a provision of ₹ 31 as on 31 March 2021 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 ₹ 474. 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 2021.

(viii) 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 2021	AS AT 31 MARCH 2020
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)	9,560	4,485

2.30 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 inturn remits the dividends to the ADR holders.

2.31 SEGMENT REPORTING

In accordance with Ind AS 108, *Operating Segments,* segment information has been given in the consolidated financial statements of Dr. Reddy's Laboratories Limited and therefore no separate disclosure on segment information is given in these financial statements.

2.32 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 2021 and 31 March 2020 was 7% and 9%, respectively.

2.33 IMPACT OF COVID – 19

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 interim financial statements. The Company based on its judgments, estimates and assumptions including sensitivity analysis, expects to fully recover the carrying amount of receivables, goodwill, intangible assets, investments and other assets.

The Company will continue to closely monitor any material changes to future economic conditions.

2.34 OTHER UPDATES

A. Update on Cyber Incident

On 22 October 2020, the Company experienced a cybersecurity incident related to ransom-ware. The Company employed two leading cyber security incident response firms to assist with the investigation process. The incident was contained in a timely fashion and an enterprise-wide remediation was undertaken to ensure all traces of infection are completely removed from the network. Since then, the Company has strengthened a series of technical controls to augment the current cyber security posture and has also focused on implementing significant improvements to its cyber and data security systems to safeguard from such risks in the future.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.34 OTHER UPDATES (CONTINUED)

B. Update on warning letter from the U.S. FDA

The Company received a warning letter dated 05 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 an 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 carried out at other facilities of the Company:

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 SEZz 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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.34 OTHER UPDATES (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 plants, (Vizag SEZ plant 1), Duvvada, Visakhapatnam (FTO VII)	Eight observations were noted. The Company responded to the observations in September 2019. 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. In May 2020, an EIR was issued by the U.S. FDA indicating the closure of the audit.
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. 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	Integrated Product Development Organization (IPDO) at Bachupally, Hyderabad	No observation was 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.
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 the audit and the inspection classification of the facility was determined as VAI.

No U.S. FDA audits were conducted during the year ended 31 March 2021.

2.35 THE CODE ON SOCIAL SECURITY, 2020

India's Code on Social Security, 2020, which aims to consolidate, codify and revise certain existing social security laws, received Presidential assent in September 2020 and has been published in the Gazette of India. However, the related final rules have not yet been issued and the date on which this Code will come into effect has not been announced. The Company will assess the impact of this Code and the rules thereunder when they come into effect.

2.36 SECONDARY LISTING OF THE COMPANY'S ADR ON NSE IFSC LIMITED

The Company completed the secondary listing of its American Depository Receipts ("ADRs") on NSE IFSC Limited under the symbol 'DRREDDY' on 9 December 2020. NSE IFSC Limited is a recognized international stock exchange established in the International Financial Services Centre ("IFSC") at Gujarat International Finance Tec ("GIFT") City in Gujarat, India. IFSC is one of the permissible jurisdictions where Depository Receipts can be listed. This listing will provide a secondary platform (other than NYSE Inc.) to overseas investors for trading in the Company's ADRs. This is a secondary listing of ADRs that are currently issued by J.P. Morgan Chase Bank N.A. under its ADR Deposit Agreement with the Company, and no further capital raising or issuance of new securities is involved.

2.37 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.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.37 MERGER OF DR. REDDY'S HOLDINGS LIMITED INTO DR. REDDY'S LABORATORIES LIMITED (CONTINUED)

During year ended 31 March 2020, the scheme of amalgamation of Dr. Reddy's Holdings Limited with the Company was approved by the board of directors, members and unsecured creditors of the Company. The no-observation letters from the BSE Limited and National Stock Exchange of India Limited were received on the basis of no comments received from Securities and Exchange Board of India ("SEBI"). The petition for approval of the said scheme was filed with the Hon'ble NCLT, Hyderabad Bench.

The hearings on the petition took place on 20 April 2021, and the Hon'ble NCLT reserved the issuance of an order pending its review and further analysis of the matter.

2.38 BUSINESS TRANSFER 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 consists of a portfolio of 62 brands in multiple therapy areas such as respiratory, neurology, venous malformations, dermatology, gastroenterology, pain and vaccines. This entire portfolio was to 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 transaction involved 2,051 employees engaged in operations of the acquired Business Undertaking.

As of 31 March 2020, the acquisition of this Business Undertaking was subject to certain closing conditions, such as approval from shareholders and lenders of Wockhardt and other requisite approvals under applicable statutes. Hence, the transaction was not accounted for in the year ended 31 March 2020.

Due to the COVID-19 pandemic and the consequent government restrictions, there has been a reduction in the revenue from the sales of the products forming part of the Business Undertaking during March and April 2020. Accordingly, through an amendment to the BTA, the Company and Wockhardt agreed that the consideration shall now be upto ₹ 18,500, to be paid as per the following terms:

a) an amount of ₹ 14,830 to be paid on the date of closing;

b) an amount of ₹ 670 to be deposited in an escrow account which shall be released subject to adjustments for, inter alia, net working capital, employee liabilities and certain other contractual and statutory liabilities;

c) an amount of ₹ 3,000 (the "Holdback Amount") which shall be released as follows:
   - If the revenue from sales of the products forming part of the Business Undertaking during the twelve (12) months post-closing exceeds ₹ 4,800, the Company will be required to pay to Wockhardt an amount equal to two (2) times the amount by which the revenue exceeds ₹ 4,800, subject to the maximum of the Holdback Amount.

The acquisition is in line with the Company's strategic focus on India and has paved a path for accelerated growth and leadership in the domestic Indian market. The Company believes that the acquired Business Undertaking offers to strengthen the Company's pharmaceutical portfolio and products in the Indian market.

The transaction was completed on 10 June 2020.

The Company has accounted for the transaction under Ind AS 103, "Business Combinations".

As of 30 June 2020, the purchase price allocation was preliminary.

During the three months ended 30 September 2020, the Company completed the purchase price allocation. Tabulated below are the fair values of the assets acquired, including goodwill, and liabilities assumed on the acquisition date:

PARTICULARS	AMOUNT
Cash	14,990
Payment through Escrow account	564
Contingent consideration (Holdback Amount)	561
Total consideration	**16,115**
Assets acquired	
Goodwill	530
Property, plant and equipment	373
Product related intangibles	14,888
Inventories	466
Other assets	245
Liabilities assumed	
Employee benefits (Gratuity- ₹ 70 and Compensated absences- ₹ 75)	(145)
Refund liability	(242)
Total net assets	**16,115**

The total goodwill of ₹ 530 consists largely of the synergies and economies of scale expected from the acquired business, together with the value of the workforce acquired. The entire amount of goodwill is deductible for tax purposes. Acquisition related costs amounted to ₹ 60 and were excluded from the consideration transferred and were recognised as expense under "Selling and other expenses" in the Statement of profit and loss for the year ended 31 March 2021.

The fair value of the contingent consideration of ₹ 561 was estimated by applying the income approach. The fair value measurement is based on significant inputs that are not observable in the market, which Ind AS 113, *"Fair Value Measurement"* refers to as Level 3 inputs. The significant unobservable inputs in the valuation is the estimated sales forecast. During the three months ended 31 March 2021, the Company, after taking into account the revenue of the products until twelve months post-closing (9 June 2021), re-measured the contingent consideration to ₹ 420.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

2.38 BUSINESS TRANSFER AGREEMENT WITH WOCKHARDT LIMITED (CONTINUED)

The amount of revenue included in the Statement of profit and loss for the year ended 31 March 2021 pertaining to the acquired business since 10 June 2020 is ₹ 3,887.

The acquired business has been integrated into the Company's existing activities and it is not practicable to identify the impact on the Company profit in the year.

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. During the year ended 31 March 2021, the Company sold contract development and manufacturing organisation (CDMO) division of the Custom Pharmaceutical Services (CPS) business of the Company. 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, currentassets, current liabilities, and transfer of employees.

As the transaction is between the Company and its subsidiaries, no further disclosures are made in this regard.

2.40 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 2020	ADDITIONS[a]	DISPOSALS[b]	AS AT 31 MARCH 2021	AS AT 1 APRIL 2020	FOR THE YEAR[a]	DISPOSALS[b]	AS AT 31 MARCH 2021	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Property, plant and equipment										
Land	70	-	-	70	-	-	-	-	70	70
Buildings	1,099	25	(9)	1,115	405	42	(2)	445	670	694
Plant and equipment	6,459	459	(577)	6,341	4,272	507	(458)	4,321	2,020	2,187
Furniture and fixtures	240	1	(35)	206	201	11	(33)	179	27	39
Office equipment	418	37	(55)	400	351	35	(43)	343	57	67
Total (A)	**8,286**	**522**	**(676)**	**8,132**	**5,229**	**595**	**(536)**	**5,288**	**2,844**	**3,057**
Intangible assets										
Softwares	266	27	(37)	256	231	17	(29)	219	37	35
Others	112	13	(21)	104	44	-	-	44	60	68
Total (B)	**378**	**40**	**(58)**	**360**	**275**	**17**	**(29)**	**263**	**97**	**103**
Total (A+B)	**8,664**	**562**	**(734)**	**8,492**	**5,504**	**612**	**(565)**	**5,551**	**2,941**	**3,160**
Previous year	8,097	655	(88)	(264)	4,932	648	(76)	5,504	3,160	

(a) *Additions include transfers from non-research and development group to research and development group. The gross carrying value of such transferred assets is ₹ 34 (31 March 2020: ₹ 11) and accumulated depreciation/amortisation is ₹ 16 (31 March 2020: ₹ 2).*

(b) *Disposals include transfers from research and development group to non-research and development group. The gross carrying value of such transferred assets is ₹ 62 (31 March 2020: ₹ 11) and accumulated depreciation/amortisation is ₹ 38 (31 March 2020: ₹6).*

The Company has also incurred capital expenditure of ₹ 792 towards research and development expenditure lying in Capital work in progress as on 31 March 2021.

2.41 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 Number: 53315

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal Chief Financial Officer
Sandeep Poddar Company Secretary

Place: Hyderabad
Date: 14 May 2021

CONSOLIDATED FINANCIAL STATEMENT

INDEPENDENT AUDITORS' REPORT

To the Members of Dr. Reddy's Laboratories Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated 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 its joint ventures comprising of the consolidated Balance sheet as at 31 March 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated 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 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 2021, their consolidated profit including other comprehensive income, 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 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 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 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 financial statements for the financial year ended 31 March 2021. These matters were addressed in the context of our audit of the consolidated 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 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 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 by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
Business transfer agreement with Wockhardt Limited *(as described in note 1.3(e) of the significant accounting policies and note 2.40 of the consolidated financial statements)*	
During the current year, the Company completed the acquisition of select divisions of the branded generics business of Wockhardt Limited in India and the territories of Nepal, Sri Lanka, Bhutan and Maldives. The transaction was accounted for as a business combination. The Company's accounting for the acquisition included determining the fair value of the assets acquired, which primarily included product related intangibles. In connection with the acquisition, the Company recognized a contingent consideration liability for acquisition consideration that is payable based on a multiple of incremental revenue targets subject to a maximum amount. The accounting for the business combination was complex due to the significant estimation required by management to determine the fair value of the intangible assets and the contingent consideration. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to the underlying assumptions utilized in the measurement of the fair value of the intangible assets and contingent consideration. The Company used a discounted cash flow model to measure the fair value of the intangible assets, which included significant assumptions such as the discount rate, useful life, and long-term growth rate. The Company measured the contingent consideration at its estimated fair value, and the significant assumptions used to determine the fair value of contingent consideration included forecasted revenue projections, revenue volatility and a risk adjusted discount rate. Considering the above, this has been included as a Key Audit Matter.	**Our audit procedures, among others included the following:** • We evaluated the design and tested the operating effectiveness of the controls over the Company's calculation of the estimated fair values of the intangible assets and the contingent consideration. • We assessed the competence and independence of the third-party valuer by reference to their qualifications and experience. • We tested the estimated fair value of the intangible assets and the contingent consideration liability, evaluated Company's selected valuation methods and tested the significant assumptions used in the models. In testing the valuation of contingent consideration, we assessed, among others, the terms of the arrangement and the conditions met for the amounts to become payable. • We compared the significant assumptions to current industry, market and economic trends, assumptions used to value similar assets, and to the historical results of the acquired business. • We involved valuation specialist to assist in evaluating the appropriateness of the valuation model, key assumptions used in the valuation model's, and to test the model's computational accuracy. • We tested the arithmetical accuracy of the models • We also tested the completeness and accuracy of the underlying data used in the model.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matter
Assessment of 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, other intangible assets and intangible assets under development respectively in the consolidated financial statements)*	
As at 31 March 2021, the Company has intangible assets, including intangible assets under development, of ₹ 35,248 million and goodwill of ₹ 5,599 million. 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. As the assessment of recoverable amount involves significant degree of management judgement, we have identified this a key audit matter.	**Our audit procedures, among others included the following:** • We evaluated the design and tested the operating effectiveness of the Company's controls in assessing the recoverable value of goodwill, intangible assets and intangible assets under development. • We assessed the Group's methodology applied in determining the CGUs to which these assets are allocated. • We tested the estimated recoverable value of these assets and assessed the methodologies used by management in deriving the recoverable value and tested the significant assumptions and the underlying data used by the Company in its analyses. • We compared the significant assumptions to current industry, market and economic trends, to the Company's historical data. • We performed sensitivity analyses of the significant assumptions to evaluate the potential change in the recoverable values of these assets resulting from hypothetical changes in underlying assumptions. We also assessed the recoverable value headroom by performing sensitivity testing of key assumptions used. • We tested the arithmetical accuracy of the models. • We involved valuation specialist to assist in evaluating the methodologies used and significant assumptions and inputs used to determine the recoverable value of certain intangible assets and intangible assets under development.
Contingencies, including litigations and tax *(as described in note 1.3(l) of the significant accounting policies, and note 2.32 (A) containing details of contingencies in the consolidated 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. 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 financial statements.	**Our audit procedures, among others 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 compared the evaluation with the provision or disclosure in the consolidated financial statements. We tested the underlying computation of the management in relation to the measurement of provision or the contingency. • We obtained 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 inspected relevant communication with tax authorities. • We involved tax experts in assessing the nature and amount of material indirect tax positions and assessed the technical merits based on the correspondence and assessments from the relevant tax authorities. • We also evaluated the disclosures made in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matter
Rebates, discounts, chargebacks, and other deductions in revenue *(as described in note 1.3(m) of the significant accounting policies of consolidated financial statements and note 2.13 of the consolidated 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, among others included the following:** • We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the sales deduction processes. • We also tested management's controls over the accuracy and completeness of the estimates used to calculate the sales deductions. • We tested management's estimated sales deductions and obtained management's calculations for the respective estimates. We tested management's estimates over the determination of sales deductions accruals by comparing the rates used in management's estimate to rates in the underlying contracts and historical sales deductions data. • We compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns, as applicable to current payment trends. • We also considered the historical accuracy of the management's estimates in prior years and assessed the estimated amounts, we evaluated trends in actual sales and discount accrual balances. • We also tested the underlying data used in management's calculations for accuracy and completeness and verified source data supporting the inventory levels, rebate claims paid subsequent to period end, and volume discounts settled during the period. • We tested recording of revenue in appropriate period which included the following procedures: ○ Performed trend analysis over sales levels as compared to previous periods; ○ Tested management's monitoring process over distributors' stocking levels; ○ Verified 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 financial statements, Consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 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 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 Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated 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 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 financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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.
- 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 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 financial statements, including the disclosures, and whether the consolidated 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 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. For the other entities included in the consolidated 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 remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated 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 financial statements for the financial year ended 31 March 2021 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)

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of two subsidiaries, whose financial statements include total assets of ₹ 23,729 million as at 31 March 2021 and total revenues of ₹ 32,687 million and net cash outflows of ₹ 169 million for the year ended on that date. These 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 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 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 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 financial statements;

d) In our opinion, the aforesaid consolidated 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 2021 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, none of the directors of the Group's companies, its joint ventures/ incorporated in India, is disqualified as on 31 March 2021 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 with reference to consolidated 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;

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 2021 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;

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 financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements – Refer Note 2.32(A) to the consolidated financial statements;
ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 2.30 to the consolidated financial statements;
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 2021.

for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership Number: 053315
UDIN: 21053315AAAABL7527
Place: Chennai
Date: 14 May 2021

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED 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 financial statements of Dr. Reddy's Laboratories Limited (hereinafter referred to as the "Holding Company") as of and for the year ended 31 March 2021, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its 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 companies included in the Group and its 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 ("ICAI"). 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to consolidated 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, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both, issued by ICAI. 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 with reference to consolidated 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 with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated 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 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 with reference to consolidated financial statements.

Meaning of Internal Financial Controls With Reference to Consolidated Financial Statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated 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 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 financial statements.

Inherent Limitations of Internal Financial Controls With Reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated 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 FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED (CONTINUED)

Opinion

In our opinion, the Group and its joint ventures, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at 31 March 2021, 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 issued by the ICAI.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements of the Holding Company, in so far as it relates to the subsidiary companies, and joint ventures, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries 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: 053315
UDIN: 21053315AAAABL7527
Place: Chennai
Date: 14 May 2021

CONSOLIDATED BALANCE SHEET

(All amounts in Indian Rupees millions, except share data and where otherwise stated)

PARTICULARS	NOTE	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Assets			
Non-current assets			
Property, plant and equipment	2.1	47,322	47,779
Capital work-in-progress		9,539	4,364
Goodwill	2.2	5,599	4,913
Other intangible assets	2.3	29,136	15,811
Intangible assets under development	2.4	6,112	10,987
Investment in equity accounted investees	2.5	3,375	2,763
Financial assets			
Investments	2.6 A	4,958	328
Trade receivables	2.6 B	118	1,737
Other financial assets	2.6 C	768	793
Deferred tax assets, net	2.29	10,686	12,199
Tax assets, net		2,745	4,379
Other non-current assets	2.7 A	307	209
		120,665	**106,262**
Current assets			
Inventories	2.8	45,412	35,067
Financial assets			
Investments	2.6 A	19,744	23,687
Trade receivables	2.6 B	49,641	50,278
Derivative instruments	2.30	1,218	1,105
Cash and cash equivalents	2.6 D	14,829	2,053
Other financial assets	2.6 C	1,858	3,377
Other current assets	2.7 B	12,650	10,424
Total current assets before assets held for sale		**145,352**	**125,991**
Assets held for sale		151	-
		145,503	**125,991**
Total assets		**266,168**	**232,253**
Equity and Liabilities			
Equity			
Equity share capital	2.9	832	831
Other equity		175,585	155,157
		176,417	**155,988**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	2.10 A	6,299	1,304
Provisions	2.11 A	508	745
Deferred tax liabilities, net	2.29	289	20
Other non-current liabilities	2.12 A	1,617	2,055
		8,713	**4,124**
Current liabilities			
Financial Liabilities			
Borrowings	2.10 B	23,145	16,532
Trade payables	2.10 D		
Total outstanding dues of micro enterprises and small enterprises		158	55
Total outstanding dues of creditors other than micro enterprises and small enterprises		17,951	15,193
Derivative instruments	2.30	326	1,602
Other financial liabilities	2.10 C	24,281	27,006
Liabilities for current tax, net		1,388	572
Provisions	2.11 B	5,015	4,669
Other current liabilities	2.12 B	8,774	6,512
		81,038	**72,141**
Total equity and liabilities		**266,168**	**232,253**

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 Number: 053315

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal — Chief Financial Officer
Sandeep Poddar — Company Secretary
Place: Hyderabad
Date: 14 May 2021

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Income			
Sales	2.13	184,202	163,574
Service income and License fees	2.13	5,520	11,026
Other operating income	2.14	753	570
Total revenue from operations		**190,475**	**175,170**
Other income	2.15	2,914	6,206
Total income		**193,389**	**181,376**
Expenses			
Cost of materials consumed		42,958	29,848
Purchase of stock-in-trade		25,736	25,459
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.16	(7,905)	237
Employee benefits expense	2.17	36,299	33,802
Depreciation and amortisation expense	2.18	12,288	11,631
Impairment of non-current assets		6,768	16,767
Finance costs	2.19	970	983
Selling and other expenses	2.20	47,920	44,353
Total expenses		**165,034**	**163,080**
Profit before tax and before share of equity accounted investees		**28,355**	**18,296**
Share of profit of equity accounted investees, net of tax		480	561
Profit before tax		**28,835**	**18,857**
Tax expense/(benefit)	2.29		
Current tax		8,172	6,616
Deferred tax		1,147	(8,019)
Profit for the year		**19,516**	**20,260**
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss		4,026	(412)
Income tax on items that will not be reclassified subsequently to profit or loss		(220)	(22)
		3,806	**(434)**
Items that will be reclassified subsequently to profit or loss		1,913	(448)
Income tax on items that will be reclassified subsequently to profit or loss		(319)	232
		1,594	**(216)**
Total other comprehensive income/(loss) for the year, net of tax		**5,400**	**(650)**
Total comprehensive income for the year		**24,916**	**19,610**
Profit for the year			
Attributable to:			
Equity holders of the parent		19,516	20,260
Non-controlling interests		-	-
Total comprehensive income for the year			
Attributable to:			
Equity holders of the parent		24,916	19,610
Non-controlling interests		-	-
Earnings per share:			
Basic earnings per share of ₹ 5/- each	2.23	117.67	122.22
Diluted earnings per share of ₹ 5/- each	2.23	117.34	121.99

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 Number: 053315

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal — Chief Financial Officer
Sandeep Poddar — Company Secretary
Place: Hyderabad
Date: 14 May 2021

