
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended March 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-15182

DR. REDDY'S LABORATORIES LIMITED
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name
into English)

TELANGANA, INDIA
(Jurisdiction of incorporation or
organization)

8-2-337, Road No. 3, Banjara Hills
Hyderabad, Telangana 500 034, India
+91-40-49002900
(Address of principal executive offices)

Parag Agarwal, *Chief Financial Officer*, +91-40-49002931, parag.agarwal@drreddys.com
8-2-337, Road No. 3, Banjara Hills, Hyderabad, Telangana 500 034, India
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
American depositary shares, each representing one equity share	RDY	New York Stock Exchange

Equity Shares*

* Not for trading, but only in connection with the registration of American depositary shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act. None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

166,301,231 Equity Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "accelerated filer", "large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by Other
the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes No

Currency of Presentation and Certain Defined Terms

In this annual report on Form 20-F, references to “\$” or “U.S.\$” or “dollars” or “U.S. dollars” are to the legal currency of the United States and references to “Rs.” or “rupees” or “Indian rupees” or “INR” are to the legal currency of India, references to “MXN” are to the legal currency of Mexico, references to “ZAR” are to the legal currency of South Africa, references to “UAH” are to the legal currency of Ukraine, references to “GBP” are to the legal currency of the United Kingdom and references to “EUR” or “euros” are to the legal currency of the European Union. Our financial statements are prepared in accordance with International Financial Reporting Standards, or “IFRS”, as issued by the International Accounting Standards Board, or “IASB”. These standards include International Accounting Standards, or “IAS”, and their interpretations issued by the International Financial Reporting Interpretations Committee, or “IFRIC”, or its predecessor, the Standing Interpretations Committee, or “SIC”. References to a particular “fiscal” year are to our fiscal year ended March 31 of such year. References to our “ADSs” are to our American Depositary Shares.

References to “U.S. FDA” are to the United States Food and Drug Administration, to “ANDS” are to Abbreviated New Drug Submissions, to “NDAs” are to New Drug Applications, and to “ANDAs” are to Abbreviated New Drug Applications.

References to “U.S.” or “United States” are to the United States of America, its territories and its possessions. References to “India” are to the Republic of India. References to “EU” are to the European Union. All references to “we,” “us,” “our,” “DRL,” “Dr. Reddy’s” or the “Company” shall mean Dr. Reddy’s Laboratories Limited and its subsidiaries. “Dr. Reddy’s” is a registered trademark of Dr. Reddy’s Laboratories Limited in India. Other trademarks or trade names used in this annual report on Form 20-F are trademarks registered in the name of Dr. Reddy’s Laboratories Limited or are pending before the respective trademark registries, unless otherwise specified. Market share data is based on information provided by IQVIA Holdings Inc. (formerly Quintiles IMS Holdings Inc.) (“IQVIA”), a provider of market research to the pharmaceutical industry, unless otherwise stated.

Our financial statements are presented in Indian rupees and translated into U.S. dollars for the convenience of the reader. Except as otherwise stated in this report, all convenience translations from Indian rupees to U.S. dollars are at the certified foreign exchange rate of U.S.\$1 = Rs.73.14, as published by Federal Reserve Board of Governors on March 31, 2021. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Our main corporate website address is <https://www.drreddys.com>. Information contained in our website, www.drreddys.com, is not part of this Annual Report and no portion of such information is incorporated herein.

Forward-Looking Statements and Risk Factor Summary

In addition to historical information, this annual report, and the reports and documents incorporated by reference in this annual report, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In addition to statements which are forward-looking by reason of context, the words “may”, “will”, “should”, “expects”, “plans”, “intends”, “anticipates”, “believes”, “estimates”, “predicts”, “potential”, or “continue” and similar expressions identify forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, risks relating to:

- in our generics medicines business: consolidation of our customer base and commercial alliances among our customers; the increase in the number of competitors targeting generic opportunities and seeking U.S. market exclusivity for generic versions of significant products; price erosion relating to our generic products, both from competing products and increased regulation; delays in launches of new generic products; efforts of pharmaceutical companies to limit the use of generics including through legislation and regulations; the difficulty and expense of obtaining licenses to proprietary technologies; returns, allowances and chargebacks; and investigations of the calculation of wholesale prices;
- in our specialty medicines business: competition for our specialty products; our ability to achieve expected results from investments in our product pipeline; competition from companies with greater resources and capabilities; and the effectiveness of our patents and other measures to protect our intellectual property rights;
- our business and operations in general, including: our ability to develop and commercialize additional pharmaceutical products; manufacturing or quality control problems, which may damage our reputation for quality production and require costly remediation; interruptions in our supply chain; disruptions of our or third party information technology systems or breaches of our data security or other cyber-attacks; the failure to recruit or retain key personnel; challenges associated with conducting business globally, including adverse effects of political or economic instability, major hostilities or terrorism; significant sales to a limited number of customers in our U.S. market; our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions;