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]	Special economic zone re-investment reserve[7]	Retained earnings	Cash flow hedge reserve[8]	FVTOCI** [9]	Remeasurements of the net defined benefits plan[10]	Foreign currency translation reserve[11]		
Balance as at 1 April 2020 (A)	**831**	**(1,006)**	**5,916**	**1,038**	**267**	**173**	**20,374**	**-**	**128,349**	**(563)**	**(3,523)**	**(54)**	**4,186**		**155,988**
Profit for the year	-	-	-	-	-	-	-	-	19,516	-	-	-	-		19,516
Net change in fair value of FVTOCI** equity instruments and debt instruments, net of tax expense of ₹ 293	-	-	-	-	-	-	-	-	-	-	3,956	-	-		3,956
Transfer on disposal of equity instruments classified as FVTOCI**	-	-	-	-	-	-	-	-	3	-	(3)	-	-		-
Foreign currency translation adjustments, net of tax benefit of ₹ Nil	-	-	-	-	-	-	-	-	-		-	-	783		783
Effective portion of changes in fair value of cash flow hedges, net of tax expense of ₹ 319 (Refer note 2.30)	-	-	-	-	-	-	-	-	-	804	-	-	-		804
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of ₹ 73 (Refer note 2.27)	-	-	-	-	-	-	-	-	-	-	-	(143)	-		(143)
Total comprehensive income (B)	-	-	-	-	-	-	-	-	19,519	804	3,953	(143)	783		**24,916**
Transactions with owners of the Company															
Contributions and distributions															
Issue of equity shares on exercise of options (Refer note 2.9)	1	232	392	(356)	-	-	-	-	-	-	-	-	-		269
Share-based payment expense (Refer note 2.28)	-	-	-	584	-	-	-	-	-	-	-	-	-		584
Purchase of treasury shares	-	(1,193)	-	-	-	-	-	-	-	-	-	-	-		(1,193)
Dividend paid	-	-	-	-	-	-	-	-	(4,147)	-	-	-	-		(4,147)
Total contributions and distributions	**1**	**(961)**	**392**	**228**	**-**	**-**	**-**	**-**	**(4,147)**	**-**	**-**	**-**	**-**		**(4,487)**
Changes in ownership interests															
Total transactions with owners of the Company (C)	**1**	**(961)**	**392**	**228**	**-**	**-**	**-**	**-**	**(4,147)**	**-**	**-**	**-**	**-**		**(4,487)**
Transfer to special economic zone re-investment reserve	-	-	-	-	-	-	-	1,402	(1,402)	-	-	-	-		-
Transfer from special economic zone re-investment reserve on utilization	-	-	-	-	-	-	-	(76)	76	-	-	-	-		-
Transfer to special economic zone re-investment reserve, net (D)[7]	-	-	-	-	-	-	-	**1,326**	**(1,326)**	-	-	-	-		-
Balance as at 31 March 2021 [(A)+(B)+(C)+(D)]	**832**	**(1,967)**	**6,308**	**1,266**	**267**	**173**	**20,374**	**1,326**	**142,395**	**241**	**430**	**(197)**	**4,969**		**176,417**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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]	Special economic zone re-investment reserve[7]	Retained earnings	Cash flow hedge reserve[8]	FVTOCI**[9]	Remeasurements of the net defined benefits plan[10]	Foreign currency translation reserve[11]		
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 2.30)	-	-	-	-	-	-	-	-	-	(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	3	285	(278)	-	-	-	-	-	-	-	-	-		11
Share-based payment expense (Refer note 2.28)	-	-	-	521	-	-	-	-	-	-	-	-	-		521
Purchase of treasury shares	-	(474)	-	-	-	-	-	-	-	-	-	-	-		(474)
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**

* Rounded off to millions.

**FVTOCI represents fair value through other comprehensive income.

(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 Company has created a Special Economic Zone ("SEZ") Reinvestment Reserve out of profits of its eligible SEZ Units in accordance with the terms of Section 10AA(1) of the Indian Income Tax Act, 1961. This reserve is to be utilized by the Company for acquiring Plant and Machinery in accordance with Section 10AA(2) of such Act.

(8) 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.

(9) 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.

(10) Remeasurements 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

(11) 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
Membership Number: 053315
Partner

Place: Hyderabad
Date: 14 May 2021

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
Parag Agarwal	Chief Financial Officer
Sandeep Poddar	Company Secretary

Place: Chennai
Date: 14 May 2021

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 2021	FOR THE YEAR ENDED 31 MARCH 2021
Cash flows from / (used in) operating activities		
Profit before tax	**28,835**	**18,857**
Adjustments for:		
Fair value gain on financial instruments at fair value through profit or loss	(557)	(929)
Depreciation and amortisation expense	12,288	11,631
Impairment of non-current assets	6,768	16,767
Allowance for credit losses (on trade receivables and other advances)	230	190
Loss/(gain) on sale or de-recognition of non-current assets, net	42	68
Share of profit of equity accounted investees	(480)	(561)
Foreign exchange loss/(gain), net	1,853	(2,152)
Interest income	(826)	(888)
Finance costs	970	983
Equity settled share-based payment expense	584	521
Dividends income	-*	(5)
Changes in operating assets and liabilities:		
Trade receivables	2,081	(12,446)
Inventories	(9,881)	(1,487)
Trade payables	2,861	1,576
Other assets and other liabilities, net	(3,349)	4,821
Cash generated from operations	**41,419**	**36,946**
Income tax paid, net	(5,716)	(7,105)
Net cash from operating activities	**35,703**	**29,841**
Cash flows from / (used in) investing activities		
Expenditures on property, plant and equipment	(9,741)	(4,846)
Proceeds from sale of property, plant and equipment	85	131
Expenditures on other intangible assets	(2,820)	(1,269)
Proceeds from sale of other intangible assets	-	259
Payment for acquisition of business (Refer note 2.40 for details)	(15,514)	-
Purchase of investments	(75,418)	(111,918)
Proceeds from sale of investments	79,528	111,704
Dividend received from equity accounted investees	-	392
Interest and dividend received	1,220	624
Net cash used in investing activities	**(22,660)**	**(4,923)**
Cash flows from / (used in) financing activities		
Proceeds from issuance of equity shares (including treasury shares)	269	4
Purchase of treasury shares	(1,193)	(474)
Proceeds from short-term loans and borrowings, net (Refer note 2.10 (h))	6,791	4,235
Proceeds from long-term loans and borrowings (Refer note 2.10 (h))	3,800	-
Repayment of long-term loans and borrowings (Refer note 2.10 (h))	(3,743)	(22,918)
Payment of principal portion of lease liabilities (Refer note 2.10 (h))	(754)	(482)
Dividends paid (including corporate dividend tax for the year ended 31 March 2020)	(4,147)	(3,916)
Interest paid	(1,321)	(1,608)
Net cash used in financing activities	**(298)**	**(25,159)**
Net increase/ (decrease) in cash and cash equivalents	**12,745**	**(241)**
Effect of exchange rate changes on cash and cash equivalents	113	(25)
Cash and cash equivalents at the beginning of the year (Refer note 2.6 D)	1,962	2,228
Cash and cash equivalents at the end of the year (Refer note 2.6 D)	**14,820**	**1,962**

** 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 Number: 053315

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal Chief Financial Officer
Sandeep Poddar Company Secretary
Place: Hyderabad
Date: 14 May 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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, the National Stock Exchange, the NSE IFSC Limited 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 of and for the year ended 31 March 2021 comply in all material aspects with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015, and presentation requirements of Division II of Schedule III to the Companies Act, 2013, and as amended from time to time together with the comparative period data as at and for the year ended 31 March 2020.

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 2021 These consolidated financial statements were authorised for issuance by the Company's Board of Directors on 14 May 2021.

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;
- share-based payments are measured at fair value;
- investments in joint ventures are accounted for using the equity method;
- assets held for sale are measured at fair value;
- assets acquired and liabilities assumed as part of business combinations 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 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 million.

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. 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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;
- Notes 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 uncertain tax positions; 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.

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 classified 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

On 24 July 2020, the Ministry of Corporate Affairs (MCA) has issued amendments to certain Ind AS as summarised below:

Amendments to Ind AS 1 and Ind AS 8: *Definition of Material*

The amendments provided a new definition to the word material as follows:
'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

An information is considered to be obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The amendments provided examples of circumstances that may result in information being obscured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

An entity should apply the amendments prospectively for annual periods beginning on or after 1 April 2020.

The amendments to the definition of material had no impact on the consolidated financial statements of the Company.

Amendments to Ind AS 103: *Definition of a Business*

The amendments introduced a revised definition of a business for the purpose of identifying a business combination under Ind AS 103 *"Business Combinations"*. As per the revised definition, business is 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities'.

A related amendment has been made to the definition of 'output' as an element of business.

The amendments include an election to use a 'concentration test'. This is a simplified assessment that would cause an acquisition to qualify as an asset acquisition. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets.

An entity is required to apply the amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the 1 April 2020 and to asset acquisitions that occur on or after the beginning of that period.

This amendment had no impact on the consolidated financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Ind AS 109 and Ind AS 107: *Interest Rate Benchmark Reform*

The amendments to Ind AS 109 *"Financial Instruments"* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments to Ind AS 107 *"Financial Instruments: Disclosures"* prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in Ind AS 109 are applied.

These amendments are applicable for annual periods beginning on or after the 1 April 2020.

These amendments had no impact on the consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments Ind AS 116: *COVID-19 related rent concessions*

Ind AS 116 has been amended to provide limited relief to lessees in respect of rent concessions arising due to COVID-19 pandemic. No relief has been allowed to the lessors.

The amendments provide a practical expedient that lessees may elect to not treat any rent concessions, provided by lessors as a direct consequence of COVID-19 pandemic, as lease modifications. However, to be eligible for this relief:

- the revised consideration for the lease should be less than or equal to the lease consideration immediately before the change;
- the rent concession should be for a period that does not extend beyond 30 June 2021 (for example, lease rents are reduced for a period upto 30 June 2021 and increased for periods thereafter); and
- there should be no substantial modification to the other terms and conditions of the lease.

Lessee should apply the amendments for annual reporting periods beginning on or after 1 April 2020. In case a lessee has not yet approved the financial statements for issue before the issuance of the amendments, then the same may be applied for annual reporting periods beginning on or after the 1 April 2019.

The aforesaid amendments had no impact on the consolidated financial statements of the Company.

For the year ended 31 March 2020

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 existing standard on leases i.e. Ind AS 17, Leases with effect from 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 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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").

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 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 parties have 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.

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.

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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.

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 FVTOCI;
- certain equity instruments where the Company had made an irrevocable election to present in OCI 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 foreign currency translation reserve ("FCTR").

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 reclassified 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 *"Revenue from Contracts with Customers"*.

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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 profit and loss and presented in other gains/(losses). 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 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.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as 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 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 OCI 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.

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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 FVTPL, 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 FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. 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 FVTPL 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 FVTPL.

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 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, Australian dollars and Euros, and foreign currency debt in US dollars, Russian roubles, South African rands, Mexican pesos, Ukrainian hryvnias and Brazilian reals.

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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 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. 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 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 OCI, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in OCI 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

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. 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 determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

The consideration transferred for the acquisition of a subsidiary is comprised of:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Company;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

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The excess of the sum of:

- the consideration transferred;
- the amount of any non-controlling interest in the acquired entity; and
- the acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of profit and loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Amounts classified as a financial liability are subsequently re-measured to fair value, with changes in fair value recognised in the consolidated statement of profit and loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit and loss.

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 equipment	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.

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 under other non-current assets. Assets not ready for use are not depreciated but are tested for impairment.

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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. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.
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 2021, 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 ("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. Intangible assets under development 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 intangible assets under development 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 or intangible assets under development 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 IPR&D 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 consolidated statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets. The amortization 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 20
Other intangibles	3 to 15

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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 under "Impairment of non-current assets".

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 in note 1.3(a) above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below. Refer note 1.3(a) for the impact of the change in accounting policy.

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 Company 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 Company, 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 profit or 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 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.

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 joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in joint venture is tested for impairment as a single asset when there is objective evidence that the investment in joint venture 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

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 consolidate 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Refund Liability

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 actual sales returns, levels of inventory in the distribution channel, estimated shelf life, any revision in the shelf life of the product, 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.

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, general and administrative 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 at 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 deferred tax will be utilised. 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.

Current and deferred tax is recognised in the consolidated statement of profit and loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI 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 and incentives

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 Chief Executive Officer 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 the 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) Non-currents assets held for sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Property, plant and equipment are not depreciated or amortised once classified as held for sale. Assets classified as held for sale are presented separately as current items in the consolidated balance sheet.

v) Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest million unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as assets acquired in a business combination and significant liabilities, such as contingent consideration. Involvement of external valuers is determined by the Management, based on market knowledge, reputation, independence and whether professional standards are maintained.

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.

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.

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(All amounts in Indian Rupees millions, except share data and per share data)

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).

h) Contingent consideration

The fair value of the contingent consideration arising out of business combination is estimated by applying the income approach. The fair value measurement is based on significant inputs that are not observable in the market, which Ind AS 103, "Fair Value Measurement" refers to as Level 3 inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.1 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	LAND	BUILDINGS	PLANT AND EQUIPMENT	FURNITURE, FIXTURES AND OFFICE EQUIPMENT	VEHICLES	TOTAL
Gross carrying value						
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	-	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	-	(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**
Balance as at 1 April 2020	4,149	24,915	74,393	5,972	1,210	110,639
Assets acquired through business combinations[1]	84	113	165	11	-	373
Additions	13	2,720	4,544	437	220	7,934
Disposals	-	(35)	(852)	(134)	(182)	(1,203)
Assets held for sale (A)	(18)	(245)	(334)	(58)	-	(655)
Effect of changes in foreign exchange rates	38	3	201	30	8	280
Balance as at 31 March 2021	**4,266**	**27,471**	**78,117**	**6,258**	**1,256**	**117,368**
Accumulated Depreciation						
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	-	(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**
Balance as at 1 April 2020	-	8,175	49,180	4,907	598	62,860
Depreciation for the year	-	1,689	5,926	553	342	8,510
Impairment for the year	4	32	9	1	-	46
Disposals	-	(26)	(773)	(125)	(136)	(1,060)
Assets held for sale (B)	(4)	(140)	(306)	(54)	-	(504)
Effect of changes in foreign exchange rates	-	13	156	25	-	194
Balance as at 31 March 2021	**-**	**9,743**	**54,192**	**5,307**	**804**	**70,046**
Net carrying value						
As at 31 March 2020	4,149	16,740	25,213	1,065	612	47,779
As at 31 March 2021	**4,266**	**17,728**	**23,925**	**951**	**452**	**47,322**
Assets held for sale [(A)-(B)]	**14**	**105**	**28**	**4**	**-**	**151**

[1] Refer note 2.40 of these financial statements for further details

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 included in the above property, plant and equipment.

PARTICULARS	LAND	BUILDINGS	PLANT AND EQUIPMENT	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**
Balance as at 1 April 2020	78	1,688	18	45	530	2,359
Additions[1]	-	2,212	-	7	194	2,413
Disposals	-	-	-	(1)	(120)	(121)
Effect of changes in foreign exchange rates	3	(14)	-	-	-	(11)
Balance as at 31 March 2021	**81**	**3,886**	**18**	**51**	**604**	**4,640**
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**
Balance as at 1 April 2020	-	744	14	13	199	970
Depreciation for the year	-	616	1	12	202	831
Disposals	-	-	-	-	(78)	(78)
Effect of changes in foreign exchange rates	-	(25)	-	-	(2)	(27)
Balance as at 31 March 2021	**-**	**1,335**	**15**	**25**	**321**	**1,696**
Net carrying value						
As at 31 March 2020	**78**	**944**	**4**	**32**	**331**	**1,389**
As at 31 March 2021	**81**	**2,551**	**3**	**26**	**283**	**2,944**

[1] Additions for the year ended 31 March 2021 include recognition of a right-of-use asset of ₹ 1,852 relating to a warehousing services agreement in the United States.

The following are the amounts recognised in statement of profit and loss:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Depreciation expense of right-of-use assets	831	491
Interest expense on lease liabilities	227	230
	1,058	**721**

The Company had total cash outflows for leases of ₹ 1,252 and ₹ 972 during the year ended 31 March 2021 and 31 March 2020, respectively. The maturity analysis of lease liabilities are disclosed in note 2.10 of these consolidated financial statements.

Capital commitments

As of 31 March 2021 and 31 March 2020, the Company was committed to spend ₹ 9,841 and ₹ 4,888, 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 2021 and 31 March 2020, the Company capitalised interest cost of ₹ 149 and ₹ 52, respectively, with respect to qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2021 and 31 March 2020 was approximately 4.25% and 4.22%, respectively.

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 2021	AS AT 31 MARCH 2020
Gross carrying value		
Opening balance	37,186	35,157
Goodwill arising on business combinations[1]	530	-
Disposals	-	-
Effect of changes in foreign exchange rates	1,193	2,029
Closing balance	**38,909**	**37,186**
Accumulated amortisation		
Opening balance	32,273	30,498
Impairment loss	-	10
Effect of changes in foreign exchange rates	1,037	1,765
Closing balance	**33,310**	**32,273**
Net carrying value	**5,599**	**4,913**

[1] *Refer note 2.40 of these financial statements for further details*

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 2021
PSAI-Active Pharmaceutical Operations	170
Global Generics-Complex Injectables	1,928
Global Generics-North America Operations	308
Global Generics-Germany Operations	2,288
Global Generics-Branded Formulations	905
	5,599

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 THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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 range from 7.6% to 10.5% for various cash generating units. The pre-tax discount rates range from 9.1% to 15.7%.

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	OTHERS	TOTAL
Gross carrying value			
Balance as at 1 April 2019	39,174	1,945	41,119
Additions	3,222	165	3,387
Disposals/ De- recognitions	(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**
Balance as at 1 April 2020	43,416	2,114	45,530
Additions[1]	2,550	304	2,854
Assets acquired through business combinations[2]	14,888	-	14,888
Disposals/ De- recognitions	(152)	-	(152)
Effect of changes in foreign exchange rates	(532)	2	(530)
Balance as at 31 March 2021	**60,170**	**2,420**	**62,590**
Amortisation/impairment loss			
Balance as at 1 April 2019	21,894	1,101	22,995
Amortisation for the year	2,744	263	3,007
Impairment loss[3]	3,378	-	3,378
Disposals/ De- recognitions	(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**
Balance as at 1 April 2020	28,353	1,366	29,719
Amortisation for the year	3,481	297	3,778
Impairment loss[3]	443	-	443
Disposals/ De- recognitions	(152)	-	(152)
Effect of changes in foreign exchange rates	(335)	1	(334)
Balance as at 31 March 2021	**31,790**	**1,664**	**33,454**
Net carrying value			
As at 31 March 2020	15,063	748	15,811
As at 31 March 2021	**28,380**	**756**	**29,136**

(1) *Assets acquired during year ended 31 March 2021 includes the following:*
The Company entered into a definitive agreement with Glenmark Pharmaceuticals Limited to acquire marketing authorizations and other rights of select brands in four "Emerging Markets" countries. The acquired brands represent two products, (a) a mometasone mono product and (b) a combination of mometasone with azelastine, and are indicated for the treatment of seasonal and perennial allergic rhinitis. The total consideration paid was ₹ 1,516. Following the principles of Ind AS 38, "Intangible assets", the Company recognisedthe acquired brands at their acquisition cost. The acquisition pertains to the Company's Global Generics segment.

(2) *Refer Note 2.40 of these financial statements for further details.*

(3) *Refer note 2.4 for "Impairment losses recorded for the year ended 31 March 2021 and 31 March 2020."*

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(All amounts in Indian Rupees millions, except share data and per share data)

2.4 INTANGIBLE ASSETS UNDER DEVELOPMENT

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Balance at the beginning of the year	10,987	24,610
Add: Additions during the year[1]	1,737	950
Less: Capitalisations during the year [2]	-	(2,530)
Less: Impairment during the year [3]	(6,279)	(13,379)
Effect of changes in exchange rates	(333)	1,336
Balance at end of the year	**6,112**	**10,987**

(1) *During the year ended 31 March 2021, additions includes ₹ 1,471 representing the expenditure for purchase of intellectual property rights relating to Xeglyze® forming part of the Company's Proprietary Products segment.*
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 product 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.*

(3) ***Impairment losses recorded for the year ended 31 March 2021***
Total impairment charges for the year ended 31 March 2021 were ₹ 6,722 which were recorded in impairment of non-current assets in the consolidated statement of profit and loss, of which ₹ 3,180 was attributable to impairment of gNuvaring, ₹ 1,471 was attributable to impairment of Xeglyze® and the balance of ₹ 2,071 was attributable to other product related intangibles.

Impairment of gNuvaring
During the year ended 31 March 2021, 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 launch by a competitor of a generic version of the product in January 2021. Due to these adverse market developments, 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 ₹ 3,180 for the year ended 31 March 2021. This impairment loss pertained to the Company's Global Generics segment. With this impairment, the carrying value of the asset has been reduced to ₹ Nil.

Impairment of Xeglyze®
Consequent to the decline in the market potential of the product Xeglyze® forming part of the Company's Proprietary Products segment, the Company recorded an amount of ₹ 3,291 as impairment loss for the year ended 31 March 2021.

Other intangible assets
With respect to the saxagliptin/metformin (generic version of Kombiglyze®-XR) and phentermine and topiramate (generic version of Qsymia®), two of the 8 ANDAs acquired from Teva in June 2016, there has been a significant decrease in the market potential of these products, primarily due to higher than expected value erosion. Accordingly, the Company assessed the recoverable amount by revisiting market volume, share and price assumptions for these two products and recorded an amount of ₹ 1,587 as impairment loss for the year ended 31 March 2021. This impairment loss pertained to the Company's Global Generics segment.

In view of the specific triggers occurring in the year with respect to some other product related intangible assets forming part of the Company's Global Generics segment, 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 ₹ 484 as impairment loss for the year ended 31 March 2021.

The Company used the discounted cash flow approach to calculate the value-in-use which considered assumptions such as revenue projections, rate of generic penetration, estimated price erosion, the useful life of the asset and the net cash flows have been discounted based on post tax discount rate.

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.

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%.

Other intangible assets
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 million) 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.

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 2021 and 31 March 2020, the Company capitalised interest cost of ₹ 266 and ₹ 674, respectively, with respect to certain qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2021 and 31 March 2020 ranged from 3.95% to 4.74% and from 2.04% to 4.60%, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.4 INTANGIBLE ASSETS UNDER DEVELOPMENT (CONTINUED)

Details of significant intangible assets (including intangible assets under development) as at 31 March 2021:

PARTICULARS	ACQUIRED FROM	CARRYING COST
Select portfolio of branded generics business	Wockhardt Limited	14,241
Select portfolio of dermatology, respiratory and pediatric assets	UCB India Private Limited and affiliates	4,568
Intellectual property rights relating to PPC-06	Xenoport, Inc	4,036
Various ANDAs	Teva and an affiliate of Allergan	4,000
Commercialisation rights for an anti-cancer biologic agent	Eisai Company Limited	1,840
Select Anti-Allergy brands	Glenmark Pharmaceuticals Limited	1,487
Habitrol® brand	Novartis Consumer Health Inc.	1,181
OTC product brands	Ducere Pharma LLC	494
ANDAs	Gland Pharma Limited	262

2.5 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Investment in unquoted equity shares		
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Company Limited, China[1]	3,307	2,714
8,580,000 (31 March 2020: 8,580,000) equity shares of ₹ 10/- each of DRES Energy Private Limited, India	68	49
	3,375	**2,763**

[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 2021 and 31 March 2020. 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.

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 2021	AS AT/ FOR THE YEAR ENDED 31 MARCH 2020
Ownership	51.3%	51.3%
Total current assets	8,778	6,925
Total non-current assets	892	732
Total assets	**9,670**	**7,657**
Equity	6,088	4,931
Total current liabilities	3,582	2,726
Total equity and liabilities	**9,670**	**7,657**
Revenues	9,017	7,679
Expenses	8,118	6,554
Profit for the year	**899**	**1,125**
Company's share of profits for the year	461	577
Carrying value of the Company's investment	3,307	2,714
Translation adjustment arising out of translation of foreign currency balances	438	306

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.

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(All amounts in Indian Rupees millions, except share data and per share data)

2.5 INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

Details of the Company's investment in DRES Energy Private Limited :

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Carrying value of the Company's investment	68	49
Company's share of loss for the year	19	(16)

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, limited liability partnership and term deposits with banks (i.e., certificates of deposit having an original maturity period exceeding 3 months).

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Investments at FVTOCI		
I. Equity instruments		
Quoted equity shares (fully paid up)		
5,465,693 (31 March 2020: 5,465,693) equity shares of US$ 0.05 each of Curis, Inc. (Refer note 2.33)	4,523	292
25,000 (31 March 2020: 58,000) equity shares of ₹ 1/- each of State Bank of India	9	11
II. Debt instruments		
Investment in market linked debentures	-	1,993
Total investments at FVTOCI (I+II) (A)	**4,532**	**2,296**
Investments at FVTPL		
I. Investment in unquoted equity shares		
8,859 (31 March 2020: 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 2020: 200,000) equity shares of ₹ 10/- each of Altek Engineering Limited, India	-	-
24,000 (31 March 2020: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	-	-
20,250 (31 March 2020: 20,250) equity shares of ₹ 10/- each of Shivalik Solid Waste Management Limited, India [2]	-	-
	1	**1**
II. Investment in unquoted mutual funds	13,263	13,832
III. Investment in partnership firms		
ABCD Technologies LLP	400	-
Total investments at FVTPL (I+II+III) (B)	**13,664**	**13,833**
Investments carried at amortised cost		
I. Investment in term deposit with banks (original maturity more than 3 months)	5,959	5,044
II. Investment in bonds	522	1,851
III. Investment in commercial paper	-	967
IV. Others	25	24
Total investments carried at amortised cost (C)	**6,506**	**7,886**
Total investments (A+B+C)	**24,702**	**24,015**
Current	19,744	23,687
Non-current	4,958	328
	24,702	**24,015**
Aggregate carrying value of quoted investments	4,532	303
Aggregate market value of quoted investments	4,532	303
Aggregate carrying value of unquoted investments	20,170	23,712
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.*

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2.6 B. TRADE RECEIVABLES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Trade receivables from other parties	49,759	52,012
Receivables from joint ventures (Refer note 2.24)	-	3
	49,759	**52,015**
Details of security		
Considered good, Unsecured	49,948	52,169
Credit impaired	1,107	1,048
	51,055	**53,217**
Less: Allowance for credit losses	(1,296)	(1,202)
	49,759	**52,015**
Current	49,641	50,278
Non-current [1]	118	1,737
	49,759	**52,015**

[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.*

Pursuant to an arrangement with a bank, 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 creditworthiness 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 2021 and 31 March 2020, the amount of trade receivables de-recognised pursuant to the aforesaid arrangement was ₹ 9,254 (US$ 127million) and ₹ 9,049 (US$ 120 million), 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 2021 and 31 March 2020 are as follows:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Balance at the beginning of the year	1,202	1,172
Provision made during the year, net of reversals	176	154
Trade receivables written off during the year and effect of changes in the foreign exchange rates	(82)	(124)
Balance at the end of the year	**1,296**	**1,202**

2.6 C. OTHER FINANCIAL ASSETS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
I. Non-current assets		
Considered good, Unsecured		
Security deposits	666	613
Other assets	102	180
	768	**793**
II. Current assets		
Considered good, Unsecured		
Claims receivable	187	1,123
Other assets[1]	1,671	2,254
	1,858	**3,377**

[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 2021	AS AT 31 MARCH 2020
Balances with banks		
In current accounts	5,442	1,636
In EEFC accounts	8,776	59
In term deposit with banks (original maturities less than 3 months)	384	232
Cash on hand	1	2
Other bank balances		
In unclaimed dividend accounts	86	86
In unclaimed fractional share pay order accounts	-	1
In unclaimed debentures and debenture interest account	20	25
LC and Bank guarantee margin money	80	12
Balances in Escrow account pursuant to the Business Transfer Agreement with Wockhardt Limited (Refer note 2.40 for details)	40	-
Cash and cash equivalents in the consolidated balance sheet	**14,829**	**2,053**
Less: Bank overdraft used for cash management purposes (Refer note 2.10 B)	(9)	(91)
Cash and cash equivalents in the consolidated statement of cash flow (including restricted cash)	**14,820**	**1,962**
Restricted cash balances included above		
Balance in unclaimed dividend and debenture interest account	106	112
Other restricted cash balances	120	12

2.7 OTHER ASSETS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
A. Non-current assets		
Unsecured, considered good		
Capital advances	240	158
Others	66	37
Dues from joint ventures and other related parties	1	14
	307	**209**
B. Current assets		
Unsecured, considered good		
Balances and receivables from statutory authorities [1]	7,227	4,445
Export benefits receivable[2]	2,070	2,652
Prepaid expenses	1,141	950
Dues from other related parties	17	50
Others[3]	2,195	2,327
Unsecured, considered doubtful		
Other advances	157	114
	12,807	**10,538**
Less: Allowance for doubtful advances	(157)	(114)
	12,650	**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 and employees.*

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2.8 INVENTORIES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Raw materials (includes in transit 31 March 2021: ₹ 139; 31 March 2020: ₹ 206)	12,287	10,594
Work-in-progress	10,009	6,806
Finished goods	13,732	8,254
Stock-in-trade	6,097	6,873
Packing material, stores and spares	3,287	2,540
	45,412	**35,067**

During the year ended 31 March 2021, the Company recorded inventory write-down of ₹ 2,521 (31 March 2020 : ₹ 3,652) 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 2021	AS AT 31 MARCH 2020
Authorised share capital		
240,000,000 equity shares of ₹ 5/- each (31 March 2020: 240,000,000)	1,200	1,200
Issued equity capital		
166,301,431 equity shares of ₹ 5/- each fully paid-up (31 March 2020: 166,172,282)	832	831
Subscribed and fully paid-up		
166,301,231 equity shares of ₹ 5/- each fully paid-up (31 March 2020: 166,172,082)	832	831
Add: Forfeited share capital (e)	-	-
	832	**831**

a) Reconciliation of the equity shares outstanding is set out below:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021		FOR THE YEAR ENDED 31 MARCH 2020	
	NO. OF SHARES	AMOUNT	NO. OF SHARES	AMOUNT
Opening number of equity shares/share capital	166,172,082	831	166,065,948	830
Add: Equity shares issued pursuant to employee stock option plan [1]	129,149	1	106,134	1
Closing number of equity shares/share capital	**166,301,231**	**832**	**166,172,082**	**831**
Treasury shares[2]	575,201	1,967	395,950	1,006

**Rounded off to millions.*

[1] *During the years ended 31 March 2021 and 31 March 2020, 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 the Dr. Reddy's Employees Stock Option Plan, 2007. The options exercised had an exercise price of ₹ 5, ₹ 2,607 or ₹ 2,814 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"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 (as defined therein) upon exercise of stock options thereunder. During the year ended 31 March 2021 and 31 March 2020, an aggregate of 85,250 and 1,150 equity shares, respectively 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. The options exercised had an exercise price of ₹ 2,607 or ₹ 2,814 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 "securities premium" in the statement of changes in equity. In addition, any difference between the carrying amount of treasury shares and the consideration received was recognised in the "securities premium". As of 31 March 2021 and 31 March 2020, the ESOS Trust had outstanding 575,201 and 395,950 shares, respectively, which it purchased from the secondary market for an aggregate consideration of ₹ 1,967 and ₹ 1,006, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.9 SHARE CAPITAL (CONTINUED)

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Dividend per share (in absolute ₹)	25	20
Dividend distribution tax on the dividend paid	-	602
Dividend paid during the year	4,147	3,314

At the Company's Board of Directors' meeting held on 14 May 2021, the Board proposed a dividend of ₹ 25 per share and aggregating to ₹ 4,158, 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 2021		AS AT 31 MARCH 2020	
	NO. OF SHARES HELD	% HOLDING IN THE CLASS	NO. OF SHARES HELD	% HOLDING IN THE CLASS
Dr. Reddy's Holdings Limited	41,325,300	24.85	41,325,300	24.88
Life Insurance Corporation of India and their associates	1,110,352	0.67	8,468,983	5.10

d) 217,253 (31 March 2020: 232,837) 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", 412,339 (31 March 2020: 354,343) 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 385,930 (31 March 2020: 375,775) 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) 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 preceding the reporting date:

PARTICULARS	YEAR ENDED 31 MARCH				
	2021	2020	2019	2018	2017
Ordinary shares of ₹ 5 each	-	-	-	-	5,077,504

2.10 FINANCIAL LIABILITIES

2.10 A. NON-CURRENT BORROWINGS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Unsecured		
Long-term loans from banks (a)	-	-
Non-convertible debentures by the APSL subsidiary[1]	3,800	-
Secured		
Long-term maturities of lease liabilities[2]	2,499	1,304
	6,299	**1,304**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.10 B. CURRENT BORROWINGS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
From Banks		
Unsecured		
Pre-shipment credit (e & f)	10,300	10,432
Other foreign currency borrowings (e & f)	12,836	6,009
Bank overdraft	9	91
	23,145	**16,532**

a) Summary of long-term borrowings is as follows:

PARTICULARS	AS AT 31 MARCH 2021		AS AT 31 MARCH 2020	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Foreign currency borrowing[3]	-	-	-	3,783
Non-convertible debentures	3,800	-	-	-
Obligations under leases	2,499	864	1,304	483
	6,299	**864**	**1,304**	**4,266**

(1) *"APSL subsidiary" refers to Aurigene Pharmaceutical Services Limited.*
During the year 31 March 2021, the APSL subsidiary issued non-convertible debentures for ₹ 3,800. The aforesaid non-convertible debentures are repayable at par after 3 years following the date of issue.
(2) *Additions year ended 31 March 2021 include lease liabilities of ₹1,878 relating to a warehousing services agreement in the United States.*
(3) *During the year ended 31 March 2021, the Company repaid both the long-term borrowings of US$ 50 million.*
During the year ended 31 March 2020, the Company repaid both the long-term borrowings of US$ 250 million in the Swiss subsidiary and EUR 42 million in the German Subsidiary.

b) The interest rate profiles of long-term borrowings (other than obligations under leases) as at 31 March 2021 and 31 March 2020 were as follows:

PARTICULARS	AS AT 31 MARCH 2021		AS AT 31 MARCH 2020	
	CURRENCY[1]	INTEREST RATE[2]	CURRENCY[1]	INTEREST RATE[2]
Foreign currency borrowings	-	-	US$	1 Month LIBOR + 82.7 bps
	-	-	EUR	0.81%
Non-convertible debentures	INR	6.77%	-	-

(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 2021:

PARTICULARS	AS AT 31 MARCH 2021		
	NON-CONVERTIBLE DEBENTURES	OBLIGATIONS UNDER LEASES	TOTAL
Maturing in the year ending 31 March			
2022	-	864	864
2023	-	802	802
2024	3,800	745	4,545
2025	-	734	734
2026	-	118	118
Thereafter	-	100	100
	3,800	**3,363**	**7,163**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.10 A & B. BORROWINGS (CONTINUED)

d) The aggregate maturities of long-term loans and borrowings, based on contractual maturities, as of 31 March 2020:

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.*

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, Brazil and Ukraine 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 2021		AS AT 31 MARCH 2020	
	CURRENCY[1]	INTEREST RATE[2]	CURRENCY[1]	INTEREST RATE[2]
Pre-shipment credit	INR	3 Month T-Bill + 30 Bps	INR	1 Month T-Bill + 60 Bps
	INR	5.75%	-	-
	-	-	US$	1 Month LIBOR + 12.5 to 16 bps
Other working capital borrowings	US$	(2.20%) to (1.80%)	US$	1 Month/3 Month LIBOR + 55 to 78 bps
	MXN	TIIE + 1.2%	MXN	TIIE + 1.25%
	RUB	3.00% to 3.40% and 5.55%	RUB	7.05%
	BRL	4.00%	BRL	7.25%
	INR	4.00%	INR	7.75%
	UAH	4.75%	-	-
	-	-	ZAR	1 Month JIBAR + 120 Bps

(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 ₹ 38,766 and ₹ 39,374 as of 31 March 2021 and 31 March 2020, 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.

h) Reconciliation of liabilities arising from financing activities

PARTICULARS	DURING THE YEAR ENDED 31 MARCH 2021		
	NON-CURRENT BORROWINGS[1]	CURRENT BORROWINGS[2]	TOTAL
Opening balance	5,570	16,441	22,011
Recognition of right-of-use liability during the year	2,393	-	2,393
Payment of principal portion of lease liabilities	(754)	-	(754)
Borrowings made during the year	3,800	44,469	48,269
Borrowings repaid during the year	(3,743)	(37,678)	(41,421)
Effect of changes in foreign exchange rates	(103)	(96)	(199)
Closing balance	**7,163**	**23,136**	**30,299**

(1) *Includes current portion*
(2) *Does not include movement in bank overdraft*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.10 A & B. BORROWINGS (CONTINUED)

PARTICULARS	DURING THE YEAR ENDED 31 MARCH 2020		
	NON-CURRENT BORROWINGS[1]	CURRENT BORROWINGS[2]	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) *Includes current portion.*
(2) *Does not include movement in bank overdraft.*

2.10 C. OTHER FINANCIAL LIABILITIES

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Current financial liabilities		
Current maturities of long-term debt	-	3,783
Current maturities of lease liabilities	864	483
Due to capital creditors	3,807	1,411
Interest accrued but not due on loans	94	30
Accrued expenses	17,729	18,024
Trade and security deposits received	178	172
Unclaimed dividends, debentures and debenture interest [1]	106	111
Others	1,503	2,992
	24,281	**27,006**

(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 2021	AS AT 31 MARCH 2020
Due to micro, small and medium enterprises	158	55
Others	17,951	15,193
	18,109	**15,248**

For details regarding the Company's exposure to currency and liquidity risks, see note no. 2.31 of these consolidated financial statements under "Liquidity risk".

Trade payables and other financial liabilities includes amount due to related party ₹ 93 and ₹ 91 as on 31 March 2021 and 31 March 2020, see note no. 2.24 of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.11 PROVISIONS

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
A. Non-current provisions		
Provision for employee benefits (Refer note 2.27)		
Long service award benefit plan	58	52
Pension, seniority and severance indemnity plans	153	113
Compensated absences	239	526
Other provisions (a)	58	54
	508	**745**
B. Current provisions		
Provision for employee benefits (Refer note 2.27)		
Gratuity	656	197
Long service award benefit plan	16	14
Pension, seniority and severance indemnity plans	17	23
Compensated absences	891	635
Other provisions (a)		
Refund liability	2,824	3,252
Others	611	548
	5,015	**4,669**

a) Details of changes in other provisions during the year ended 31 March 2021 are as follows:

PARTICULARS	REFUND LIABILITY[1]	ENVIRONMENTAL LIABILITY[2]	LEGAL AND OTHERS[3]	TOTAL
Balance at the beginning of the year	3,252	54	548	3,854
Provision made during the year, net of reversals	2,934		63	2,997
Provision used during the year	(3,309)		-	(3,309)
Effect of changes in foreign exchange rates	(53)	4	-	(49)
Balance at end of the year	**2,824**	**58**	**611**	**3,493**
Current	2,824	-	611	3,435
Non- current	-	58	-	58
	2,824	**58**	**611**	**3,493**

(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 ₹ 58). 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 note 2.32 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 2021	AS AT 31 MARCH 2020
A. Non-current liabilities		
Deferred revenue[1]	1,531	1,956
Other non-current liabilities	86	99
	1,617	**2,055**
B. Current liabilities		
Salary and bonus payable	3,576	3,385
Statutory dues payable	2,968	980
Deferred revenue[1]	1,052	1,242
Advance from customers	981	668
Others	197	237
	8,774	**6,512**

(1) *Refer note 2.13 for details of deferred revenue.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.13 REVENUE FROM CONTRACTS WITH CUSTOMERS AND TRADE RECEIVABLES

Revenue from contracts with customers:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Sales	184,202	163,574
Service income	4,105	2,409
License fees[1]	1,415	8,617
	189,722	**174,600**

[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 million) towards the aforesaid sale transaction.

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Global Generics	154,404	138,123
PSAI	31,982	25,747
Proprietary products	523	7,949
Others	2,813	2,781
	189,722	**174,600**

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Nervous System	29,040	26,825
Gastrointestinal	21,132	19,394
Oncology	16,842	18,245
Pain Management	15,531	13,808
Cardiovascular	15,460	14,729
Anti-Infective	12,906	9,402
Respiratory	11,089	10,433
Others	32,404	25,287
	154,404	**138,123**

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Cardiovascular	9,834	8,567
Pain Management	4,657	5,073
Anti-Infective	4,126	2,264
Nervous System	2,704	2,797
Oncology	2,385	1,798
Dermatology	768	1,370
Others	7,508	3,878
	31,982	**25,747**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.13 REVENUE FROM CONTRACTS WITH CUSTOMERS AND TRADE RECEIVABLES (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 2021	FOR THE YEAR ENDED 31 MARCH 2020
India	36,252	32,089
United States	76,702	76,028
Russia	15,816	16,900
Others	60,952	49,583
	189,722	**174,600**

Information about major customers

Revenues from two customers of the Company's Global Generics segment were ₹ 19,341 and ₹ 9,867, representing approximately 10% and 5% respectively, of the Company's total revenues for the year ended 31 March 2021.

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.

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 2021 and 31 March 2020 is as follows:

All values in US$ millions

PARTICULARS	CHARGEBACKS	REBATES	MEDICAID	REFUND LIABILITY
Balance as at 1 April 2019	128	92	11	30
Current provisions relating to sales during the year[1]	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**
Balance as at 1 April 2020	156	80	11	24
Current provisions relating to sales during the year[2]	1,702	245	21	15
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,656)	(247)	(19)	(20)
Balance as at 31 March 2021	**202**	**78**	**13**	**19**

** 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 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.

[2] Charge backs provisions and payments for the year ended 31 March 2021 were each higher as compared to the year ended 31 March 2020, primarily as a result of higher sales volumes and also due to higher pricing rates per unit for chargebacks, due to reduction in the contract prices through which the product is resold in the retail part of the supply chain for certain of the Company's products. The rebates provisions and payments for the year ended 31 March 2021 were each lower as compared to the year ended 31 March 2020, 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 and also due to reduction in the contract prices through which the product is resold in the retail part of the supply chain for certain of the Company's products, which were partially off-set by higher sales volumes during the year ended 31 March 2021 as compared to the year ended 31 March 2020.