- compliance, regulatory and litigation matters, including: costs and delays resulting from the extensive governmental regulation to which we are subject; the effects of reforms in healthcare regulation and reductions in pharmaceutical pricing, reimbursement and coverage; governmental investigations into selling and marketing practices; potential liability for patent infringement; product liability claims; increased government scrutiny of our patent settlement agreements; failure to comply with complex Medicare and Medicaid reporting and payment obligations; and environmental risks;
- other financial and economic risks, including: our exposure to currency fluctuations and restrictions as well as credit risks; potential impairments of our intangible assets; potential significant increases in tax liabilities; and the effect on our overall effective tax rate of the termination or expiration of governmental programs or tax benefits, or of a change in our business;
- our business and operations in general, including uncertainty regarding the magnitude, duration, and geographic reach of the COVID-19 pandemic and its impact on our business, financial condition, operations, cash flows, and liquidity and on the economy in general; manufacturing or quality control protocols; interruptions in our supply chain, including due to potential effects of the COVID-19 pandemic on our operations and business in geographic locations impacted by the pandemic and on the business operations of our customers and suppliers; our ability to successfully execute and maintain the activities and efforts related to the measures we have taken or may take in response to the COVID-19 pandemic and associated costs therewith; challenges associated with conducting business globally, including adverse effects of the COVID-19 pandemic; costs resulting from the extensive governmental regulation to which we are subject or delays in governmental processing time due to modified government operations due to the COVID-19 pandemic, including effects on product and patent approvals due to the COVID-19 pandemic; disruptions of information technology systems; and our ability to successfully compete in the marketplace; and
- those discussed in the sections entitled “risk factors” and “operating and financial review and prospects” and elsewhere in this report.

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 and/or furnished to the SEC from time to time.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. Selected financial data

You should read the selected consolidated financial data below in conjunction with our consolidated financial statements and the related notes, as well as the section titled “Operating and Financial Review and Prospects,” which are included elsewhere in this Annual Report on Form 20-F. The selected consolidated financial data presented below has been derived from our consolidated financial statements, which have been prepared in conformity with IFRS as issued by the IASB. The selected consolidated financial data presented below as of March 31, 2021 and 2020 and for the years ended March 31, 2021, 2020 and 2019 are included in Item 18 of this annual report on Form 20-F.

The consolidated financial statements as of March 31, 2021, 2020 and 2019 and for the years then ended March 31, 2021, 2020 and 2019 have been audited by Ernst & Young Associates LLP (“EY”), Hyderabad, India, our independent registered public accounting firm. The consolidated financial statements as of March 31, 2018 and 2017 and for the years then ended March 31, 2018 and 2017 were audited by KPMG, Hyderabad, India (“KPMG”), our former independent registered public accounting firm.

The selected consolidated financial data below has been presented for the five most recent fiscal years. Historical results are not necessarily indicative of future results.

Income Statement Data

	For the year ended March 31,					
	2021	2021	2020	2019	2018	2017
	(Rs. in millions, U.S.\$ in millions, both except share and per share data)					
	<i>Convenience translation into U.S.\$</i>					
Revenues	U.S.\$ 2,594	Rs. 189,722	Rs. 174,600	Rs. 153,851	Rs. 142,028	Rs. 140,809
Cost of revenues	1,185	86,645	80,591	70,421	65,724	62,118
Gross profit	1,409	103,077	94,009	83,430	76,304	78,691
Selling, general and administrative expenses	747	54,650	50,129	48,680	46,857	46,300
Research and development expenses	226	16,541	15,410	15,607	18,265	19,513
Impairment of non-current assets	117	8,588	16,767	210	53	445
Other income, net	(13)	(982)	(4,290)	(1,955)	(788)	(1,065)
Results from operating activities	332	24,280	15,993	20,888	11,917	13,498
Finance income, net	23	1,653	1,478	1,117	2,080	806
Share of profit of equity accounted investees, net of tax	7	480	561	438	344	349
Profit before tax	361	26,413	18,032	22,443	14,341	14,653
Tax expense/(benefit), net	125	9,175	(1,466)	3,648	4,535	2,614
Profit for the year	236	17,238	19,498	18,795	Rs. 9,806	12,039
Earnings per share						
Basic	U.S.\$ 1.42	Rs. 103.94	Rs. 117.63	Rs. 113.28	Rs. 59.13	Rs. 72.24
Diluted	U.S.\$ 1.42	Rs. 103.65	Rs. 117.40	Rs. 113.09	Rs. 59.00	Rs. 72.09
Cash dividend per equity share*	U.S.\$ 0.34	Rs. 25	Rs. 20	Rs. 20	Rs. 20	Rs. 20

* Excludes corporate dividend tax.