The Company's overall refund liability as of 31 March 2021 relating to its North America Generics business was US$ 19 million, as compared to a liability of US$ 24 million as at 31 March 2020. This decrease in the Company's liability was primarily attributable to a lower refund liability allowance for the year ended 31 March 2021 as compared to the year ended 31 March 2020. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.13 REVENUE FROM CONTRACTS WITH CUSTOMERS AND TRADE RECEIVABLES (CONTINUED)

Details of refund liabilities:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Balance at the beginning of the year	3,252	3,581
Provision made during the year, net of reversals	2,934	2,675
Provision used during the year	(3,309)	(3,224)
Effect of changes in foreign exchange rates	(53)	220
Balance at end of the year	**2,824**	**3,252**
Current	2,824	3,252
Non-current	-	-
	2,824	**3,252**

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 2021 and 31 March 2020, the Company had ₹ 37 and ₹ 23, 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 2021 and 31 March 2020:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Balance at the beginning of the year	3,198	2,592
Revenue recognised during the year	(1,089)	(1,250)
Milestone payment received during the year	474	1,856
Balance at end of the year	**2,583**	**3,198**
Current	1,052	1,242
Non-current	1,531	1,956
	2,583	**3,198**

Details of contract liabilities:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Advance from customers	981	668
	981	**668**

2.14 OTHER OPERATING INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Sale of spent chemicals	270	306
Scrap sales	142	167
Miscellaneous income, net	341	97
	753	**570**

2.15 OTHER INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Interest income	826	888
Fair value gain on financial instruments measured at fair value through profit or loss	557	929
Foreign exchange gain, net	1,243	629
Miscellaneous income, net[1]	288	3,760
	2,914	**6,206**

[1] *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.*

2.16 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021		FOR THE YEAR ENDED 31 MARCH 2020	
Opening				
Work-in-progress	6,806		7,201	
Finished goods	8,254		7,127	
Stock-in-trade	6,873	**21,933**	7,842	**22,170**
Closing				
Work-in-progress	10,009		6,806	
Finished goods	13,732		8,254	
Stock-in-trade	6,097	**29,838**	6,873	**21,933**
		(7,905)		**237**

2.17 EMPLOYEE BENEFITS EXPENSE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Salaries, wages and bonus	30,407	28,563
Contribution to provident and other funds	2,599	2,504
Staff welfare expenses	2,552	2,120
Share-based payment expenses	741	615
	36,299	**33,802**

2.18 DEPRECIATION AND AMORTISATION EXPENSE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Depreciation of property, plant and equipment	8,510	8,624
Amortisation of other intangible assets	3,778	3,007
	12,288	**11,631**

2.19 FINANCE COSTS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Interest on long-term borrowings	94	282
Interest on other borrowings	876	701
	970	**983**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.20 SELLING AND OTHER EXPENSES

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Consumption of stores, spares and other materials	5,852	5,512
Clinical trials and other R&D expenses	6,561	5,837
Advertisements	1,637	1,386
Commission on sales	453	227
Carriage outward	5,871	3,849
Other selling expenses	7,716	8,621
Legal and professional	5,095	4,219
Power and fuel	3,205	3,148
Repairs and maintenance		
Buildings	228	259
Plant and equipment	944	809
Others	2,159	2,037
Insurance	676	494
Travel and conveyance	995	1,648
Rent	271	260
Rates and taxes	1,160	1,012
Loss on sale / disposal of property, plant and equipment and other intangible assets, net	42	67
Corporate social responsibility and donations[1]	504	459
Allowance for credit losses, net (Refer note 2.6 B)	176	154
Allowance for doubtful advances, net	54	36
Non-Executive Directors' remuneration	91	108
Auditors' remuneration (Refer note 2.22)	18	18
Other general expenses	4,212	4,193
	47,920	**44,353**

[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			356
Amount spent during the year ending on 31 March 2021	377	-*	377
Amount spent during the year ending on 31 March 2020	285	-*	285

** Rounded off to million.*

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Employee benefits expense (included in note 2.17)	4,708	4,781
Other expenses (included in note 2.20)		
Materials and consumables	4,199	4,078
Clinical trials and other R&D expenses	6,561	5,837
	15,468	**14,696**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.22 AUDITORS' REMUNERATION

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Audit fees	16	15
Other charges- Certification fee	1	1
Reimbursement of out of pocket expenses	1	2
	18	**18**

2.23 EARNINGS PER SHARE (EPS)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Earnings	19,516	20,260
Profit attributable to equity shareholders of the Company		
Shares		
Number of equity shares at the beginning of the year (excluding treasury shares)	165,776,132	165,847,972
Effect of treasury shares held during the year	(56,014)	(154,020)
Effect of equity shares issued on exercise of stock options	124,222	64,432
Weighted average number of equity shares – Basic	**165,844,340**	**165,758,384**
Dilutive effect of stock options outstanding[1]	471,701	323,601
Weighted average number of equity shares – Diluted	166,316,041	166,081,985
Earnings per share of par value ₹ 5/- – Basic (₹)	**117.67**	**122.22**
Earnings per share of par value ₹ 5/- – Diluted (₹)	**117.34**	**121.99**

[1] *As at 31 March 2021 and 31 March 2020, 235,460 and 475,575 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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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.	Allan Oberman	Independent director
4.	Bharat Narotam Doshi	Independent director
5.	Dr. Bruce LA Carter	Independent director
6.	Kalpana Morparia	Independent director
7.	Leo Puri	Independent director
8.	Prasad R Menon	Independent director
9.	Shikha Sharma	Independent director
10.	Sridar Iyengar	Independent director
11.	Dr. Omkar Goswami (till 30 July 2019)	Independent director
12.	Anupam Puri (till 26 July 2019)	Independent director
13.	Anil Namboodiripad	Management council member
14.	Archana Bhaskar	Management council member
15.	Deepak Sapra	Management council member
16.	Erez Israeli	CEO and management council member
17.	M V Ramana	Management council member
18.	Marc Kikuchi	Management council member
19.	P Yugandhar	Management council member
20.	Sanjay Sharma	Management council member
21.	Saumen Chakraborty	Management council member
22.	Sauri Gudlavalleti	Management council member
23.	Patrick Aghanian (from 7 October 2019)	Management council member
24.	Mukesh Rathi (from 1 December 2020)	Management council member
25.	Parag Agarwal (from 1 December 2020)	Management council member
26.	Ganadhish Kamat (till 31 March 2021)	Management council member
27.	Dr. Raymond de Vre (till 31 March 2021)	Management council member
28.	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.	Araku Originals Private Limited	Enterprise over which whole-time directors have significant influence
10.	AverQ Inc.,USA	Enterprise over which Key Managerial Personnel have significant influence
11.	Cancelled Plans LLP	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.	Dr. Reddy's Foundation	Enterprise over which whole-time directors and their relatives have significant influence
14.	Dr. Reddy's Institute of Life Sciences	Enterprise over which whole-time directors have significant influence
15.	Green Park Hospitality Services Private Limited	Enterprise controlled by relative of a whole-time director
16.	Green Park Hotels and Resorts Limited	Enterprise controlled by relative of a whole-time director
17.	Indus Projects Private Limited	Enterprise over which relatives of whole-time directors have significant influence
18.	Pudami Educational Society	Enterprise over which whole-time directors and their relatives have significant influence
19.	Samarjita Management Consultancy Private Limited	Enterprise controlled by Key Managerial Personnel
20.	Shravya Publications Pvt. Ltd.	Enterprise over which whole-time directors and their relatives have significant influence
21.	Stamlo Industries Limited	Enterprise controlled by whole-time directors

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 per share data)

2.24 RELATED PARTIES (CONTINUED)

c) The following is a summary of significant related party transactions:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Research and development services received		
Dr.Reddy's Institute of Life Sciences	105	105
Research and development services provided		
Kunshan Rotam Reddy Pharmaceuticals Company Limited	93	58
Contributions towards social development		
Dr.Reddy's Foundation	217	218
Pudami Educational Society	15	15
Total	**232**	**233**
Catering services		
Green Park Hospitality Services Private Limited	301	344
Facility management services		
Green Park Hospitality Services Private Limited	36	24
Hotel expenses		
Green Park Hotel and Resorts Limited	7	15
Stamlo Industries Limited	1	7
Total	**8**	**22**
Civil works		
Indus Projects Private Limited	55	101
Professional consulting services		
Samarjita Management Consultancy Private Limited	28	-
AverQ Inc.	2	3
Others	-*	1
	30	**4**
Sales of goods		
Kunshan Rotam Reddy Pharmaceuticals Company Limited	22	14
Lease rentals paid to		
Key Managerial Personnel		
K Satish Reddy	14	13
Relatives of Key Managerial Personnel	23	22
Total	**37**	**35**
Lease rentals received		
DRES Energy Private Limited	1	1
Purchase of Solar power		
DRES Energy Private Limited	127	108
Salaries to relatives of Key Managerial Personnel	8	7
Other services received *(Rounded off to millions)*	-*	-*
Remuneration to Key Managerial Personnel		
Salaries and other benefits[(i)]	816	694
Contributions to defined contribution plans	35	35
Commission to directors	301	298
Share-based payments expense	261	168
Total	**1,413**	**1,195**

*Rounded off to millions.

(i) *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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.24 RELATED PARTIES (CONTINUED)

d) The Company has the following amounts due from/ to related parties:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Due from related parties		
Key Managerial Personnel (towards rent deposits)	8	8
Kunshan Rotam Reddy Pharmaceuticals Company Limited	54	3
Green Park Hospitality Services Private Limited	17	47
DRES Energy Private Limited	1	17
Others	-	1
Total	**80**	**76**
Due to related parties		
Green Park Hospitality Services Private Limited	38	48
Dr. Reddy's Institute of Life Sciences	34	-
Indus Projects Private Limited	17	31
DRES Energy Private Limited	3	12
Others	1	-*
Total	**93**	**91**

**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 was previously the CODM of the Company. Pursuant to certain organisational changes, effective 1 December 2020, the office of Chief Executive Officer ("CEO") assumed the authority and responsibility for making decisions about resources to be allocated to various segments and assessing their performance. Consequently, the CEO is currently 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.25 SEGMENT REPORTING (CONTINUED)

Segment information:

REPORTABLE SEGMENTS	FOR THE YEAR ENDED 31 MARCH 2021				
	GLOBAL GENERICS	PSAI	PROPRIETARY PRODUCTS	OTHERS	TOTAL
Revenue from operations	154,759	39,284	523	2,814	197,380
Less: Inter-segment revenue[@]	-	(6,905)	-	-	(6,905)
Revenue from operations	**154,759**	**32,379**	**523**	**2,814**	**190,475**
Gross profit	**91,111**	**9,444**	**482**	**2,058**	**103,177**
Less: Selling and other unallocable expense/ (income), net					74,740
Profit before tax and before share of equity accounted investees					**28,355**
Add: Share of profit of equity accounted investees					480
Profit before tax					**28,835**
Tax expense					9,319
Profit for the year					**19,516**

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[@]	-	(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					(1,403)
Profit for the year					**20,260**

[@] *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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Nervous System	29,040	26,825
Gastrointestinal	21,132	19,394
Oncology	16,842	18,245
Pain Management	15,531	13,808
Cardiovascular	15,460	14,729
Anti-Infective	12,906	9,402
Respiratory	11,089	10,433
Others	32,404	25,287
Total	**154,404**	**138,123**

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Cardiovascular	9,834	8,567
Pain Management	4,657	5,073
Anti-Infective	4,126	2,264
Nervous System	2,704	2,797
Oncology	2,385	1,798
Dermatology	768	1,370
Others	7,508	3,878
Total	**31,982**	**25,747**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
India	36,252	32,089
United States	76,702	76,028
Russia	15,816	16,900
Others[1]	60,952	49,583
Total	**189,722**	**174,600**

[1] *Others include Germany, the United Kingdom, Ukraine, China, Canada and other countries across the world.*

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	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
India	76,232	56,900
Switzerland	11,635	18,151
United States	7,324	7,445
Germany	2,973	2,900
Others	5,971	5,809
Total	**104,135**	**91,205**

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
India	27,822	5,475
Switzerland	1,940	1,025
United States	2,155	296
Others	1,014	709
Total	**32,931**	**7,505**

Analysis of depreciation and amortisation, for arriving gross profit by reportable segments:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Global Generics	3,435	3,667
PSAI	2,560	2,776
Others	48	72
Total	**6,043**	**6,515**

Information about major customers

Revenues from two customers of the Company's Global Generics segment were ₹ 19,341 and ₹ 9,867, representing approximately 10% and 5%, respectively, of the Company's total revenues for the year ended 31 March 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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 Formulations Limited (incorporated effective 11 March 2021)	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 ended 31 March 2020)	Netherlands	100
Svaas Wellness Limited (Formerly known as 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[10]
Dr. Reddy's Laboratories (Australia) Pty. Limited	Australia	100[10]
Dr. Reddy's (Beijing) Pharmaceutical Co. Limited (incorporated effective 19 August 2020)	China	100[10]
Dr. Reddy's Laboratories B.V. (Formerly Eurobridge Consulting B.V.)	Netherlands	100[12]
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. (transfer of ownership from DRL Swiss to DRL Inc. effective 29 October 2020 and conversion from Inc. to LLC effective 30 October 2020	USA	100[6]
Dr. Reddy's Laboratories Philippines Inc.	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 (Thailand) Limited	Thailand	100[10]
Dr. Reddy's Laboratories (UK) Limited	United Kingdom	100[5]
Dr. Reddy's New Zealand Limited	New Zealand	100[10]
Dr. Reddy's Research and Development B.V.	Netherlands	100[12]
Dr. Reddy's Singapore PTE Limited (liquidated during the year ended 31 March 2020)	Singapore	100[10]
Dr. Reddy's Srl	Italy	100[11]
Dr. Reddy's (WUXI) Pharmaceutical Co. Limited	China	100[10]
Dr. Reddy's Venezuela, C.A.	Venezuela	100[10]
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]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

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	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 2021		FOR THE YEAR ENDED 31 MARCH 2021					
		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	96.27	169,837	112.03	21,864	10.02	541	89.92	22,405
	Subsidiaries								
	India								
1	Aurigene Discovery Technologies Limited	3.41	6,017	6.41	1,251	72.94	3,939	20.83	5,190
2	Cheminor Investments Limited	-	1	-	-	-	-	-	-
3	Dr. Reddy's Bio-Sciences Limited	0.13	233	(0.14)	(28)	-	-	(0.11)	(28)
4	DRL Impex Limited	-	(2)	-	-	-	-	-	-
5	Idea2Enterprises (India) Private Limited	0.87	1,536	-	-	-	-	-	-
6	Imperial Credit Private Limited	0.01	25	0.01	1	-	-	0.00	1
7	Svaas Wellness Limited *(formerly Regkinetics Services Limited)*	-	5	(0.02)	(3)	-	-	(0.01)	(3)
8	Aurigene Pharmaceutical Services Limited	(2.23)	(3,941)	2.25	440	(0.09)	(5)	1.75	435
9	Dr. Reddy's Formulations Limited	-	-	-	-		-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.26 DESCRIPTION OF THE GROUP (CONTINUED)

SL. NO.	NAME OF THE ENTITY	AS AT 31 MARCH 2021		FOR THE YEAR ENDED 31 MARCH 2021					
		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	40	0.01	2	-	-	0.01	2
2	Aurigene Discovery Technologies Inc.	-	-	(0.01)	(1)	-	-	(0.00)	(1)
3	beta Institut gemeinnützige GmbH	-	5	(0.01)	(2)	-	-	(0.01)	(2)
4	betapharm Arzneimittel GmbH	0.05	89	(0.10)	(20)	-	-	(0.08)	(20)
5	Chirotech Technology Limited	0.72	1,277	0.10	20	-	-	0.08	20
6	Dr. Reddy's (Beijing) Pharmaceutical Co. Limited	0.06	107	(0.02)	(3)	-	-	(0.01)	(3)
7	Dr. Reddy's Farmaceutica Do Brasil Ltda.	(0.06)	(102)	0.22	42	-	-	0.17	42
8	Dr. Reddy's Laboratories (Australia) Pty. Limited	(0.16)	(279)	0.20	39	-	-	0.16	39
9	Dr. Reddy's Laboratories (Canada) Inc.	0.24	431	0.25	48	-	-	0.19	48
10	Dr. Reddy's Laboratories Chile SPA.	0.04	69	0.22	43	-	-	0.17	43
11	Dr. Reddy's Laboratories (EU) Limited	1.73	3,046	1.78	347	-	-	1.39	347
12	Dr. Reddy's Laboratories Inc.	12.04	21,236	20.34	3,969	-	-	15.93	3,969
13	Dr. Reddy's Laboratories Japan KK	0.01	14	0.01	2	-	-	0.01	2
14	Dr. Reddy's Laboratories Kazakhstan LLP	0.12	216	0.66	128	-	-	0.51	128
15	Dr. Reddy's Laboratories LLC	0.13	236	0.90	175	-	-	0.70	175
16	Dr. Reddy's Laboratories Louisiana LLC	(1.71)	(3,011)	(4.96)	(968)	-	-	(3.89)	(968)
17	Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	0.03	58	0.11	21	-	-	0.08	21
18	Dr. Reddy's Laboratories New York, LLC	(1.39)	(2,448)	(1.76)	(344)	-	-	(1.38)	(344)
19	Dr. Reddy's Laboratories Philippines Inc.	-	(4)	(0.06)	(11)	-	-	(0.04)	(11)
20	Dr. Reddy's Laboratories (Proprietary) Limited	0.23	403	0.43	84	-	-	0.34	84
21	Dr. Reddy's Laboratories Romania S.R.L.	0.25	433	0.57	111	-	-	0.45	111
22	Dr. Reddy's Laboratories SA	23.74	41,876	(22.67)	(4,424)	4.83	261	(16.71)	(4,163)
23	Dr. Reddy's Laboratories SAS	0.06	113	0.20	40	-	-	0.16	40
24	Dr. Reddy's Laboratories Taiwan Ltd.	0.01	16	0.02	4	-	-	0.02	4
25	Dr. Reddy's Laboratories (Thailand) Limited	(0.01)	(18)	0.13	26	-	-	0.10	26
26	Dr. Reddy's Laboratories (UK) Limited	2.01	3,547	1.35	264	-	-	1.06	264
27	Dr. Reddy's Research and Development B.V.	1.28	2,255	14.81	2,891	-	-	11.60	2,891
28	Dr. Reddy's Srl	(0.44)	(772)	(0.79)	(154)	-	-	(0.62)	(154)
29	Dr. Reddy's New Zealand Limited	0.05	82	0.01	1	-	-	0.00	1
30	Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd.	0.02	37	(0.03)	(5)	-	-	(0.02)	(5)
31	Dr. Reddy's Venezuela, C.A.	(2.65)	(4,677)	0.59	115	-	-	0.46	115
32	Euro Bridge Consulting B.V.	(1.47)	(2,588)	(14.22)	(2,776)	-	-	(11.14)	(2,776)
33	Industrias Quimicas Falcon de Mexico, S.A. de CV	0.51	892	0.25	49	(0.43)	(23)	0.10	26
34	Lacock Holdings Limited	0.26	467	(0.01)	(2)	-	-	(0.01)	(2)
35	OOO Dr. Reddy's Laboratories Limited	1.51	2,672	0.92	179	-	-	0.72	179
36	OOO DRS LLC	0.03	49	(0.02)	(4)	-	-	(0.02)	(4)
37	Promius Pharma LLC	0.02	43	0.18	36	-	-	0.14	36
38	Reddy Holding GmbH	13.57	23,932	10.93	2,133	-	-	8.56	2,133
39	Reddy Netherlands B.V.	1.66	2,924	0.05	9	-	-	0.04	9
40	Reddy Pharma Iberia SA	0.14	247	0.44	86	-	-	0.35	86
41	Reddy Pharma Italia S.R.L	0.18	322	(0.01)	(1)	-	-	-	(1)
42	Reddy Pharma SAS	0.14	249	0.65	126	-	-	0.51	126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.26 DESCRIPTION OF THE GROUP (CONTINUED)

SL. NO.	NAME OF THE ENTITY	AS AT 31 MARCH 2021		FOR THE YEAR ENDED 31 MARCH 2021					
		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	-	-	0.10	19	-	-	0.08	19
	Foreign								
1	DRANU LLC	-	-	-	-	-	-	-	-
2	Kunshan Rotam Reddy Pharmaceutical Company Limited	-	-	2.36	461	-	-	1.85	461
	Other consolidating entities								
	India								
1	Cheminor Employees Welfare Trust	0.17	301	0.05	9	-	-	0.04	9
2	Dr. Reddy's Research Foundation	-	5	-	-	-	-	-	-
	Sub total	**151.60**	**267,501**	**134.71**	**26,289**	**87.27**	**4,713**	**124.42**	**31,002**
	Less: Effect of intercompany adjustments / eliminations	(51.60)	(91,084)	(34.71)	(6,773)	12.73	687	(24.42)	(6,086)
	Total	**100.00**	**176,417**	**100.00**	**19,516**	**100.00**	**5,400**	**100.00**	**24,916**

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 2021 and 31 March 2020 amounted to ₹ 36,299 and ₹ 33,802, 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 2021 and 31 March 2020 consist of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Current service cost	281	276
Interest on defined benefit liability	8	(4)
Gratuity cost recognised in consolidated statement of profit and loss	**289**	**272**

Details of the employee benefits obligations and plan assets are provided below:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Present value of funded obligations	2,628	2,349
Fair value of plan assets	(1,997)	(2,160)
Net defined benefit liability recognised	**631**	**189**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.27 EMPLOYEE BENEFITS (CONTINUED)

Details of changes in the present value of defined benefit obligations are as follows:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Defined benefit obligations at the beginning of the year	2,349	2,200
Current service cost	281	276
Interest on defined obligations	140	152
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	153	(96)
Actuarial loss/(gain) due to demographic assumptions	(26)	(48)
Actuarial loss/(gain) due to experience changes	51	59
Benefits paid	(345)	(194)
Liabilities assumed/(transferred)*	25	-
Defined benefit obligations at the end of the year	**2,628**	**2,349**

* *Liabilities assumed/transferred of ₹ 25 comprise of:*
- *a. ₹ 70 increase in liability on account of acquisition of employees pursuant to the Business Transfer Agreement with Wockhardt limited. Refer note 2.40 of these consolidated financial statements for further details.*
- *b. ₹ 45 transfer of liability on account of restructuring of the pharmaceutical services business between the parent company and its subsidiary.*

Details of changes in the fair value of plan assets are as follows:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Fair value of plan assets at the beginning of the year	2,160	2,174
Employer contributions	25	14
Interest on plan assets	132	156
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	(1)	10
Benefits paid	(345)	(194)
Assets acquired / (transferred)*	26	-
Plan assets at the end of the year	**1,997**	**2,160**

* *Assets acquired/transferred of ₹ 26 comprise of:*
- *a. ₹ 70 increase in liability on account of acquisition of employees pursuant to the Business Transfer Agreement with Wockhardt limited. Refer note 2.40 of these consolidated financial statements for further details.*
- *b. ₹ 44 transfer of liability on account of restructuring of the pharmaceutical services business between the parent company and its subsidiary.*

Sensitivity Analysis:

PARTICULARS	AS AT 31 MARCH 2021
Defined benefit obligation without effect of projected salary growth	1,795
Add: Effect of salary growth	833
Defined benefit obligation with projected salary growth	2,628
Defined benefit obligation, using discount rate minus 50 basis points	2,700
Defined benefit obligation, using discount rate plus 50 basis points	2,559
Defined benefit obligation, using salary growth rate plus 50 basis points	2,698
Defined benefit obligation, using salary growth rate minus 50 basis points	2,560

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Discount rate	6.00%	6.65%
Rate of compensation increase	8.00%	7.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.27 EMPLOYEE BENEFITS (CONTINUED)

The assumptions used to determine gratuity cost:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Discount rate	6.65%	7.45%
Rate of compensation increase	7.50%	8% per annum for the first year and 9% per annum thereafter

Contributions: The Company expects to contribute ₹ 317 to the Gratuity Plan during the year ending 31 March 2022.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation as of 31 March 2021 and 31 March 2020, by asset category, was as follows:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Funds managed by insurers	100%	99%
Others	-	1%

The expected future cash flows in respect of gratuity as at 31 March 2021 were as follows:

PARTICULARS	AMOUNT
Expected contributions	
During the year ended 31 March 2022 (estimated)	317
Expected future benefit payments	
31 March 2022	452
31 March 2023	390
31 March 2024	361
31 March 2025	339
31 March 2026	308
Thereafter	1,971

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 2021 and 31 March 2020 consist of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Current service cost	13	11
Interest on defined benefit liability	8	16
Total cost recognised in consolidated statement of profit and loss	**21**	**27**

Details of the employee benefits obligations and plan assets are provided below:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Present value of funded obligations	307	234
Fair value of plan assets	(169)	(128)
Net defined benefit liability recognised	**138**	**106**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.27 EMPLOYEE BENEFITS (CONTINUED)

Details of changes in the present value of defined benefit obligations are as follows:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Defined benefit obligations at the beginning of the year	234	223
Current service cost	13	11
Interest on defined obligations	21	25
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	24	50
Actuarial loss/(gain) due to experience changes	19	(8)
Benefits paid	(32)	(41)
Foreign exchanges differences	28	(26)
Defined benefit obligations at the end of the year	**307**	**234**

Details of changes in the fair value of plan assets are as follows:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Fair value of plan assets at the beginning of the year	128	70
Employer contributions	32	113
Interest on plan assets	13	9
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	12	(7)
Benefits paid	(32)	(41)
Foreign exchanges differences	16	(16)
Plan assets at the end of the year	**169**	**128**

Sensitivity Analysis:

PARTICULARS	AS AT 31 MARCH 2021
Defined benefit obligation without effect of projected salary growth	209
Add: Effect of salary growth	98
Defined benefit obligation with projected salary growth	307
Defined benefit obligation, using discount rate minus 50 basis points	321
Defined benefit obligation, using discount rate plus 50 basis points	294
Defined benefit obligation, using salary growth rate plus 50 basis points	321
Defined benefit obligation, using salary growth rate minus 50 basis points	294

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Discount rate	7.75%	8.75%
Rate of compensation increase	4.50%	4.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.27 EMPLOYEE BENEFITS (CONTINUED)

The assumptions used to determine defined benefit cost:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Discount rate	8.75%	11.25%
Rate of compensation increase	4.50%	4.50%

Contributions: The Company expects to contribute ₹ 36 to Falcon defined benefit plans during the year ending 31 March 2022.

Disaggregation of plan assets: The Falcon pension plan's weighted-average asset allocation as of 31 March 2021 and 31 March 2020, by asset category was as follows:

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
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 2021 were as follows:

PARTICULARS	AMOUNT
Expected contributions	
During the year ended 31 March 2022 (estimated)	36
Expected future benefit payments	
31 March 2022	6
31 March 2023	6
31 March 2024	12
31 March 2025	16
31 March 2026	21
Thereafter	608

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 ₹ 906 and ₹ 812 to the provident fund plan during the years ended 31 March 2021 and 31 March 2020, 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 ₹ 84 and ₹ 82 to the superannuation plan during the years ended 31 March 2021 and 31 March 2020, 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 ₹ 139 and ₹ 177 to the 401(k) retirement savings plan during the years ended 31 March 2021 and 31 March 2020, 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 ₹ 143 and ₹ 135 to the National Insurance during the years ended 31 March 2021 and 31 March 2020, 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 ₹ 1,130 and ₹ 1,161 as at 31 March 2021 and 31 March 2020, respectively.

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(All amounts in Indian Rupees millions, except share data and per share data)

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.

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 2021 and 31 March 2020 is as follows:

Category A — Fair Market Value Options: There was no stock activity under this category during the years ended 31 March 2021 and 31 March 2020 and there were no stock options outstanding under this category as of 31 March 2021 and 31 March 2020.

Category B — Par Value Options: Stock options activity under this category during the years ended 31 March 2021 and 31 March 2020 was as set forth in the below table.

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021			
	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	232,837	5.00	5.00	69
Granted during the year	92,092	5.00	5.00	93
Expired/forfeited during the year	(35,646)	5.00	5.00	-
Exercised during the year	(72,030)	5.00	5.00	-
Outstanding at the end of the year	**217,253**	**5.00**	**5.00**	**69**
Exercisable at the end of the year	**46,130**	**5.00**	**5.00**	**44**

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**

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2.28 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was ₹ 3,677 and ₹ 2,746 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was ₹ 4,565 and ₹ 2,681 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was ₹ 328 and ₹ 193, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of ₹ 980 and options exercisable had an aggregate intrinsic value of ₹ 208.

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).

Stock options activity under the DRL 2007 Plan for the above two categories of options during the years ended 31 March 2021 and 31 March 2020 was as follows:

CATEGORY A — FAIR MARKET VALUE OPTIONS	FOR THE YEAR ENDED 31 MARCH 2021			
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	202,760	1,982.00 to 2,814.00	2,353.62	72
Granted during the year	96,080	3,679.00	3,679.00	90
Expired/forfeited during the year	(13,348)	2,607.00/ 2,814.00	2,678.03	-
Exercised during the year	(15,152)	2,607.00/ 2,814.00	2,643.48	-
Outstanding at the end of the year	**270,340**	**1,982.00 to 3,679.00**	**2,791.65**	**67**
Exercisable at the end of the year	**69,530**	**1,982.00 to 2,814.00**	**2,182.21**	**45**

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 to 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**

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(All amounts in Indian Rupees millions, except share data and per share data)

2.28 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was ₹ 1,255 and ₹ 993 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 was ₹ 4,506 per share.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 was ₹ 28. As of 31 March 2021, options outstanding had an aggregate intrinsic value of ₹ 466 and options exercisable had an aggregate intrinsic value of ₹ 120.

CATEGORY B — PAR VALUE OPTIONS	FOR THE YEAR ENDED 31 MARCH 2021			
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	151,583	5.00	5.00	73
Granted during the year	52,316	5.00	5.00	89
Expired/forfeited during the year	(19,933)	5.00	5.00	-
Exercised during the year	(41,967)	5.00	5.00	-
Outstanding at the end of the year	**141,999**	**5.00**	**5.00**	**71**
Exercisable at the end of the year	**15,393**	**5.00**	**5.00**	**41**

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**

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was ₹ 3,631 and ₹ 2,747, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was ₹ 4,334 and ₹ 2,757, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was ₹ 182 and ₹ 93, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of ₹ 641 and options exercisable had an aggregate intrinsic value of ₹ 69.

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

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.28 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

As at 31 March 2021, the outstanding shares purchased from secondary market are 575,201 shares for an aggregate consideration of ₹ 1,967.

Stock option activity under the DRL 2018 Plan during the years ended 31 March 2021 and 31 March 2020 was as follows:

FAIR MARKET VALUE OPTIONS	FOR THE YEAR ENDED 31 MARCH 2021			
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	375,775	2,607.00/ 2,814.00	2,697.12	75
Granted during the year	150,740	3,679.00	3,679.00	90
Expired/forfeited during the year	(55,335)	2,607.00 to 3,679.00	2,904.51	-
Exercised during the year	(85,250)	2,607.00/ 2,814.00	2,671.71	-
Outstanding at the end of the year	**385,930**	**2,607.00 to 3,679.00**	**3,056.51**	**71**
Exercisable at the end of the year	**71,225**	**2,607.00/ 2,814.00**	**2,665.63**	**51**

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 to 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**

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was ₹ 1,255 and ₹ 994 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was ₹ 4,609 and ₹ 2,914 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was ₹ 165 and ₹ 0.35, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of ₹ 563 and options exercisable had an aggregate intrinsic value of ₹ 104.

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.

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(All amounts in Indian Rupees millions, except share data and per share data)

2.28 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

The weighted average inputs used in computing the fair value of options granted were as follows:

PARTICULARS	GRANTS MADE ON		
	27 OCTOBER 2020	19 MAY 2020	19 MAY 2020
Expected volatility	30.81%	29.12%	30.47%
Exercise price	₹.5.00	₹ 3,679.00	₹ 5.00
Option life	2.5 Years	5.0 Years	2.5 Years
Risk-free interest rate	4.36%	5.67%	4.62%
Expected dividends	0.49%	0.68%	0.68%
Grant date share price	₹ 5,099.00	₹ 3,700.00	₹ 3,700.00

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

Share-based payment expense

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Equity settled share-based payment expense[1]	584	521
Cash settled share-based payment expense[2]	157	94
	741	**615**

(1) As of 31 March 2021 and 31 March 2020, there was ₹ 612 and ₹ 515, respectively, of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 1.95 years and 1.93 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 2021 and 31 March 2020, there was ₹ 126 and ₹ 97, respectively, 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 and 1.93 years, respectively. 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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Current taxes		
Domestic	5,849	5,157
Foreign	2,323	1,459
	8,172	**6,616**
Deferred taxes		
Domestic	2,736	(6,582)
Foreign	(1,589)	(1,437)
	1,147	**(8,019)**
Total income tax expense/(benefit) recognised in the consolidated statement of profit and loss	**9,319**	**(1,403)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.29 INCOME TAXES (CONTINUED)

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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Tax effect on changes in fair value of investments	293	-
Tax effect on foreign currency translation differences	-	-
Tax effect on effective portion of change in fair value of cash flow hedges	319	(232)
Tax effect on actuarial gains/losses on defined benefit obligations	(73)	22
Total income tax expense/(benefit) recognised in the equity	**539**	**(210)**

c) Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended 31 March 2021 and 31 March 2020:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020
Profit before income taxes	**28,835**	**18,857**
Enacted tax rate in India	34.94%	34.94%
Computed expected tax expense	**10,075**	**6,589**
Effect of:		
Differences between Indian and foreign tax rates	372	3,375
Unrecognised deferred tax assets/(recognition of previously unrecognised deferred tax assets), net	949	(6,496)
Expenses not deductible for tax purposes	230	182
Reversal of earlier years' tax provisions	-	-
Income exempt from income taxes	(1,807)	(1,091)
Foreign exchange differences	(13)	(47)
Incremental deduction allowed for research and development costs[1]	-	(1,241)
Tax expense on distributed/undistributed earnings of subsidiary outside India	-	254
Write off of accounts receivables	-	-
Effect of change in tax laws and rate in jurisdictions outside India	(313)	(41)
Income from sale of capital assets	-	(2,620)
Others	(174)	(267)
Income tax expense /(benefit)	**9,319**	**(1,403)**
Effective tax rate	**32.32%**	**(7.44)%**

(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 Company's effective tax rate for the year ended 31 March 2021 was higher as compared to the year ended 31 March 2020 primarily on account of:

- de-recognition of deferred tax asset during the year ended 31 March 2021 due to non-availability of depreciation on goodwill pursuant to an amendment to section 2(11) of the Income Tax Act in the Finance Act, 2021;
- recognition of a deferred tax asset related to the Minimum Alternate Tax ("MAT") credits and planned restructuring activity between companies of our group during the year ended 31 March 2020;
- weighted deduction on eligible research and development expenditure in Dr. Reddy's Laboratories Limited, India for the year ended 31 March 2020; and
- income from sale of capital assets during the year ended 31 March 2020, which was 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 2021	AS AT 31 MARCH 2020
Deductible temporary differences, net	464	387
Operating tax loss carry-forward	4,742	3,926
	5,206	**4,313**

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2.29 INCOME TAXES (CONTINUED)

During the year ended 31 March 2021, the Company recognised deferred tax assets on operating tax losses pertaining primarily to Dr. Reddy's Laboratories New York, Inc. as the Company believes that it is probable that there will be available taxable profits against which such tax losses can be utilised.

During the year ended 31 March 2021, the Company did not recognise deferred tax assets on operating tax losses and other deductible temporary differences pertaining primarily to Dr. Reddy's Laboratories SA, Switzerland and Dr. Reddy's Research and Development B.V., Netherlands.

Deferred income taxes are not provided on undistributed earnings of ₹ 22,099 and ₹ 23,615 as at 31 March 2021 and 31 March 2020, respectively, 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.

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 2021	AS AT 31 MARCH 2020
Deferred tax assets/(liabilities):		
Inventory	3,987	3,197
Minimum Alternate Tax*	4,749	6,247
Trade receivables	889	904
Operating tax loss and interest loss carry-forward	2,745	3,399
Current liabilities and provisions	1,060	630
Property, plant and equipment	(2,723)	(2,638)
Investments	(130)	65
Others	(180)	375
Net deferred tax assets	**10,397**	**12,179**

** 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 2022 through 2037.

f) Movement in deferred tax assets and liabilities during the years ended 31 March 2021 and 31 March 2020

The details of movement in deferred tax assets and liabilities are summarised below:

PARTICULARS	AS AT 1 APRIL 2020	RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS	RECOGNISED IN EQUITY	AS AT 31 MARCH 2021
Deferred tax assets/(liabilities)				
Inventory	3,197	790		3,987
Minimum Alternate Tax	6,247	(1,498)		4,749
Trade receivables	904	(15)		889
Operating tax loss and interest loss carry-forward	3,399	(654)		2,745
Current liabilities and provisions	630	676	(246)	1,060
Property, plant and equipment	(2,638)	(85)		(2,723)
Investments	65	98	(293)	(130)
Others	375	(555)		(180)
Net deferred tax assets/(liabilities)	**12,179**	**(1,243)**	**(539)**	**10,397**

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(All amounts in Indian Rupees millions, except share data and per share data)

2.29 INCOME TAXES (CONTINUED)

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**

The amounts recognised in the consolidated statement of profit and loss for the years ended 31 March 2021 and 31 March 2020 include ₹ (96) and ₹ 106 respectively, which represent exchange differences arising due to foreign currency translations.

g) Uncertain tax positions

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 2021.

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 ₹ 801 (MXN 224 million) and profit share impact is ₹ 89 (MXN 25 million). 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 2021.

2.30 FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying value and fair value of financial instruments as at 31 March 2021 and 31 March 2020 were as follows

PARTICULARS	AS AT 31 MARCH 2021		AS AT 31 MARCH 2020	
	TOTAL CARRYING VALUE	TOTAL FAIR VALUE/ AMORTISED COST	TOTAL CARRYING VALUE	TOTAL FAIR VALUE/ AMORTISED COST
Financial assets				
Cash and cash equivalents	14,829	14,829	2,053	2,053
Investments[1]	24,702	24,702	24,015	24,015
Trade receivables	49,759	49,759	52,015	52,015
Derivative instruments	1,218	1,218	1,105	1,105
Other financial assets	2,626	2,626	4,170	4,170
Total	**93,134**	**93,134**	**83,358**	**83,358**
Financial liabilities				
Trade payables	18,109	18,109	15,248	15,248
Long-term borrowings	6,299	6,299	1,304	1,304
Short-term borrowings	23,145	23,145	16,532	16,532
Derivative instruments	326	326	1,602	1,602
Other financial liabilities	24,281	24,281	27,006	27,006
Total	**72,160**	**72,160**	**61,692**	**61,692**

(1) Interest accrued but not due on investments is included in other financial assets.

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2.30 FINANCIAL INSTRUMENTS (CONTINUED)

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 2021:

PARTICULARS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FVTPL - Financial asset - Investments in units of mutual funds	13,263	-	-	13,263
FVTPL - Financial asset - Investment in limited liability partnership firm	-	-	400	400
FVTPL - Financial asset - Investment in equity securities	-	-	1	1
FVTOCI - Financial asset - Investment in equity securities	4,532	-	-	4,532
Derivative financial instruments – net gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[1]	-	892	-	892
FVTPL - Contingent consideration pursuant to the Business Transfer Agreement with Wockhardt Limited (Refer note 2.40 for details)	-	-	420	420

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
FVTPL - Financial asset - Investment in equity securities	-	-	1	1
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)

(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 2021 and 31 March 2020, 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 ₹ 1,218 and ₹ 326, respectively, as of 31 March 2021 as compared to derivative financial asset and derivative financial liability of ₹ 1,105 and ₹ 1,602, respectively, as of 31 March 2020 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 2021	FOR THE YEAR ENDED 31 MARCH 2020
Net gain/ (loss) recognised as a part of consolidated statement of profit and loss in respect of foreign exchange derivative contracts and cross currency interest rate swaps contracts	2,619	155
Net gain/(loss) recognised in equity in respect of hedges of highly probable forecast transactions, net of amounts reclassified from equity and recognised as component of revenue	1,123	(951)
Net gain/(loss) reclassified from equity and recognised as component of revenue occurrence of forecasted transaction	340	(50)

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a gain of ₹ 401 as at 31 March 2021, as compared to a loss of ₹ 722 as at 31 March 2020.

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(All amounts in Indian Rupees millions, except share data and per share data)

2.30 FINANCIAL INSTRUMENTS (CONTINUED)

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 2021:

CATEGORY	INSTRUMENT	CURRENCY[1]	CROSS CURRENCY[1]	AMOUNTS IN MILLIONS	BUY/SELL
Hedges of recognised assets and liabilities	Forward contract	AUD	INR	AUD 7	Sell
	Forward contract	CHF	INR	CHF 200	Sell
	Forward contract	GBP	INR	GBP 8	Sell
	Forward contract	RUB	INR	RUB 2,799	Sell
	Forward contract	US$	INR	US$ 353	Sell
	Forward contract	US$	MXN	US$ 10	Buy
	Forward contract	US$	UAH	US$ 14	Buy
	Forward contract	ZAR	INR	ZAR 111	Sell
	Forward contract	US$	RUB	US$ 2	Buy
	Forward contract	US$	RON	US$ 12	Buy
	Forward contract	US$	AUD	US$ 3	Buy
	Forward contract	GBP	US$	GBP 48	Buy
	Forward contract	EUR	GBP	EUR 1	Sell
	Forward contract	EUR	US$	EUR 16	Buy
	Forward contract	CHF	US$	CHF 200	Buy
	Forward contract	US$	KZT	US$ 4	Buy
	Forward contract	US$	CLP	US$ 3	Buy
	Forward contract	US$	COP	US$ 4	Buy
	Forward contract	US$	BRL	US$ 4	Buy
	Forward contract	US$	KZT	US$ 9	Buy
Hedges of highly probable forecast transactions	Forward contract	AUD	INR	AUD 10	Sell
	Forward contract	RUB	INR	RUB 6,850	Sell
	Option contract	US$	INR	US$ 645	Sell - Risk Reversal
	Forward contract	ZAR	INR	ZAR 148	Sell

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.30 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 2021	AS AT 31 MARCH 2020
Cash flows in United States dollars		
Not later than one month	3,656	2,648
Later than one month and not later than three months	7,311	5,297
Later than three months and not later than six months	12,063	7,945
Later than six months and not later than one year	24,126	4,540
	47,156	**20,430**
Cash flows in Russian roubles		
Not later than one month	437	-
Later than one month and not later than three months	874	-
Later than three months and not later than six months	1,748	-
Later than six months and not later than one year	3,593	-
	6,651	-
Cash Flows in Australian Dollars		
Not later than one month	46	-
Later than one month and not later than three months	92	-
Later than three months and not later than six months	139	-
Later than six months and not later than one year	277	-
	555	-
Cash flows in South African Rands		
Not later than one month	61	-
Later than one month and not later than three months	121	-
Later than three months and not later than six months	182	-
Later than six months and not later than one year	364	-
	728	-

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 ₹ 164 and a net gain of ₹ 33 for the year ended 31 March 2021 and 31 March 2020 respectively.

The Company had outstanding cross currency swap against INR Borrowing of ₹ 7,240 as at 31 March 2021 and ₹ Nil as on 31st March 2020. The swap hedges the principal repayment of underlying INR liability and transforms it into USD Principal repayment liability.