Statement of Financial Position Data

	As of March 31,											
	2021		2021		2020		2019		2018		2017	
	(Rs. in millions, U.S.\$ in millions, except share data)											
	<i>Convenience translation into U.S.\$</i>											
Cash and cash equivalents	U.S.\$	203	Rs.	14,829	Rs.	2,053	Rs.	2,228	Rs.	2,638	Rs.	3,866
Other investments (current and non-current)		338		24,702		24,015		23,342		20,879		19,507
Total assets		3,630		265,491		232,241		225,427		225,604		219,821
Total long-term borrowings		98		7,163		5,570		26,256		25,152		5,559
Total net assets and equity	U.S.\$	2,366	Rs.	173,062	Rs.	154,988	Rs.	140,197	Rs.	126,460	Rs.	124,044
Number of shares outstanding				166,301,231		166,172,082		166,065,948		165,910,907		165,741,713

Subsequent events

On June 14, 2021, we received the arbitration decision and award issued by the American Arbitration Association (“AAA”), International Center for Dispute Resolution (“ICDR”) in favor of Hatchtech Pty Limited (“Hatchtech”) in an amount of U.S.\$46.25 million towards milestone payments, interest and fees for the Xeglyze® product. We had recorded a provision for potential liability of U.S.\$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. As this constitutes an adjusting subsequent event post our Board meeting dated May 14, 2021, our consolidated financial statements for the year ended March 31, 2021 were adjusted to reflect the impact of this event by recognizing the balance amount of U.S.\$26.25 million in our consolidated income statement. Of the total amount of U.S.\$46.25 million awarded to Hatchtech, the amount of U.S.\$45 million (Rs.3,291 million) was recognized in our consolidated income statement under the heading “Impairment of non-current assets” and the balance of U.S.\$1.25 million (Rs.91 million) was recognized under the heading, “Selling, general and administrative expenses.”

Convenience translation

For the convenience of the reader, our consolidated financial statements as of March 31, 2021 have been translated into U.S. dollars at the certified foreign exchange rate of U.S.\$1 = Rs.73.14, as published by the Federal Reserve Board of Governors on March 31, 2021. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate.

3.B. Capitalization and indebtedness

Not applicable.

3.C. Reasons for the offer and use of proceeds

Not applicable.

3.D. Risk factors

You should carefully consider all of the information set forth in this Form 20-F, including the following risk factors that we face and that are faced by our industry. The risks below are not the only ones we face. Additional risks not currently known to us or that we presently deem immaterial may also affect our business operations. Our business, financial condition or results of operations could be materially or adversely affected by any of these risks. This Form 20-F also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this report and our other SEC filings. For a summary of the risk factors included in this Item 3.D. and for further details on our forward-looking statements, see “Forward-Looking Statements and Risk Factors Summary” on page 2.

RISKS RELATED TO PANDEMICS

A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, and the resulting restrictive measures and economic impacts may materially and adversely impact our business and results of our operations.

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. The virus has spread globally to multiple countries and regions, including to India, the United States, certain European countries and other countries around the world where we manufacture our products, have operations or conduct our clinical trials.

Our headquarters and a significant proportion of our operations are based out of India, which has in recent months experienced a trend of rising COVID-19 infection rates. The potential closure of our facilities in which we operate, or other protectionist measures or restrictions inhibiting our employees' ability to access our facilities, may materially affect our operations, including potentially interrupting our manufacturing, supply chain, clinical trial and pre-commercial launch activities.

The COVID-19 pandemic may also affect our employees, as well as employees and operations at third-party manufacturers or suppliers that may result in delays or disruptions in manufacturing and supply. The COVID-19 pandemic has also led to a new working environment, which may affect employee well-being and engagement, causing stress and fear of infection risks. This in turn may result in lower productivity and motivation among employees.