2.31 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.31 FINANCIAL RISK MANAGEMENT (CONTINUED)

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, (U.K. pounds sterling, Russian roubles, Brazilian reals, Swiss francs, South African rands, Kazakhstan tenges, Romanian new leus, Austrailian dollars and Euros) and foreign currency borrowings (in United States dollars, Russian roubles, South African rands, Mexican pesos, Ukrainian hryvnias 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 2.30 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 ₹ 4,824/(4,195) increase/(decrease) in the Company's hedging reserve and a ₹ 2,658/(2,658) increase/(decrease) in the Company's profit from such contracts, as at 31 March 2021;
- 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.

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2021:

PARTICULARS	UNITED STATES DOLLARS	EUROS	RUSSIAN ROUBLES	OTHERS[1]	TOTAL
Assets					
Cash and cash equivalents	12,643	129	30	92	12,894
Investments	24	-	-	-	24
Trade receivables	30,247	841	721	101	31,910
Other financial assets	184	20	3	16	223
Total	**43,098**	**990**	**754**	**209**	**45,051**
Liabilities					
Trade payables	3,694	1,092	-	151	4,937
Long-term borrowings	1,703	78	15	3	1,799
Short-term borrowings	3,657	-	3,717	-	7,374
Other financial liabilities	4,301	217	85	391	4,994
Total	**13,355**	**1,387**	**3,817**	**545**	**19,104**

(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 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	1579	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.31 FINANCIAL RISK MANAGEMENT (CONTINUED)

For the years ended 31 March 2021 and 31 March 2020, 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 ₹ 2,595 and ₹ 1,710, respectively.

Interest rate risk

As of 31 March 2021, the Company had loans with floating interest rates as follows: ₹ 8,800 of loans carrying a floating interest rate of 3 Months India Treasury Bill plus 30 bps and ₹ 1,896 of loans carrying a floating interest rate of TIIE+1.20%.

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.

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 2021 and 31 March 2020, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR, JIBAR, Treasury Bill and TIIE) applicable to its loans and borrowings would affect the Company's net profit by ₹ 37 and ₹ 41.

The carrying value of the Company's borrowings, interest component of which was designated in a cash flow hedge, was ₹ Nil as of 31 March 2021 and as on 31 March 2020.

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 2021, 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. 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 2021. 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 2021	AS AT 31 MARCH 2020
Neither past due nor impaired	41,350	45,864
Past due but not impaired		
Less than 365 days	8,598	6,305
More than 365 days	1,107	1,048
	51,055	**53,217**
Less : Allowance for credit losses	(1,296)	(1,202)
Total	**49,759**	**52,015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.31 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

As of 31 March 2021 and 31 March 2020, the Company had uncommitted lines of credit from banks of ₹ 38,766 and ₹ 39,374 respectively.

As of 31 March 2021, the Company had working capital of ₹ 64,314 (excluding assets held for sale of ₹151), including cash and cash equivalents of ₹ 14,829, investments in term deposits with banks, bonds and commercial paper of ₹6,481, and investments in mutual funds of ₹ 13,263.

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.

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 2021:

PARTICULARS	2022	2023	2024	2025	THEREAFTER	TOTAL
Trade payables	18,109	-	-	-	-	**18,109**
Short-term borrowings	23,145	-	-	-	-	**23,145**
Derivative instruments	326	-	-	-	-	**326**
Other financial liabilities	24,281	-	-	-	-	**24,281**

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 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**

2.32 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 based on internal and external legal advice 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 United States immediately following the U.S. FDA approval on 14 June 2018. On July 12, 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 District Court's case (U.S. patent numbers 8,603,514 and 8,015,150).

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2.32 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 US$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 filed a motion requesting that 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, which the District Court denied without prejudice on 24 August 2020, pending resolution of Indivior's allegations relating to U.S. patent number 9,687,454.

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 appealed the Magistrate Judge's ruling to the District Court Judge and, on 24 August 2020, the District Court Judge denied Indivior's appeal. The District Court did grant Indivior's motion to bifurcate the patent claims and the antitrust claims into two separate trials. Fact discovery closed on 29 January 2021. No trial date has been set and expert discovery on both the patent and antitrust claims is ongoing. Opening expert reports were submitted on 24 March 2021. Expert discovery is scheduled to close on or around 01 September 2021.

In addition to the District Court proceeding, 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 Patent Trial and Appeal Board ("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.

On 2 June 2020, the PTAB issued a final written decision in the Company's favour finding that the Company had demonstrated that claims 1–5, 7, and 9–14 of U.S. patent number 9,687,454 were unpatentable. The PTAB upheld the validity of only one of the challenged claims, claim 8. Additionally, claim 6 was not at issue in the inter-partes review and therefore not subject to the final written decision. Claims 6 and 8 remain asserted against the Company in the New Jersey District Court litigation. Indivior filed a timely notice of appeal of the PTAB's Final Written Decision (" FWD") for claims 1-5, 7, and 9-14, and the Company cross appealed the PTAB's FWD on claim 8. In the PTAB appeal, Indivior submitted its principal appeal brief on 9 December 2020. Indivior did not challenge the Board's decision on claims 5 and 12 in its appeal brief. The Company submitted its opening and response brief on 18 February 2021 and Indivior submitted its response and reply brief on 30 March 2021. The Company's reply brief was submitted on 20 April 2021. The court of appeals has not yet scheduled oral arguments in the appeal.

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 these 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.

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.

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2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 29 July 2021 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 3 August 2021 for hearing.

Based on its best estimate, the Company has recorded a provision of ₹ 310 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.

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(All amounts in Indian Rupees millions, except share data and per share data)

2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 million (₹ 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.

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.

On 23 August 2020, the Company and certain other defendants entered into a settlement agreement. The settlement agreement calls for the dismissal with prejudice of the claims brought by the plaintiff on behalf of the putative class, in exchange for the payment of US$0.4 million. The Company paid that amount into escrow. The Court preliminarily approved the settlement on 5 October 2020. The settlement agreement is contingent upon final court approval. The settlement agreement explicitly disclaims any liability or wrongdoing.

Following the settlement agreement, the Company recognised such amount in the statement of profit and loss for the three months ended 30 September 2020.

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, apart from the settlement payment described above, 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.

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(All amounts in Indian Rupees millions, except share data and per share data)

2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 its ranitidine medications sold in the United States due to the presence of N-Nitrosodimethylamine ("NDMA") above levels established by the U.S. FDA. 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. 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.

Individual federal court personal injury lawsuits, as well as various class actions, have been transferred to the In re Zantac (Ranitidine) Products Liability Litigation Multidistrict Litigation in the Southern District of Florida, MDL-2924 ("MDL-2924"). The Company and/or one or more of its U.S. subsidiaries have been named as a defendant in over 250 lawsuits pending in the MDL-2924. A census registry established in the MDL-2924 includes tens of thousands of claimants who have not filed complaints but are presenting claims for consideration in the MDL-2924 against the many pharmaceutical manufacturers, distributors and retailers which are defendants in the MDL-2924. The MDL-2924 also involves a proposed nationwide consumer class action and a proposed nationwide class action for medical monitoring. A third-party payor class action was dismissed without prejudice and has been appealed by plaintiffs to the U.S. Court of Appeals for the Eleventh Circuit.

On 31 December 2020, the MDL-2924 Court ruled on multiple motions to dismiss in the MDL-2924 and granted the generic manufacturers' (the Company is a generic manufacturer) motion to dismiss based on federal preemption. The plaintiffs' failure-to-warn and design defect claims against the Company were dismissed with prejudice, but the Court permitted plaintiffs to attempt to replead several claims/theories. Plaintiffs have filed their amended complaints and the defendants, including the Company, filed motions to dismiss seeking dismissal of all claims against them on 24 March 2021. The briefings and arguments as to the latest round of motions to dismiss were completed and the parties are continue to engage in discovery consistent with orders from the MDL-2924 Court.

There are three ranitidine-related actions currently pending against the Company in state courts. The New Mexico State Attorney General filed suit against the Company's U.S. subsidiary, and multiple other manufacturers and retailers. The State of New Mexico asserted claims of statutory and common law public nuisance and negligence claims against the Company. The Company joined in an effort to transfer the case from the Santa Fe County Court to the MDL-2924, but the case was remanded by the MDL-2924 Court to the Santa Fe County Court. Plaintiff filed an amended complaint on 16 April 2021, and a briefing schedule has been entered pursuant to which the defendants will move to dismiss the case.

In November 2020, the City of Baltimore filed a similar action against the Company's U.S. subsidiary, and multiple other manufacturers and retailers. The City of Baltimore asserts public nuisance and negligence claims against the Company. The City of Baltimore action also was transferred to the MDL and subsequently was remanded to the Circuit Court of Maryland by the MDL Court. The City of Baltimore intends to file an amended complaint and the defendants will then move to dismiss the case.

In January 2021, the Company was served in a Proposition 65 case filed by the Center for Environmental Health in the Superior Court of Alameda County, California. The plaintiff purports to bring the case on behalf of the people of California and alleges that the Company violated Proposition 65, a California law requiring manufacturers to disclose the presence of carcinogens in consumer products. The Company and other defendants have filed demurrers (motions to dismiss) in the case, and on 7 May 2021 the Court granted all such demurrers without leave to amend the pleadings. The People of California have the right to appeal this decision.

The Company believes that all of the aforesaid complaints and asserted claims are without merit and it denies any wrongdoing and intends to vigorously defend itself against the allegations. Any liability that may arise on account of these claims is unascertainable at this time. 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.

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2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 these consolidated financial statements of the Company.

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.

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.

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2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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. On 15 December 2020, Humana, Inc., filed an Amended Complaint encompassing fifty-one defendants and a total of one hundred forty nine drugs. In the Amended Complaint, the Company's U.S. subsidiary is specifically named as a defendant with respect to eighteen generic drugs: allopurinol, ciprofloxacin ER, eszopiclone, fluconazole, glimepiride, isotretinoin, lamotrigine ER, meprobamate, metroprolol succinate ER, montelukast, omeprazole sodium bicarbonate, oxaprozin, paricalcitol, ranitidine, sumatriptan, tizanidine, valganciclovir, and zoledronic acid. The Company's subsidiary is also named as a co-conspirator on an alleged "overarching conspiracy" claim with respect to the other generic drugs named. The complaint also 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.

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-2724. 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-2724 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.

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2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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, ranitidine 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: allopurinol, capecitabine, ciprofloxacin HCL, divalproex ER, eszopiclone, fenofibrate, glimepiride, isotretinoin, 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.

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, isotretinoin, 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. On 15 December 2020, Health Care Services filed an Amended Complaint naming a total of one hundred seventy drugs. In the Amended Complaint, the Company's U.S. subsidiary is specifically named with respect to nineteen drugs: allopurinol, ciprofloxacin HCL, divalproex ER, eszopiclone, fluconazole, glimepiride, isotretinoin, lamotrigine ER, meprobamate, metroprolol succinate ER, montelukast, omeprazole sodium bicarbonate, oxaprozine, paricalcitol, ranitidine, sumatriptan, tizanidine, valganciclovir and zoledronic acid. Plaintiffs 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 also 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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. On 15 December 2020, Molina Healthcare filed an Amended Complaint against a total of fifty-eight defendants involving one hundred eighty four drugs. In the Amended Complaint, the Company's U.S. subsidiary is specifically named with respect to nineteen drugs: allopurinol, ciprofloxacin, divalproex ER, eszopiclone, fluconazole, glimepiride, isotretinoin, lamotrigine ER, meprobamate, metroprolol succinate ER, montelukast, omeprazole sodium bicarbonate, oxaprozine, paricalcitol, ranitidine, sumatriptan, tizanidine, valganciclovir and zoledronic acid. Plaintiffs 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 also 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.

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-2724. 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-2724 actions. It is anticipated that this action will be placed in Deferred Status Pending Further Developments in the related MDL-2724 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.

r) Antitrust Case Filed by Cigna Corp.:

On 9 June 2020, Cigna Corp. filed a complaint against the Company's U.S. subsidiary and forty-one other defendants, involving a total of one hundred forty generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to these drugs. On 15 December 2020, Cigna Corp. filed an Amended Complaint against a total of forty-two defendants encompassing a total of two hundred and thirty-nine drugs. In the Amended Complaint, the Company's U.S. subsidiary is specifically named with respect to twelve drugs: allopurinol, ciprofloxacin HCL, divalproex ER, fluconazole, glimepiride, meprobamate, oxaprozine, paricalcitol, pravastatin, ranitidine, tizanidine and zoledronic acid. Plaintiffs 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 also 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-nine 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.

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2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

s) Antitrust Case Filed by Rite Aid Corporation and Rite Aid Hdqtrs. Corp.:

On 9 July 2020, Rite Aid Corporation and Rite Aid Hdqtrs Corp. filed a complaint on their own behalf, and as assignee of McKesson Corporation with regard to drugs sold by McKesson to Rite Aid, against the Company's U.S. subsidiary and forty-six other defendants, involving a total of one hundred thirty-five generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to these drugs. On 15 December 2020, Rite Aid filed an Amended Complaint against a total of fifty-five defendants involving a total of one hundred eighty eight drugs. In the Amended Complaint, the Company's U.S. subsidiary is specifically named with respect to eleven drugs: allopurinol, ciprofloxacin ER, divalproex ER, fluconazole, glimepiride, meprobamate, oxaprozine, paricalcitol, ranitidine, tizanidine and zoledronic acid. Plaintiff alleges that the Company's U.S. subsidiary was part of a larger "overarching conspiracy" with all other manufacturers named as to all of the drugs named in the complaint; and, alternatively, was part of an overarching conspiracy with eighteen of the defendants named with regard to forty-five of the drugs named. The complaint also alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1. The complaint seeks injunctive relief, recovery of treble 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.

t) Antitrust Complaint Filed by Suffolk County, New York:

On 27 August 2020, Suffolk County, New York, filed a complaint against the Company's U.S. subsidiary and forty-six other defendants, involving a total of one hundred thirty 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 twelve drugs: ciprofloxacin ER, divalproex ER, fenofibrate, fluconazole, glimepiride, glyburide, metformin, oxaprozin, pravastatin, ranitidine, tizanidine and zoledronic acid. Plaintiffs allege that the Company's U.S. subsidiary was part of a larger "overarching conspiracy" with all other manufacturers named as to all of the drugs named in the complaint. The complaint also alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1. The complaint seeks injunctive relief, recovery of treble 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.

u) Antitrust Complaint Filed by J M Smith:

On 4 September 2020, J M Smith Corporation, as assignee of Burlington Drug Company, filed a complaint against the Company's U.S. subsidiary and fifty other defendants, involving a total of one hundred thirty 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 eleven drugs: allopurinol, ciprofloxacin ER, divalproex ER, fluconazole, glimepiride, meprobamate, oxaprozin, paricalcitol ranitidine, tizanidine and zoledronic acid. Plaintiffs allege that the Company's U.S. subsidiary was part of a larger "overarching conspiracy" with all other manufacturers named as to all of the drugs named in the complaint; The complaint also alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1. The complaint seeks injunctive relief, recovery of treble 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.

v) Antitrust Complaint Filed by Walgreen Company:

On 11 December 2020, Walgreen Company filed a complaint against the Company's U.S. subsidiary and fifty-four other defendants, involving a total of one hundred eighty-eight generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to these drugs. Walgreen asserts claims on its own behalf and as assignee of Amerisource Bergen for drugs that Amerisource Bergen sold to Walgreen. The Company's U.S. subsidiary is specifically named with respect to eleven drugs: allopurinol, ciprofloxacin ER, divalproex ER, fluconazole, glimepiride, meprobamate, oxaprozin, paricalcitol, ranitidine, tizanidine and zoledronic acid. Plaintiff alleges that the Company's U.S. subsidiary was part of a larger "overarching conspiracy" with all other manufacturers named as to all of the drugs named in the complaint. The complaint also alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1. The complaint seeks injunctive relief, recovery of treble 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.

w) Antitrust Complaint Filed by CVS Pharmacy Inc.:

On 15 December 2020, CVS Pharmacy, Inc., filed a complaint against the Company's U.S. subsidiary and fifty-seven other defendants, involving a total of four hundred four generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to these drugs. CVS Pharmacy asserts claims on its own behalf and as assignee of Cardinal Health and McKesson for drugs that Cardinal Health and McKesson sold to CVS Pharmacy, Inc. The Company's U.S. subsidiary is specifically named with respect to seven drugs: ciprofloxacin ER, glimepiride, meprobamate, oxaprozin, pravastatin, tizanidine and zoledronic acid. Plaintiff alleges that the Company's U.S. subsidiary was part of a larger "overarching conspiracy" with all other manufacturers named as to all of the drugs named in the complaint. The complaint also alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1. The complaint seeks injunctive relief, recovery of treble 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.

x) Antitrust Complaint Filed by Various Counties, Cities and Insurance Companies:

On 15 December 2020, a Complaint was filed in the Supreme Court of the State of New York, Suffolk County, by a group of 22 plaintiffs against the Company and 55 other defendants. Plaintiffs include 14 New York Counties (Albany, Cattaraugus, Chemung, Chenango, Columbia, Erie, Essex, Livingston, Monroe, Oneida, Onondaga, Otsego and Schuyler), the Town of Amherst, New York, the City of Poughkeepsie, New York, the City of Mobile, Alabama, the Counties of Osceola, Florida, and Shelby, Tennessee, and three insurance companies (Magnacare Insurance, Mebco and WCA Group Health Trust). The case has been removed to the United States District Court for the Eastern District of New York and is in the process of being transferred to, and consolidated with, the MDL-2724 litigation. The Complaint alleges an overarching conspiracy to fix prices and allocate markets for 294 generic drugs. Of the 294 drugs, DRL is specifically named with respect to 14 drugs: Allopurinol, Ciprofloxacin, Divalproex, Glimepiride, Glyburide Metformin, Isotretinoin, Lamotrigine, Meprobamate, Metoprolol Succinate, Oxaprozin, Paricalcitol, Tizanidine, Valganciclovir and Zoledronic Acid. The Complaint alleges violations of Sections 1 and 2 of the Sherman Act, as well as violations of the Antitrust Statutes of Alabama, Florida, New York and Tennessee and Unjust Enrichment claims under the laws of Alabama, Florida, New York and Tennessee. The complaint seeks injunctive relief, recovery of treble 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.

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2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Note on Antitrust Complaints

The Company believes that the aforesaid asserted claims in subsections a) though x) 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 these consolidated financial statements of the Company.

Class Action under the Canadian Competition Act filed in Federal Court in Toronto, Canada

On 3 June 2020, a Class Action Statement of Claim was filed by an individual consumer in Federal Court in Toronto, Canada, against the Company's U.S. and Canadian subsidiaries and 52 other generic drug companies. The Statement of Claim alleges an industry-wide, overarching conspiracy to violate Sections 45 and 46 of the Canadian Competition Act by conspiring to allocate the market, fix prices, and maintain the supply of generic drugs in Canada. The action is brought on behalf of a class of all persons, from 1 January 2012 to the present, who purchased generic drugs in the private sector. The Statement of Claim states that it seeks damages against all defendants on a joint and several basis, attorney's fees and costs of investigation and prosecution. An Amended Statement of Claim was served on the Company's U.S. and Canadian subsidiaries on 15 January 2021 and adds an additional 20 generic drug companies.

The Amended Statement of Claim also removes the identification of defendant companies with conspiracy allegations regarding specific generic drugs and alleges a conspiracy to allocate the North America Market as to all generic drugs in Canada.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in these 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. 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 case is continuing in pretrial discovery.

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) Civil Litigation and Arbitration with Hatchtech Pty Limited

On 7 September 2015, the Company's Swiss subsidiary, Dr. Reddy's Laboratories, S.A., entered into an Asset Purchase Agreement ("APA") with Hatchtech Pty Limited ("Hatchtech"). Pursuant to the APA, the Company's subsidiary acquired from Hatchtech the patented product Xeglyze®, a topical lousicidal lotion for the treatment of head lice, and all rights in the product. The APA provides that the Company would seek to obtain New Drug Application ("NDA") approval from the U.S. FDA, and would then commercialize the product in the United States. The APA specifies certain milestone payments to be paid by the Company's Swiss subsidiary to Hatchtech, including a US$ 20 million NDA approval milestone payment, a US$ 25 million ovicidal label approval milestone payment, and certain net sales milestone payments.

On 24 July 2020, the Company received the NDA approval from the US FDA for the Xeglyze® product.

On 25 September 2020, the Company's Swiss subsidiary filed an action in Delaware Chancery Court against Hatchtech to rescind the APA based upon claims of fraud, negligent misrepresentations and mutual mistake in connection with the acquisition of the product Xeglyze®, which was dismissed as being untimely under the Delaware statute of limitations.

On 8 October 2020, Hatchtech filed an arbitration demand against the Swiss Subsidiary before the American Arbitration Association ("AAA"), International Center for Dispute Resolution ("ICDR"), in New York City, claiming that it was owed US$ 20 million for the NDA approval milestone and US$ 25 million for the ovicidal label approval milestone.

On 25 January 2021, the Company's Swiss subsidiary filed a Writ of Summons and Statement of Claim in Victoria at Melbourne, Australia, against Hatchtech (as a nominal party), certain of its officers and a principal shareholder, alleging misrepresentations in connection with the acquisition of the Xeglyze® product and seeking damages and other relief.

Based on its best estimate, the Company had recorded a provision for potential liability of US$ 20 million relating to the AAA-ICDR arbitration filed by Hatchtech and believed that the likelihood of any further liability that may arise pursuant to that arbitration to be not probable.