In 2020, we did not experience significant impacts or delays from the COVID-19 pandemic on our business operations. We have experienced marginal delays in carrying out clinical trials, regulatory approvals of new products due to re-prioritization of regulatory agencies and delays in pre-commercial launch activities. Although new digital capabilities for sales are being implemented, reduced interaction with health care professionals can lead to slower market penetration for recently launched products or penetration into newer geographies and certain markets. Although we increased spending on logistics as we explored alternate routes during recent past, COVID-19 outbreak can disrupt our supply chain that might result in the inability of our suppliers to deliver components or raw materials on a timely basis and exposing us to the risk of temporary disruptions in manufacturing or our ability to deliver materials or finished products to our customers. Increased demand for certain classes of drugs, such as respiratory and immunity medicines, has required production escalations that can potentially result in overstocking, changes in the supply dynamics and forecasting disruptions. While we expect to be able to continue our operations and to satisfy the demand for our products, while protecting the health and safety of our employees and customers, the uncertainty surrounding the full economic implications of the pandemic may result in a period of business disruption. The new working environment, with many employees working remotely, can potentially expose us to cyber-attacks and data security breaches. If such breach were to recur, it may have a material adverse effect on our business, operations and reputation. Despite the foregoing and certain other measures that we continue to undertake in order to transact business, it is difficult to forecast the broad economic downturn and unemployment rate increase that could be associated with the COVID-19 pandemic, which may itself materially affect our business.

We have taken precautionary measures, and may take additional measures, intended to minimize the risk of the COVID-19 pandemic to our employees and operations. The extent of the impact of the COVID-19 pandemic on our operations will depend on future developments, such as the duration and spread of the COVID-19 pandemic and long-term impact on the world's economy, all of which are uncertain and cannot be predicted. Any COVID-19 related disruption could have a material adverse impact on our business and financial performance. We will continue to monitor the COVID-19 situation closely.

MATERIAL RISKS RELATING TO OUR COMPANY AND OUR BUSINESS

If we fail to comply with the regulatory standards of various regulatory agencies in manufacturing of quality products, it may have potential impact on our business, financials and operations.

Governmental authorities, including among others the U.S. FDA, the U.K. Medicines and Healthcare Products Regulatory Agency ("MHRA"), heavily regulate the manufacturing of our products, including manufacturing quality standards. Periodic audits are conducted on our manufacturing sites, and if the regulatory and quality standards and systems are not found adequate, it could result in an audit observation (on Form 483, if from the U.S. FDA), or a subsequent investigative letter which may require further corrective actions. In recent years, a number of Indian generic pharmaceutical companies were issued import alerts and warning letters by the U.S. FDA. A significant proportion of our manufacturing base of active pharmaceutical ingredients and formulations plants servicing the United States and other markets of our Global Generics business is based out of India. While our quality practices and quality management systems are conducted in a manner designed to satisfy these types of audits, we cannot guarantee that our efforts will prevent adverse outcomes such as audit observations, corrective action requests, warning letters or import bans. For example, in November 2015, we received a warning letter from the U.S. FDA relating to violations at our injectable oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh and our API manufacturing facilities at Miryalaguda, Telangana and Srikakulam, Andhra Pradesh. Subsequently, the U.S. FDA issued Establishment Inspection Reports (each, a "EIR") indicating successful closure of the audits of our API manufacturing facility at Miryalaguda in June 2017, of our facility at Duvvada in February 2019 and of our API manufacturing facility at Srikakulam in May 2020.

In recent years China has introduced numerous reforms and proposals that attempt to address requirements for drug development and registration, including greater adoption of international technical guidelines and practices by the government. However, its unique regulatory requirements continue to pose challenges for multinational companies.

More generally, unless and until an issue raised in a warning letter from a regulatory agency is resolved to the agency's satisfaction, they may withhold approvals of our new products and new drug applications, refuse admission of products manufactured at the facilities noted in the warning letter into the United States, and/or take additional regulatory or legal action against us. The delay in approvals due to moving to an alternate site or alternate vendor, or the cost incurred in connection with remedial actions, can have significant adverse impacts on our ongoing business, financial results and operations.

We have been subject to increasing scrutiny of our manufacturing operations, and in the event that any of our facilities is subjected to significant regulatory actions, it will require substantial expenditures of resources to ensure compliance with more stringently applied production and quality control regulations. If any regulatory body were to require one or more of our significant manufacturing facilities to cease or limit production, our business could be adversely affected.

In addition, because regulatory approval to manufacture a drug is site-specific, the delay and cost of remedial actions, or of obtaining approval to manufacture at a different facility also could have a material adverse effect on our business, financial position and results of operations.

We deal with numerous third party manufacturers and, despite our oversight, any lapse in their quality practices and quality management systems could lead to similar adverse outcomes in the event of an audit. If we or our third party suppliers fail to comply fully with applicable regulations or to take corrective actions that are mandated, then there could be an enforced shutdown of our production facilities or an import ban, which in turn could lead to product shortages that delay or prevent us from fulfilling our obligations to customers, or we could be subjected to government fines and penalties from customers.