On 14 June 2021, the Company received the arbitration decision and award issued by the AAA-ICDR in favour of Hatchtech in an amount of US$ 46.25 million towards milestone payments, interest and fees.

As this constitutes an adjusting subsequent event, the consolidated financial statements for the year ended 31 March 2021 were adjusted to reflect the impact of this event by recognising the balance amount of US$ 26.25 million in the consolidated statement of profit and loss.

Of the total amount of US$ 46.25 million awarded to Hatchtech, the amount of US$ 45 million (₹ 3,291) was recognised in the consolidated statement of profit and loss under the heading "Impairment of non-current assets" and the balance of US$ 1.25 million (₹ 91) was recognised under the heading, "Selling and general expenses".

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2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(iv) 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 million.

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.

On 23 December 2020, the court issued a final order and judgement approving the settlement. Pursuant to the settlement/court order, the escrow was funded on 4 January 2021. The effective date of the settlement occurred on 1 February 2021, upon transfer of the settlement fund balance into the final escrow account. As the transfer of funds to the final escrow account constitutes settlement of liability, the amount of liability has been derecognised during the three months ended 31 March 2021.

(v) Internal Investigation

The Company has commenced a detailed investigation into an anonymous complaint. The complaint alleges that healthcare professionals in Ukraine and potentially in other countries were provided with improper payments by or on behalf of the Company in violation of U.S. anti-corruption laws, specifically the US Foreign Corrupt Practices Act. A U.S. Law firm is conducting the investigation at the instruction of a committee of the Company's Board of Directors. The investigation is ongoing. The Company has disclosed the matter to the US Department of Justice, Securities and Exchange Commission and Securities Exchange Board of India. While the matter may result in government enforcement actions against the Company in the United States and/or foreign jurisdictions, which could lead to civil and criminal sanctions under relevant laws, the probability of such action and the outcome are not reasonably ascertainable at this time.

(vi) 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.

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.

Subpoenas from the Antitrust Division of 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.

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2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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.

(vii) 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 GO.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 fiscal 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 30 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 the fiscal years 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 the fiscal years 2016-2017 to 2018-2019 to the TSPCB. The Company intends to vigorously defend itself against the Operational Guidelines.

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 fiscal 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 fiscal year 2018-2019 payable in the fiscal 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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.

(viii) 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.

(ix) Indirect taxes related matters

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 on 31 March 2021, and believes that the likelihood of any further liability that may arise on account of the ongoing litigation is not probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.32 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 ₹ 307. The Company has received order dropping the demand.

The Company has recorded a provision of ₹ 31 as on 31 March 2021 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 ₹ 474. 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 2021.

(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 2021	AS AT 31 MARCH 2020
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)	9,841	4,888

2.33 COLLABORATION LICENSE AND OPTION AGREEMENT WITH CURIS, INC

On 18 January 2015, Aurigene Discovery Technologies Limited ("ADTL"), a wholly-owned subsidiary of the parent company, entered into a Collaboration, License and Option Agreement (as amended, 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, ADTL 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.

Revenues under the Collaboration Agreement consist of upfront consideration (including shares of Curis common stock) and the development and commercial milestone payments (including royalties) which are deferred and recognised as revenue over the period for which ADTL has continuing performance obligations.

As a partial consideration for the collaboration, the following shares of common stock of Curis were issued to ADTL:

PARTICULARS	NUMBER OF SHARES	FAIR VALUE
Pursuant to the collaboration agreement dated 18 January 2015	17.1 million	1,452 US$ 23.5 million)
Pursuant to an amendment to collaboration agreement dated 7 September 2015 (Common stock in lieu of receiving up to US$ 24.5 million of milestone and other payments)	10.2 million	1,247 (US$ 18.8 million)

The Company has classified all of the shares of Curis common stock received, as a partial consideration for the collaboration, as an investment in equity instruments measured at FVTOCI. 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 million.

PARTICULARS	AS OF 31 MARCH 2021		
	COST	UNREALISED GAIN	FAIR VALUE
Received on 18 January 2015	1,452	1,382	2,834
Received on 7 September 2015	1,247	442	1,689
	2,699	**1,824**	**4,523**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.34 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 2021 and 31 March 2020 was 15 % and 12%, respectively.

2.35 IMPACT OF COVID – 19

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 consolidated financial statements. The Company based on its judgements, estimates and assumptions including sensitivity analysis, expects to fully recover the carrying amount of receivables, goodwill, intangible assets, investments and other assets.

The Company will continue to closely monitor any material changes to future economic conditions.

2.36 OTHER UPDATES

A. Update on Cyber Incident

On 22 October 2020, the Company experienced a cybersecurity incident related to ransom-ware. The Company employed two leading cyber security incident response firms to assist with the investigation process. The incident was contained in a timely fashion and an enterprise-wide remediation was undertaken to ensure all traces of infection are completely removed from the network. Since then, the Company has strengthened a series of technical controls to augment the current cyber security posture and has also focused on implementing significant improvements to its cyber and data security systems to safeguard from such risks in the future

B. 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 an 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.36 OTHER UPDATES (CONTINUED)

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 carried out at other facilities of the Company:

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.
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. 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. In May 2020, an EIR was issued by the U.S. FDA indicating the closure of the audit.
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. 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	Integrated Product Development Organization (IPDO) at Bachupally, Hyderabad	No observation was 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.
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 the audit and the inspection classification of the facility was determined as VAI.

No U.S. FDA audits were conducted during the year ended 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.37 THE CODE ON SOCIAL SECURITY, 2020

India's Code on Social Security, 2020, which aims to consolidate, codify and revise certain existing social security laws, received Presidential assent in September 2020 and has been published in the Gazette of India. However, the related final rules have not yet been issued and the date on which this Code will come into effect has not been announced. The Company will assess the impact of this Code and the rules thereunder when they come into effect.

2.38 SECONDARY LISTING OF THE COMPANY'S ADR ON NSE IFSC LIMITED

The Company completed the secondary listing of its American Depository Receipts ("ADRs") on NSE IFSC Limited under the symbol 'DRREDDY' on 9 December 2020. NSE IFSC Limited is a recognised international stock exchange established in the International Financial Services Centre ("IFSC") at Gujarat International Finance Tec ("GIFT") City in Gujarat, India. IFSC is one of the permissible jurisdictions where Depository Receipts can be listed. This listing will provide a secondary platform (other than NYSE Inc.) to overseas investors for trading in the Company's ADRs. This is a secondary listing of ADRs that are currently issued by J.P. Morgan Chase Bank N.A. under its ADR Deposit Agreement with the Company, and no further capital raising or issuance of new securities is involved.

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.

During year ended 31 March 2020, the scheme of amalgamation of Dr. Reddy's Holdings Limited with the Company was approved by the board of directors, members and unsecured creditors of the Company. The no-observation letters from the BSE Limited and National Stock Exchange of India Limited were received on the basis of no comments received from Securities and Exchange Board of India ("SEBI"). The petition for approval of the said scheme was filed with the Hon'ble NCLT, Hyderabad Bench.

The hearings on the petition took place on 20 April 2021, and the Hon'ble NCLT reserved the issuance of an order pending its review and further analysis of the matter.

2.40 BUSINESS TRANSFER 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 consists of a portfolio of 62 brands in multiple therapy areas, such as respiratory, neurology, venous malformations, dermatology, gastroenterology, pain and vaccines. This entire portfolio was to 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 transaction involved 2,051 employees engaged in operations of the acquired Business Undertaking.

As of 31 March 2020, the acquisition of this Business Undertaking was subject to certain closing conditions, such as approval from shareholders and lenders of Wockhardt and other requisite approvals under applicable statutes. Hence, the transaction was not accounted for in the year ended 31 March 2020.

Due to the COVID-19 pandemic and the consequent government restrictions, there has been a reduction in the revenue from the sales of the products forming part of the Business Undertaking during March and April 2020. Accordingly, through an amendment to the BTA, the Company and Wockhardt agreed that the consideration shall now be upto ₹18,500, to be paid as per the following terms:

a) an amount of ₹ 14,830 to be paid on the date of closing;

b) an amount of ₹ 670 to be deposited in an escrow account which shall be released subject to adjustments for, inter alia, net working capital, employee liabilities and certain other contractual and statutory liabilities;

c) an amount of ₹ 3,000 (the "Holdback Amount") which shall be released as follows:
   - If the revenue from sales of the products forming part of the Business Undertaking during the twelve (12) months post-closing exceeds ₹4,800, the Company will be required to pay to Wockhardt an amount equal to two (2) times the amount by which the revenue exceeds ₹ 4,800, subject to the maximum of the Holdback Amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

2.40 BUSINESS TRANSFER AGREEMENT WITH WOCKHARDT LIMITED (CONTINUED)

The acquisition is in line with the Company's strategic focus on India and has paved a path for accelerated growth and leadership in the domestic Indian market. The Company believes that the acquired Business Undertaking offers to strengthen the Company's pharmaceutical portfolio and products in the Indian market.

The transaction was completed on 10 June 2020.

The Company has accounted for the transaction under Ind AS 103, "Business Combinations".

As of 30 June 2020, the purchase price allocation was preliminary.

During the three months ended 30 September 2020, the Company completed the purchase price allocation. Tabulated below are the fair values of the assets acquired, including goodwill, and liabilities assumed on the acquisition date:

PARTICULARS	AMOUNT
Cash	14,990
Payment through Escrow account	564
Contingent consideration (Holdback Amount)	561
Total consideration	**16,115**
Assets acquired	
Goodwill	530
Property, plant and equipment	373
Product related intangibles	14,888
Inventories	466
Other assets	245
Liabilities assumed	
Employee benefits (Gratuity - ₹ 70 and compensated absences- ₹ 75)	(145)
Refund liability	(242)
Total net assets	**16,115**

The total goodwill of ₹ 530 consists largely of the synergies and economies of scale expected from the acquired business, together with the value of the workforce acquired. The entire amount of goodwill is deductible for tax purposes. Acquisition related costs amounted to ₹ 60 and were excluded from the consideration transferred and were recognised as expense under "Selling and other expenses" in the Statement of profit or loss for the year ended 31 March 2021.

The fair value of the contingent consideration of ₹ 561 was estimated by applying the income approach. The fair value measurement is based on significant inputs that are not observable in the market, which Ind AS 13, "Fair Value Measurement" refers to as Level 3 inputs. The significant unobservable inputs in the valuation is the estimated sales forecast. During the three months ended 31 March 2021, the Company, after taking into account the revenue of the products until twelve months post-closing (9 June 2021), re-measured the contingent consideration to ₹ 420.

The amount of revenue included in the consolidated statement of profit and loss for the year ended 31 March 2021 pertaining to the acquired business since 10 June 2020 is ₹ 3,887.

The acquired business has been integrated into the Company's existing activities and it is not practicable to identify the impact on the Company profit in the year.

2.41 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 No.: 101049W/E300004
per S Balasubrahmanyam
Partner
Membership No.: 53315

Place: Chennai
Date: 14 May 2021

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
Parag Agarwal	Chief Financial Officer
Sandeep Poddar	Company Secretary

Place: Hyderabad
Date: 14 May 2021

EXTRACT OF AUDITED IFRS CONSOLIDATED FINANCIAL STATEMENTS

EXTRACT OF IFRS CONSOLIDATED FINANCIAL STATEMENTS

We have adopted IFRS as issued by the International Accounting Standards Board (IASB) for preparing our financial statements for the purpose of filings with the SEC. We have furnished all our interim financial reports of fiscal 2021 with the 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 hereunder

(All amounts in Indian Rupees millions, except share data and per share data)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

PARTICULARS	AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
Assets		
Current assets		
Cash and cash equivalents	14,829	2,053
Other investments	19,744	23,687
Trade and other receivables	49,641	50,278
Inventories	45,412	35,066
Derivative financial instruments	1,218	1,105
Tax assets	2,745	4,379
Other current assets	14,509	13,802
Total current assets before assets held for sale	**148,098**	**130,370**
Assets held for sale	151	-
Total current assets	**148,249**	**130,370**
Non-current assets		
Property, plant and equipment	57,111	52,332
Goodwill	4,568	3,994
Other intangible assets	35,648	27,659
Trade and other receivables	118	1,737
Investment in equity accounted investees	3,375	2,763
Other investments	4,958	328
Deferred tax assets	10,630	12,214
Other non-current assets	834	844
Total non-current assets	**117,242**	**101,871**
Total assets	**265,491**	**232,241**
Liabilities and Equity		
Current liabilities		
Trade and other payables	23,744	16,659
Short-term borrowings	23,136	16,441
Long-term borrowings, current portion	864	4,266
Provisions	3,435	3,800
Tax liabilities	1,389	573
Derivative financial instruments	326	1,602
Bank overdraft	9	91
Other current liabilities	30,488	29,382
Total current liabilities	**83,391**	**72,814**
Non-current liabilities		
Long-term borrowings	6,299	1,304
Deferred tax liabilities	338	275
Provisions	58	54
Other non-current liabilities	2,343	2,806
Total non-current liabilities	**9,038**	**4,439**
Total liabilities	**92,429**	**77,253**
Equity		
Share capital	832	831
Treasury shares	(1,967)	(1,006)
Share premium	8,887	8,495
Share-based payment reserve	1,461	1,233
Capital redemption reserve	173	173
Special economic zone re-investment reserve	1,326	-
Retained earnings	156,023	144,247
Other components of equity	6,327	1,015
Total equity	**173,062**	**154,988**
Total liabilities and equity	**265,491**	**232,241**

(All amounts in Indian Rupees millions, except share data and per share data)

CONSOLIDATED INCOME STATEMENTS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020	FOR THE YEAR ENDED 31 MARCH 2019
Revenues	**189,722**	**174,600**	**153,851**
Cost of revenues	86,645	80,591	70,421
Gross profit	**103,077**	**94,009**	**83,430**
Selling, general and administrative expenses	54,650	50,129	48,680
Research and development expenses	16,541	15,410	15,607
Impairment of non-current assets	8,588	16,767	210
Other income, net	(982)	(4,290)	(1,955)
Total operating expenses	78,797	78,016	62,542
Results from operating activities (A)	24,280	15,993	20,888
Finance income	2,623	2,461	2,280
Finance expense	(970)	(983)	(1,163)
Finance income, net (B)	1,653	1,478	1,117
Share of profit of equity accounted investees, net of tax (C)	480	561	438
Profit before tax [(A)+(B)+(C)]	**26,413**	**18,032**	**22,443**
Tax expense/(benefit), net	9,175	(1,466)	3,648
Profit for the year	**17,238**	**19,498**	**18,795**
Earnings per share:			
Basic earnings per share of ₹ 5/- each	103.94	117.63	113.28
Diluted earnings per share of ₹ 5/- each	103.65	117.40	113.09

(All amounts in Indian Rupees millions, except share data and per share data)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2021	FOR THE YEAR ENDED 31 MARCH 2020	FOR THE YEAR ENDED 31 MARCH 2019
Profit for the year	**17,238**	**19,498**	**18,795**
Other comprehensive income/(loss)			
Items that will not be reclassified to the consolidated income statement:			
Changes in the fair value of financial instruments	4,242	(469)	(403)
Actuarial gains/(losses) on post-employment benefit obligations	(216)	57	10
Tax impact on above items	(220)	(22)	(414)
Total of items that will not be reclassified to the consolidated income statement	**3,806**	**(434)**	**(807)**
Items that will be reclassified subsequently to the consolidated income statement:			
Changes in fair value of financial instruments	7	(7)	-
Foreign currency translation adjustments	706	311	(53)
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	1,123	(951)	180
Tax impact on above items	(319)	232	(55)
Total of items that will be reclassified subsequently to the consolidated income statement	**1,517**	**(415)**	**(41)**
Other comprehensive income for the year, net of tax	**5,323**	**(849)**	**(848)**
Total comprehensive income for the year	**22,561**	**18,649**	**17,947**

GLOSSARY

ADR	American Depository Receipt
AGM	Annual General Meeting
AI	Artificial Intelligence
ANDA	Abbreviated New Drug Application
API	Active Pharmaceutical Ingredient
AS	Accounting Standards
ASN	Advanced Shipment Notice
ATV/ATN	Atorvastatin calcium
AVF	Arteriovenous Fistula
BR	Business Responsibility
BSE	Bombay Stock Exchange
CAGR	Compound Annual Growth Rate
CCO	Chief Compliance Officer
CDP	Carbon Disclosure Project
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIN	Corporate Identity Number
COBE	Code Of Business Conduct and Ethics
COO	Chief Operating Officer
CPS	Custom Pharmaceutical Services
CPCB	Central Pollution Control Board
CRL	Complete Response Letters
CSR	Corporate Social Responsibility
CTO	Chemical Technical Operations
CUSIP	Committee on Uniform Security Identification Procedures
DCGI	Drug Controller General of India
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
EC	Electronically Commutated
EGM	Extraordinary General Meeting
EM	Emerging Markets
EPS	Earnings Per Share
ERM	Enterprise-wide Risk Management
ESOP	Employees Stock Option Plan
EUG	Europe Generics
FO	Fuel Oil
FPL	Friction Power Loss
FTO	Formulation Technical Operations
FY	Financial Year
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GG	Global Generics
GHG	Green House Gas
GMO	Global Manufacturing Operations
GMP	Good Manufacturing Practices
HR	Human Resources
HVAC	Heat, Ventilation and Air Conditioning
HOC	Heat of Compression
HPAPI	High Potency Active Pharmaceutical Ingredient
IASB	Indian Accounting Standard Board
ICAI	Institute of Chartered Accountants of India
ICC	Internal Complaints Committee
IEC	Information, Education and Communication
IEPF	Investor Education and Protection Fund
IFRS	International Financial Reporting Standards
IGAAP	Indian Generally Accepted Accounting Principles
Ind AS	Indian Accounting Standard
INR	Indian Rupees
IOT	Internet of Things
IP	Intellectual Property
IPDO	Integrated Product Development Organisation
ISIN	International Securities Identification Number
IT	Information Technology
JPY	Japanese Yen
JWG	Joint Working Group
KARV	Kallam Anji Reddy Vidyalaya
KAR-VJR	Kallam Anji Reddy – Vocational Junior College
KMP	Key Managerial Personnel
KPI	Key Performance Indicators
LABS	Livelihood Advancement Business School
LSSSDC	Life Sciences Sector Skill Development Council
M&A	Mergers and Acquisitions
MC	Management Council
MD	Managing Director
MD&A	Management Discussion & Analysis
MT	Metric Tonne
NAG	North America Generics
NCEs	New Chemical Entities
NCLT	National Company Law Tribunal
NDA	New Drug Application
NGO	Non-Governmental Organisation
NLEM	National List of Essential Medicines
NPPA	National Pharmaceutical Pricing Authority
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
NSE IFSC	National Stock Exchange of India International Financial Service Centre
NYSE	New York Stock Exchange Inc.
OP	Out Patient
OTC	Over-the-counter
OTIF	On Time In Full
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PHC	Primary Health Centres
PMI	Process Mass Intensity
PO	Purchase Order
PP	Proprietary Products
PPE	Personal Protective Equipment
PSAI	Pharmaceuticals Services and Active Ingredients
PwD	People with Disablities
P2P	Procure to Pay
RAT	Rapid Antigen Tests
RD	Regional Director
R&D	Research and Development
RDIF	Russian Direct Investment Fund
RMC	Risk Management Committee
RO	Reverse Omission
RoCE	Return on Capital Employed
RoW	Rest of World
RTA	Registrar and Transfer Agent
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEZ	Special Economic Zone
SHE	Safety, Health and Environment
SG&A	Selling, General and Administrative
SIP	School Improvement Program
SMP	Senior Management Personnel
SPCB	State Pollution Control Board
SS	Secretarial Standards
SOX	Sarbanes Oxley Act, 2002
TCFD	Task Force on Climate-Related Financial Disclosures
UK	United Kingdom
US/USA/U.S.	United States of America
USD/US$	United States Dollar
USFDA	United States Food and Drugs Administration
VFD	Variable Frequency Drive
ZLD	Zero Liquid Discharge

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 37th annual general meeting (AGM) of the members of Dr. Reddy's Laboratories Limited (CIN: L85195TG1984PLC004507) will be held on Wednesday, July 28, 2021, at 9.00 am (IST) through Video Conferencing (VC) /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 March 31, 2021, together with the reports of the board of directors and auditors thereon.

2. To declare dividend on the equity shares for the financial year 2020-21.

3. To reappoint Mr. G V Prasad (DIN: 00057433), as a director, who retires by rotation, and being eligible offers himself for the reappointment.

4. To reappoint statutory auditors and fix their remuneration.

   "RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, along with the relevant Rules made thereunder, and based on the recommendations of the audit committee and board of directors of the company, M/s. S.R. Batliboi & Associates LLP, chartered accountants (firm registration no. 101049W/E300004), be and are hereby reappointed as statutory auditors of the company, to hold office for a second term of five consecutive years from the conclusion of the 37th AGM until the conclusion of the 42nd AGM, at such remuneration and out of pocket expenses, as may be decided by the board of directors of the company.

   RESOLVED FURTHER THAT the board of directors of the company be and are hereby authorized to decide and/or alter the terms and conditions of the appointment including the remuneration for subsequent financial years as it may deem fit."

SPECIAL BUSINESS:

5. **To ratify the remuneration payable to cost auditors, M/s. Sagar & Associates, cost accountants for the financial year ending March 31, 2022.**

   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 Companies (Cost Records and Audit) Rules, 2014, as amended from time to time, the members of the company ratify the remuneration of ₹ 700,000/- (Rupees seven lakhs only) plus out of pocket expenses, at actuals and applicable taxes, to 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 March 31, 2022.