If we fail to comply fully with government regulations or to maintain continuing regulatory oversight applicable to our research and development activities or if a regulatory agency amends or withdraws existing approvals, it may delay or prevent us from developing of new products and delay realization of product revenues.

Our research and development activities are heavily regulated. If we fail to comply fully with applicable regulations, then there could be a delay in the submission or approval of potential new products for marketing approval. In addition, the submission of an application to a regulatory authority does not guarantee that approvals required to market the product will be granted. Each authority may impose its own requirements and/or delay or refuse to grant approval, even when a product has already been approved in another country. The time taken to obtain approval varies by country but generally takes from six months to several years from the date of application. This approval process increases the cost to us of developing new products and increases the risk that we will not be able to successfully sell such new products.

Regulatory agencies may at any time reassess the safety, efficacy or bio-similarity claims of our products based on new scientific knowledge or other factors. Such reassessments could result in the amendment or withdrawal of existing approvals to market our products, which in turn could result in a loss of revenue and could serve as an inducement to bring lawsuits against us.

Delays in the receipt of, or failure to obtain approvals for, future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues and substantial additional costs.

If we fail to meet all the quality and regulatory requirements of biologic drugs and fail to successfully challenge third party patents as allowed by national patent offices, it may impact production and revenues.

A portion of our portfolio are "biologic" products. Unlike traditional "small-molecule" drugs, biologic drugs cannot be manufactured synthetically, but typically must be produced from living animal cells or micro-organisms. As a result, the production of biologic drugs that meet all quality and regulatory requirements is especially complex and is more susceptible to batch failures.

Typically, biological therapeutics face third party intellectual property rights, otherwise known as freedom to operate ("FTO") issues, more than small molecule therapeutics because of the types of patents allowed by national patent offices. Further, our ability to successfully challenge third party patent rights is dependent on the laws of the applicable countries.

The regulatory requirements are still evolving in many markets where we sell or manufacture products, including our biosimilar products, and regulatory requirements may be unclear due to lack of precedents, among other reasons, which may lead to delays in product approvals or other sanctions. In the United States, the Biologics Price Competition and Innovation Act of 2009 ("BPCIA") created a statutory pathway and abbreviated approval processes for the approval of biosimilar versions of branded biological products. While the U.S. FDA has issued guidelines, the regulatory policies in this area are still evolving. Further, while a number of legal challenges concerning the requirements of the abbreviated biosimilar pathway, patent exchange and other provisions of BPCIA have been adjudicated in U.S. courts, legal challenges concerning FTO, patent exchange and trade matters, among others, continue.

If we fail to prevent prescription of our products for off label uses by the physicians, we may be subject to significant liability for engaging in off-label marketing.

While physicians may prescribe products for uses that are not described in the product labeling and that differ from those approved by the U.S. FDA or other similar regulatory authorities (an "off label" use), we are permitted to market our products only for the indications for which they have been approved. The U.S. FDA and other regulatory agencies actively enforce regulations prohibiting promotion of off-label uses, and significant liability can be imposed on manufacturers found to be engaged in off-label marketing violations, including fines in the tens or hundreds of millions of dollars, as well as criminal sanctions. If some of our products are prescribed off label, regulatory authorities such as the U.S. FDA could take enforcement actions if they conclude that we or our distributors have engaged in off label marketing.

We are subject to the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, which impose restrictions and may carry substantial penalties.

The U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to public officials or otherwise for the purpose of obtaining or retaining business. These laws may require not only accurate books and records, but also sufficient controls, policies and processes to ensure business is conducted without the influence of bribery and corruption.

Our policies mandate compliance with these anti-bribery laws, which often carry substantial penalties including fines, criminal prosecution and potential debarment from public procurement contracts. Failure to comply may also result in reputational damages.

We operate in certain jurisdictions that experience governmental corruption to some degree or are found to be low on the Transparency International Corruption Perceptions Index and, in some circumstances, anti-bribery laws may conflict with some local customs and practices. In many less-developed markets, we work with third-party distributors and other agents for the marketing and distribution of our products. Although our policies prohibit these third parties from making improper payments or otherwise violating these anti-bribery laws, any lapses in complying with such anti-bribery laws by these third parties may adversely impact us. Business activities in many of these markets have historically been more susceptible to corruption.

If our efforts to screen third-party agents and detect cases of potential misconduct fail, we could be held responsible for the non-compliance of these third parties under applicable laws and regulations, including the U.S. Foreign Corrupt Practices Act. Compliance with the U.S. Foreign Corrupt Practices Act and other anti-bribery laws has been subject to increasing focus and activity by regulatory authorities in recent years.

We may be subject to injunctions or limitations on future conduct, be required to modify our business practices and compliance programs and/or have a compliance monitor imposed on us, or suffer other criminal or civil penalties or adverse impacts, including lawsuits by private litigants or investigations and fines imposed by local authorities. Refer to Note 33 (under "Contingencies - Internal Investigation") of our consolidated financial statements for current internal investigation details.

We need to constantly review and update our compliance program to keep it current and active. If we fail to do so, our vulnerabilities may increase and our controls may be found to be inadequate.

Actions by our employees, or third-party intermediaries acting on our behalf, in violation of such laws, whether carried out in the United States or elsewhere, may expose us to liability for violations of such anti-bribery laws and accordingly may have a material adverse effect on our reputation and our business, financial condition or results of operations.

Significant disruptions of information technology systems, breaches of data security or other cyber-attacks could adversely affect our business.

Our business is dependent upon increasingly complex and interdependent information technology systems, including internet and cloud based systems, to support our business processes as well as internal and external communications. In addition, our businesses and operating models increasingly depend on outsourcing and collaboration, which requires exchanging data and information. The size and complexity and interconnectivity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion, computer viruses and other cyber-attacks.

Like many companies, we may experience certain of these events given that the external cyber-attack threat continues to grow and although we and our third party service providers have invested in measures to reduce these risks, we cannot be assured that these measures will be successful in preventing the compromise and/or disruption of our information technology systems and related data. Any such compromise or disruption may result in the loss, theft or unauthorized disclosure of key information and/or disruption of production and business processes, such as the conduct of scientific research and clinical trials, the submission of the results of such efforts to regulatory authorities in support of requests for product approvals, the functioning of our manufacturing and supply chain processes, our compliance with legal obligations and other key business activities, any of which could materially and adversely affect our business.

We maintain cybersecurity insurance to further mitigate these risks, but there can be no assurance that a policy exclusion will not apply, or that our insurance coverage limits will be sufficient to protect us against the financial, legal, business or reputational losses that may result from an interruption or breach of our systems, or that any such insurance proceeds will be paid to us in a timely manner.

In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others that may expose sensitive data to unauthorized persons. On October 22, 2020, we experienced a cybersecurity incident related to ransom-ware. We 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, we have strengthened a series of technical controls to augment the current cyber security posture and have also focused on implementing significant improvements to our cyber and data security systems to safeguard from such risks in the future.

Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, clinical trial patients, customers and others. Such breaches of security could result in reputational damage and could otherwise have a material adverse effect on our business, financial condition and results of operations. Further, increasing use of information technology (“IT”) systems in manufacturing processes would require us to manage issues arising out of human error and/or sabotage.

In our pursuit of operational excellence, several change management initiatives across our organization are ongoing, including but not limited to information technology automation in the areas of manufacturing, research and development, supply chain and shared services.

We have outsourced our IT hardware and applications in order to improve IT capability and performance. Any failure by such outsourced service providers to deliver timely and quality services and to co-operate with one another could create disruption, which could materially adversely affect our business or results of operations. Further, any failure by us to effectively manage such change initiatives or implement adequate controls in automation, security or availability of information technology systems could have a material adverse effects on our business.

Increased outsourcing or use of cloud services for conducting our business requires highly secure controls to ensure adequate security of information, considering potential for sabotage as well as availability. Data integrity, confidentiality and data privacy requirements are increasingly concerning regulators, and are incorporated into legal contracts. While we have invested heavily in the protection of data and information technology to reduce these risks, there can be no assurance that our efforts or those of our third party service providers would be sufficient to protect against data deterioration or loss in the event of a system malfunction, or prevent data from being stolen or corrupted in the event of a security breach.

While many of our personnel are working remotely due to the COVID-19 pandemic, the risk of cyber incidents may be increased and our dependence on secure access from remote work locations has increased. If our information systems are unsuccessfully implemented, fail, suffer errors or interruptions, or become unavailable, that might have a materially adverse impact on our business operations and our financial position or results of operations.

Our success depends on our ability to successfully develop and commercialize new pharmaceutical products.

Our future results of operations depend, to a significant degree, upon our ability to successfully develop and commercialize additional products in our Global Generics and Pharmaceutical Services and Active Ingredients segments.