   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 ("the Act"), and 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 May 14, 2021, concluded that the special business under item number 5, is critical and considered unavoidable, and hence needs to be transacted at the 37th AGM of the company.

2) In view of the continuing COVID-19 pandemic, for maintaining social distancing norms and pursuant to General Circular nos. 14/2020, 17/2020, 20/2020, and 02/2021 dated April 8, 2020, April 13, 2020, May 5, 2020, and January 13, 2021, respectively, issued by the Ministry of Corporate Affairs (MCA) and Circular nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated May 12, 2020, and January 15, 2021, respectively issued by the Securities and Exchange Board of India (collectively referred to as "the Circulars"), companies are permitted to hold the AGM through VC/OAVM, without the physical presence of the members at a common venue. Accordingly, the 37th AGM of the company will be convened through VC/OAVM in compliance with the provisions of Act, and Rules made thereunder, Listing Regulations read with the Circulars. The deemed venue for the 37th AGM shall be the registered office of the company i.e. 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500034, Telangana, 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 a 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 such restriction 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 Circulars. Hence, the proxy form and attendance slip are not annexed to this notice.

6) Corporate members whose authorized representatives are intending to attend the meeting are requested to send a certified copy of the board resolution authorizing such representative to attend the AGM through VC/OAVM, and cast their votes through e-voting. Such documents can be sent to drlscrutinizer@gmail.com.

7) Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

8) The statutory registers maintained under the Act, including register of directors and key managerial personnel and their shareholding, the register of contracts or arrangements in which directors are interested and all other documents referred to in the notice will be available for inspection in electronic mode. Members who wish to inspect such documents are requested to write to the company by sending an e-mail to shares@drreddys.com.

9) In accordance with the Circulars, the notice of the 37th AGM along with the annual report for the financial year 2020-21 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 the 37th AGM and the annual report are also available on the company's website, www.drreddys.com, website of National Securities Depository Limited (NSDL) (www.evoting.nsdl.com) and on the website of Stock Exchanges (www.bseindia.com) and (www.nseindia.com).

10) In accordance with the Circulars, no physical copy of the notice of the 37th AGM and the annual report for the financial year 2020-21 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 2020-21 free of cost, upon sending a request to the company secretary at 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500 034.

11) 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.

12) Pursuant to Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, Regulation 44 of the Listing Regulations and the 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.

13) Members, desiring any information relating to the financials from the management or the statutory auditors, are requested to write to the company at shares@drreddys.com at an early date.

14) A 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 resolutions 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.

15) Members are requested to immediately intimate, 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.

16) SEBI has mandated the submission of permanent account number (PAN) by every participant in the 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.

17) The register of members and share transfer books of the company will remain closed from Tuesday, July 13, 2021 to Thursday, July 15, 2021 (both days inclusive).

18) The board of directors of the company at its meeting held on May 14, 2021, have recommended a dividend of ₹ 25/- per equity share of face value of ₹ 5/- each as dividend for the financial year 2020-21. Dividend, if declared, at the 37th AGM, will be paid on or after August 2, 2021, 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 Monday, July 12, 2021.

19) 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 to update their bank details, to the company's RTA.

20) In compliance with the Circulars, the company shall dispatch by post the dividend warrants/demand drafts to those members who have not registered their bank mandate with company.

21) Pursuant to the changes introduced in the Income Tax Act, 1961 ("the IT Act") as amended by the Finance Act, 2020, dividend income will be taxable in the hands of the members and the company is required to deduct tax at source (TDS) at the time of making the payment of dividend to members at the prescribed rates:

    For resident members, taxes shall be deducted at source under Section 194 of the IT Act, as follows:

Valid PAN of member available with the company	10% or as notified by the Government of India
Members without PAN/invalid PAN available with the company*	20% or as notified by the Government of India
Member who has not filed returns of tax for FY2019 and FY2020 before the due date and aggregate of tax deducted at source is ₹ 50,000/- or more in each of these two years	20%**

** Individual member needs to ensure that his/her PAN is linked with Aadhar number, on or before June 30, 2021, else his/her PAN will be considered invalid.*
*** TDS rate is applicable for dividend paid on or after July 1, 2021.*

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 2021-22 does not exceed ₹ 5,000/- and also in cases where members provide form 15G (applicable to any person other than HUF or a company or a firm)/form 15H (applicable to an individual who is 60 years and older) subject to conditions specified in the IT Act. Members may also submit any other document as prescribed under the IT 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. The formats of form 15G/form 15H are available on the website of our registrar and transfer agent (RTA) Bigshare Services Private Limited at www.bigshareonline.com.

For resident mutual funds and insurance company members:
In order to provide exemption from TDS on the dividend payable to a mutual fund specified under Clause (23D) of Section 10 of the IT Act, or an insurance company as specified in Section 194 of the IT Act, members should submit the below document along with exemption notification, if any, as per the relevant provisions of the IT Act:

a. Declaration by insurance company member qualifying as insurer as per Section 2(7A) of the Insurance Act, 1938.

b. Declaration by mutual fund member eligible for exemption under Section 10(23D) of the IT Act.

c. Declaration by Category I/II Alternate Investment Fund (AIF) registered with SEBI.

Declaration for exemption under Circular 18/2017 of the IT Act:
In case of any member whose income is subject to lower rate of TDS, or is exempt under the IT Act, such member is requested to submit the following documents as per the relevant provisions of the IT Act, duly signed by the authorized signatory:

a. Lower withholding tax certificate for the financial year 2021-22 if any, obtained from the Income Tax authorities.

b. In case the member has obtained tax exemption status under any provisions of the IT Act, the documentary evidence along with declaration for the same.

For non-resident members, taxes are required to be withheld in accordance with the provisions of Section 195 and other applicable Sections of the IT 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 IT Act, non-resident members may have an option to be governed by the provisions of the Double Tax Avoidance Agreement (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:

- Self-attested tax residency certificate for the financial year 2021-22 obtained from the tax authorities of the country of which the member is a resident.
- Self-attested copy of PAN allotted by the Indian income tax authorities. In case of non-availability of PAN, information under sub-rule 2 of Rule 37BC to be submitted.
- Self-declaration in form 10F duly filled and signed.
- 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 2021-22;
    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;
    e. Dividend income is not attributable/effectively connected to any permanent establishment or fixed base in India;
    f. In case of Foreign Institutional Investors and Foreign Portfolio Investors, self-attested copy of SEBI registration certificate; and
    g. In case of a member being tax resident of Singapore, please furnish the letter issued by the competent authority or any other authority evidences demonstrating the non-applicability of Article 24 - Limitation of Relief under India-Singapore DTAA.
- 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 all the documents submitted by non-resident member.

Declaration by members under Rule 37BA(2) of the Income Tax Rules, 1962:
In order to enable the company to provide credit of tax deducted at source to beneficial members in whose hands dividend paid by company is assessable, members are requested to provide declaration in format as prescribed under Rule 37BA(2) of the Income Tax Rules, 1962.

Section 206AB of the IT Act:
Rate of TDS @10% under Section 194 of the IT Act, is subject to provisions of Section 206AB of IT Act; (effective from July 1, 2021), which introduces special provisions for TDS in respect of non-filers of income tax return. As provided in Section 206AB, tax is required to be deducted at higher of following rates in case of payments to specified persons:

- at twice the rate specified in the relevant provision of the IT Act; or
- at twice the rate or rates in force; or
- at the rate of 5%.

Where Sections 206AA and 206AB are applicable i.e. the specified person has not submitted the PAN as well as not filed the return, the tax shall be deducted at the higher of the two rates prescribed in these two sections.

The term 'specified person' is defined in sub-section (3) of Section 206AB as who satisfies the following conditions:

- A person who has not filed the income tax return for two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing of return of income under Section 139(1) of the IT Act, has expired; and
- The aggregate of TDS and TCS in his case is ₹ 50,000/- or more in each of these two previous years.

The non-resident who does not have the permanent establishment is excluded from the scope of a specified person.

While the company is awaiting the guidelines from the Government of India prescribing the mechanism to determine who fulfils the conditions of being a 'specified person'. Therefore, in order to comply with the provisions of the IT Act, and unless any mechanism is prescribed by the authorities in this regard, the company will proceed on the assumption that all members are in compliance with the provisions of Section 206AB of the IT Act. However, we request you to inform us well in advance and before the cut-off date if you are covered under the definition of 'specified person' as provided in Section 206AB of the IT Act. The company reserves its right to recover any demand raised subsequently on the company for not informing the company or providing wrong information about applicability of Section 206AB in your case.

A separate communication was sent to all the members through email on June 8, 2021, and newspaper publication dated June 15, 2021, in this regard. A copy of the said communication is also available on the website of the company.

In order to enable the company to determine and deduct appropriate TDS/withholding tax, the company shall consider the documents received from the members within the stipulated time as mentioned in the aforesaid communication.

For all members:
Members are requested to update tax residential status, permanent account number (PAN), registered email address, mobile numbers and other details with their depository participants, in case the shares are held in dematerialized form. In case a member is holding shares in physical mode, he/she is requested to furnish details to the company's registrar and share transfer agent.

The aforementioned documents for tax exemption can be downloaded from the website of the company's RTA - https://www.bigshareonline.com/Resources.aspx.

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/furnishing of TDS returns for the second quarter of financial year 2021-22 with the authorities.

All the documents submitted by the members will be verified by the company and the company will consider the same while deducting the appropriate taxes if they are in accordance with the provisions of the IT Act.

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 the IT Act, and claim an appropriate refund, if eligible.

All communications/queries in this respect should be addressed to our RTA 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 Act, members are entitled to make a nomination in respect of shares held by them. Members desirous of making a nomination, are requested to send their requests in form no. SH-13, to the RTA of the company. Further, members desirous of cancelling/varying nomination 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) In terms of Regulation 40(1) of SEBI Listing Regulations, as amended from time to time, members may please note that shares can be transferred only in dematerialized form with effect from April 1, 2019, except in case of request received for transmission or transposition of shares. Further, SEBI has fixed March 31, 2021 as the cut-off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in demat mode. 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, for their own benefit.

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 for the live webcast. The webcast facility will be available from 9.00 am (IST) onwards on July 28, 2021.

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: May 14, 2021

Sandeep Poddar
Company Secretary

ANNEXURE TO NOTICE OF AGM

Statement pursuant to Section 102(1) of the Companies Act, 2013 ("the Act"), and 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, as and wherever applicable.

ITEM NO. 3

Mr. G V Prasad (aged 60 years, DIN: 00057433) 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 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 especially in developed markets. He is also passionate about sustainable manufacturing and business practices. He 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, differentiated formulations and the company's sustainability initiatives including the adoption of green technologies and processes.

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 2020 and 2021 Power List' of the most inspirational professionals shaping the future of drug development and under the category of "Small Molecules" for his remarkable work and contribution to pharmaceutical industry. He has also been named India Business Leader of the year by CNBC Asia in 2015, Regional Honoree for the 2020 YPO Global Impact Award, received the V. Krishnamurthy Award for Excellence by the Centre for Organizational Development in 2019, and was designated The Boundary Breaker at the CEO Awards in 2018.

Prior to May 2014, Mr. Prasad held titles of chairman and chief executive officer. He was reappointed as a whole-time director designated as co-chairman and managing director of the company at the 36th AGM held on July 30, 2020, for a period of five years commencing January 30, 2021, to January 29, 2026, liable to retire by rotation. He retires by rotation at the 37th 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. Prasad to the effect that he is not disqualified in accordance with Section 164(2) of the Act, 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 FY2021. He does not hold any equity shares in the company as on March 31, 2021.

Mr. Prasad is also a director on the boards of: Greenpark Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings 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 the corporate social responsibility committee, stakeholders' relationship committee and banking and authorizations committee of the company and a member of the nomination and remuneration committee and the corporate social responsibility committee of Aurigene Discovery Technologies Limited, a wholly-owned subsidiary.

Except Mr. G V Prasad, 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 resolution set out at item no. 3 of the notice. Mr. G V Prasad and Mr. K Satish Reddy are not 'relative' as defined under the Act.

The board recommends the resolution set forth in item no. 3 of the notice for approval of the members.

ITEM NO. 4

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 July 27, 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. However, MCA vide its notification dated May 7, 2018, has omitted the requirement under the first proviso to Section 139 of the Act, 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, will complete their first term of five consecutive years as the statutory auditors of the company at the conclusion of the 37th AGM of the company.

Pursuant to Section 139(2) of the Act, the company can appoint an auditors firm for a second term of five consecutive years. Accordingly, M/s. S.R. Batliboi & Associates LLP, chartered accountants, are proposed to be reappointed as statutory auditors of the company for a second term of five consecutive years commencing from the conclusion of 37th AGM till the conclusion of the 42nd AGM.

M/s. S.R. Batliboi & Associates LLP, have consented to the said reappointment, and confirmed that their reappointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be reappointed as statutory auditor in terms of the provisions of the Sections 139(1), 141(2) and 141(3) of the Act, and the provisions of the Companies (Audit and Auditors) Rules, 2014, as amended from time to time. The proposed remuneration to be paid to M/s. S.R. Batliboi & Associates LLP, chartered accountants, for the financial year 2021-22 is ₹ 1.69 crores.

None of the directors/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, on the recommendation of the audit committee, recommends the resolution set forth in item no. 4 of the notice for approval of the members.

ITEM NO. 5

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 March 31, 2022.

In accordance with the provisions of the Section 148 of the Act, 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. 5 of the notice for ratification of the remuneration payable to the cost auditors for the financial year ending March 31, 2022.

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. 5 of the notice for approval of the members.

By order of the board

Place: Hyderabad
Date: May 14, 2021

Sandeep Poddar
Company Secretary

INSTRUCTIONS FOR E-VOTING

Dear Members,

In compliance with Regulation 44 of the Listing Regulations, SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020, Sections 108, 110 and other applicable provisions of the Act, 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 37th AGM to be held on Wednesday, July 28, 2021, at 9.00 am (IST). The company has engaged the services of NSDL for the purpose of providing remote e-voting facility to its members.

The remote e-voting facility is available at the following 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
116146	Saturday, July 24, 2021, at 9.00 am (IST)	Tuesday, July 27, 2021, 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 July 28, 2021.

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: Access to the NSDL e-voting system.

Step 2: Cast your vote electronically and join 'General Meeting' on the NSDL e-voting system.

Step 1: Access to NSDL e-voting system

A) Login method for e-voting and joining virtual meeting for individual members holding securities in demat mode.

Pursuant to SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on "e-voting facility provided by listed companies", e-voting process has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts/websites of depositories/DPs in order to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the e-voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-voting process. Members are advised to update their mobile number and e-mail ID in their demat accounts in order to access e-voting facility.

Login method for individual members holding securities in demat mode is given below:

Type of members	Login method
Individual members holding securities in demat mode with NSDL.	**A. NSDL IDeAS facility** **If you are already registered, follow the below steps:** 1. Visit the e-services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a personal computer or on a mobile. 2. Once the home page of e-services is launched, click on the "**Beneficial Owner**" icon under "Login" which is available under **"IDeAS"** section. 3. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-voting services. 4. Click on "Access to e-voting" under e-voting services and you will be able to see e-voting page. 5. Click on options available against company name or e-voting service provider - NSDL and you will be re-directed to NSDL e-voting website for casting your vote during the remote e-voting period or joining virtual meeting and voting during the meeting. **If you are not registered, follow the below steps:** 1. Option to register is available at https://eservices.nsdl.com. 2. Select "**Register Online for IDeAS**" portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3. Please follow steps given in points 1-5 above. **B. E-voting website of NSDL.** 1. Open web browser by typing the following URL: https://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 "Login" which is available under 'Shareholder/Member' section. 3. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a verification code as shown on the screen. 4. After successful authentication, you will be redirected to NSDL depository site wherein you can see e-voting page. Click on options available against company name or e-voting service provider - NSDL and you will be redirected to e-voting website of NSDL for casting your vote during the remote e-voting period or joining virtual meeting and voting during the meeting.
Individual members holding securities in demat mode with CDSL	1. Existing users who have opted for Easi/Easiest, they can login through their User ID and Password. Option will be made available to reach e-voting page without any further authentication. The URL for users to login to Easi/Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the e-voting menu. The menu will have links of e-voting service provider i.e. NSDL. Click on NSDL to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at the link given here: https://web.cdslindia.com/myeasi/Registration/EasiRegistration
Individual members (holding securities in demat mode) login through their depository participants	1. You can also login using the login credentials of your demat account through your depository participant registered with NSDL/CDSL for e-voting facility. 2. Once logged in, you will be able to see the e-voting option. Once you click on the e-voting option, you will be redirected to the NSDL/CDSL depository site after successful authentication, wherein you can see e-voting feature. 3. Click on options available against company name or e-voting service provider-NSDL and you will be redirected to e-voting website of NSDL for casting your vote during the remote e-voting period or joining virtual meeting and voting during the meeting. 4. Alternatively, the user can directly access the e-voting page by providing demat account number and PAN no. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered mobile and e-mail as recorded in the demat account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where e-voting is in progress.

Important note: Members who are unable to retrieve User ID/Password are advised to use forget User ID and forget Password option available at respective websites.

Helpdesk for individual members holding securities in demat mode for any technical issues related to login through depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual members holding securities in demat mode with NSDL	Please contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual members holding securities in demat mode with CDSL	Please contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542/43

B) Login method for e-voting and joining virtual meeting for members other than individual members holding securities in demat mode and members holding securities in physical mode.

How to login to the NSDL e-voting website?

1. Visit the e-voting website of NSDL. Open a web browser by typing the following URL: https://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 "Login" which is available under 'Shareholder/Member' section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a verification code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can login to https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your login 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 a 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 no. registered with the company. For example if folio no. is 001*** and EVEN is 123456 then User ID is 123456001***

5. Password details for members other than individual members are given below:
   a. If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
   b. If you are using the NSDL e-voting system for the first time, you will need to retrieve the 'initial password'. Details of 'initial password' is given in point c. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
   c. How to retrieve your 'initial password'?
      I. If your e-mail ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your e-mail ID. Trace the e-mail sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file.

ii. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio no. for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

iii. If your e-mail ID is not registered, please follow steps mentioned below in "process for those members whose e-mail IDs are not registered".

6. If you are unable to retrieve or have not received the "initial password" or have forgotten your password:

   a. Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b. Physical User Reset Password? (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c. 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 no., your PAN, your name and your registered address etc.

   d. Members can also use the OTP (One Time Password) based login for casting the votes on the e-voting system of NSDL.

7. After entering your password, tick on agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on the "Login" button.

9. After you click on the "Login" button, home page of e-voting will open.

Step 2: How to cast your vote electronically on the NSDL e-voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and general meeting is in active status.

2. Select "EVEN" of Dr. Reddy's Laboratories Limited to cast your vote during the remote e-voting period/during the general meeting. For joining a virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".

3. Now you are ready for e-voting as the voting page opens.

4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

5. Upon confirmation, the message "Vote cast successfully" will be displayed.

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Process for those members whose e-mail IDs are not registered with the depositories/company for procuring User ID and Password and registration of e-mail IDs for e-voting for the resolutions set out in this notice:

a) In case shares are held in physical mode please provide folio no., name of member, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), Aadhar (self attested scanned copy of Aadhar card) by e-mail to shares@drreddys.com or bsshyd@bigshareonline.com

b) In case shares are held in demat mode, please provide DP ID & Client ID (16 digit DP ID & Client ID or 16 digit beneficiary ID), name, client master or copy of consolidated account statement, PAN (self attested scanned copy of PAN card), Aadhar (self attested scanned copy of Aadhar card) to (company e-mail ID at shares@drreddys.com). If you are an individual member holding securities in demat mode, you are requested to refer to the login method explained at step 1 (A) i.e. login method for e-voting and joining virtual meeting for individual members holding securities in demat mode.

c) Alternatively members may send a request to evoting@nsdl.co.in for procuring User ID and Password for e-voting by providing above mentioned documents.

d) In terms of SEBI circular dated December 9, 2020 on e-voting facility provided by listed companies, individual members holding securities in demat mode are allowed to vote through their demat account maintained with depositories and depository participants. Members are required to update their mobile number and e-mail ID correctly in their demat account in order to access e-voting facility.

General instructions

a) The remote e-voting period commences on Saturday, July 24, 2021, (9.00 am IST) and ends on Tuesday, July 27, 2021, (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 Tuesday, July 20, 2021, may cast their votes electronically. The remote e-voting module shall be disabled by NSDL for voting hereafter. 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. Tuesday, July 20, 2021, 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 nos.: 1800-1020-990/1800-224-430.

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 Tuesday, July 20, 2021.

f) Mr. G Raghu Babu, partner of M/s. R & A Associates, practicing company secretary, Hyderabad (membership no. 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 favor 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, the New York Stock Exchange Inc., and NSE IFSC Limited.

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 to the frequently asked questions (FAQs) and e-voting user manual, available at downloads section of www.evoting.nsdl.com or call on toll free nos.: 1800-1020-990/1800-224-430. You can also refer your queries to NSDL through e-mail ID: evoting@nsdl.co.in.

INSTRUCTIONS FOR MEMBERS ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Members will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-voting system. Members may access by following the steps mentioned above for access to NSDL e-voting system. After successful login, you can see link of "VC/OAVM link" placed under "Join General meeting" menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member 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.

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 no., e-mail ID and mobile number at shares@drreddys.com on or before July 24, 2021, (6:00 pm IST).

6. Those members who have registered themselves as 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 nos.: 1800-1020-990/1800-224-430.

By order of the board

Place: Hyderabad
Date: May 14, 2021

Sandeep Poddar
Company Secretary

NOTES

"I strongly believe that the only way we can grow and thrive, not just survive, in the future is by pursuing the path of innovation."

DR. K ANJI REDDY

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