Our research and development efforts are also dependent on collaborating with third party partners and contract research organizations which have the capability to handle complex technologies and products. Lack of effective project management at our end, or any failure to manage collaboration arrangements among multiple partners, may pose significant risks to product development, to our ability to obtain requisite regulatory approvals in a timely manner, and to our ability to successfully and profitably produce and market such products.

Additionally, if we fail to adequately protect critical proprietary or confidential information or associated intellectual property rights or fail to manage third party partners and contract research organizations that our business depends on, it might have a material adverse impact on our product development execution.

From time to time we also acquire in-process research and development assets, which require significant resources and expenses to continue to develop, both through our own efforts and through collaborations. Because of the inherent risk associated with research and development efforts in our industry, including the high cost and uncertainty of conducting clinical trials (where required), such efforts may not result in the successful introduction of new pharmaceutical products approved by the relevant regulatory bodies.

Our results of operations may suffer if these products are not timely developed, approved or successfully commercialized. Refer to Note 14 of our consolidated financial statements for details of impairment of intangible assets.

We must develop, test and manufacture generic products as well as prove that our generic products are bio-equivalent or biosimilar to their branded counterparts, either directly or in partnership with contract research organizations. The development and commercialization process, particularly with respect to complex molecules and biosimilars, is both time consuming and costly and involves a high degree of business risk.

Our products currently under development, if and when fully developed and tested, may not perform as we expect or meet our standards of safety and efficacy. Necessary regulatory approvals may not be obtained in a timely manner, if at all, and we may not be able to successfully and profitably produce and market such products. Our approved products may not achieve expected levels of market acceptance.

We operate in a highly competitive and rapidly consolidating industry which may adversely affect our revenues and profits.

Our products face intense competition from products commercialized or under development by competitors in all of our business segments based in India, the United States and other markets. Many of our competitors have greater financial resources and marketing capabilities than we do.

Our competitors may succeed in developing technologies and products that are more effective, more popular or cheaper than any we may develop or license, thus rendering our technologies and products obsolete or uncompetitive, which would harm our business and financial results. It is also possible that alternate therapies or substitutable products that we developed for the same indication would lead to cannibalization of revenues from our products.

Further, in recent years the goals established under the Generic Drug User Fee Act, and increased funding of the U.S. FDA's Office of Generic Drugs, have led to more and faster generic approvals, and consequently increased competition.

The U.S. FDA has established new steps to enhance competition, promote access and lower drug prices and is approving record-breaking numbers of generic applications. While these improvements are expected to benefit our generic product pipeline, they will also benefit competitors that seek to launch products in established generic markets where we currently offer products. The U.S. FDA's efforts to increase the pace at which generics enter the market has also resulted in a trend of many first time generic manufacturers entering the market, which is further increasing competition in the market.

Our generics business is also facing increasing competition from brand-name manufacturers who do not face any significant regulatory approvals or barriers to enter into the generics market. These brand name manufacturers have devised numerous strategies for example, sell generic versions of their products directly or by forming strategic alliances with our competitor generic pharmaceutical companies or by granting them rights to sell "authorized generics". Moreover, brand companies continually seek new ways to delay the introduction of generic products and decrease the impact of generic competition, such as filing new patents on drugs whose original patent protection is about to expire, developing patented controlled-release products, change the dosage form or dosing regimen of the brand product prior to generic introduction while the generic applicant seeks to amend its ANDA dossier to match the changes in the brand product, changing product claims and product labeling, or developing and marketing as over-the-counter products those branded products that are about to face generic competition, or pricing the branded product at a discount equivalent to generic pricing.

Our competitors, which include major multinational corporations, are consolidating, and the strength of the combined companies could affect our competitive position in all of our business areas. Furthermore, if one of our competitors or their customers acquires any of our customers or suppliers, we may lose business from the customer or lose a supplier of a critical raw material.

In our generics business, to the extent that we succeed in being the first to market a generic version of a significant product, and particularly if we obtain the 180-day period of market exclusivity in the United States provided under the Hatch-Waxman Act of 1984, as amended, our sales and profit can be substantially increased in the period following the introduction of such product and prior to a competitor's introduction of the equivalent product or the launch of an authorized generic.

Prices of generic drugs typically decline, often dramatically, especially as additional generic pharmaceutical companies receive approvals and enter the market for a given product. Consequently, our ability to sustain our sales and profitability of any product over time is dependent on both the number of new competitors for such product and the timing of their approvals. In our Proprietary Products business, many of our competitors have greater experience than we do in clinical testing, human clinical trials, obtaining regulatory approvals and commercialization. They may be able to respond more quickly to new or emerging market preferences or to devote greater resources to the development of new products and/or technologies than we can. As a result, any products and/or innovations that we develop may become obsolete or non-competitive before we can recover the expenses incurred in connection with their development.

If competitors introduce new products or new variations on their existing products, our Proprietary Products, even those protected by patents, may experience substantial reductions in value.

In order to enhance our business, we frequently seek to acquire or make strategic investments in complementary businesses or products, or to enter into strategic partnerships or alliances with third parties. It is possible that we may not identify suitable acquisition, strategic investment or strategic partnership candidates, or if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us. We compete with others to acquire companies, and we believe that this competition has intensified and may result in decreased availability or increased prices for suitable acquisition candidates. Even after we identify acquisition candidates and/or announce that we plan to acquire a company, we may ultimately fail to consummate the acquisition. For example, we may be unable to obtain necessary regulatory approvals, including the approval of antitrust regulatory bodies. All acquisitions involve known and unknown risks that could adversely affect our future revenues and operating results.

The use of tender systems and other forms of price control could reduce prices for our products or reduce our market opportunities.

A number of markets in which we operate have implemented or may implement tender systems in an effort to lower prices. Under such tender systems, manufacturers submit bids which establish prices for generic pharmaceutical products. Upon winning the tender, the winning company will receive a preferential reimbursement for a period of time. The tender system often results in companies underbidding one another by proposing low pricing in order to win the tender.

For example, this has resulted in more than 90% of generic products currently sold in German retail “pharmacies” being supplied through contracts procured in competitive bidding tenders, thereby causing significant pressure on product margins.

Certain other countries may consider the implementation of a tender system or other forms of price controls. Even if a tender system is ultimately not implemented, the anticipation of such a system could result in price reductions. Failing to win tenders, or the implementation of similar systems or other forms of price controls in other markets leading to further price declines, could have a material adverse effect on our business, financial condition, results of operations, cash flows, and/or share price.

We have concentrations of sales to certain customers and consolidation among distributors and pharmaceutical companies could increase the concentration risk and also adversely impact our business prospects.

In the United States, similar to other pharmaceutical companies, we sell our products through wholesale distributors and large retail chains in addition to hospitals, pharmacies and other groups. During the year ended March 31, 2021, our ten largest customers accounted for approximately 81% of our North America Global Generics segment’s revenues, and two of these customers collectively represented approximately 15% of our total company revenues. Refer to Note 5 (under “Information about major customers”) of our consolidated financial statements for certain major customer details. Consolidation and integration of the drug wholesalers, retail drug chains, private insurers, managed care organizations and other purchasing organizations may continue to adversely affect pharmaceutical manufacturers. Such consolidations has resulted in these groups gaining additional purchasing leverage and, consequently, increasing the product pricing pressures facing our business. We expect this trend of increased pricing pressures to continue. Such pressures have reduced, and could continue to reduce, our revenue, margins and profitability. Additionally, the emergence of large buying groups representing independent retail pharmacies, and the prevalence and influence of managed care organizations and similar institutions, creates competition among pharmaceutical companies to have their products included in the formulary of those groups and enables those groups to extract price discounts on our products.

If we fail to comply with environmental laws and regulations, or face environmental litigation, our costs may increase or our revenues may decrease.

We may incur substantial costs complying with requirements of environmental laws and regulations. In addition, we may discover currently unknown environmental problems or conditions. In all countries where we have production facilities, we are subject to significant environmental laws and regulations that govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. In the normal course of our business, we are exposed to risks relating to possible releases of hazardous substances into the environment, which could cause environmental or property damage or personal injuries, and that could require remediation of contaminated soil and groundwater, which could cause us to incur substantial remediation costs that could adversely affect our consolidated financial position, results of operations or liquidity. Refer to Note 33 (“Contingencies - Environmental matters”) of our consolidated financial statements for further details on current environmental matters.

If any of our plants or the operations of such plants are shut down, it may severely hamper our ability to supply our customers and we may continue to incur costs in complying with regulations, appealing any decision to close our facilities, maintaining production at our existing facilities and continuing to pay labor and other costs, which may continue even if the facility is closed.

If we elect to sell a generic product prior to the final resolution of outstanding patent litigation, we could be subject to liabilities for damages.

At times we seek approval to market generic products before the expiration of patents for those products, based upon our belief that such patents are invalid, unenforceable, or would not be infringed by our products. As a result, we might be involved in patent litigation, the outcome of which could materially adversely affect our business. Based upon a complex analysis of a variety of legal and commercial factors, we may elect to market a generic product even though litigation is still pending. This could be before any court decision is rendered or while an appeal of a lower court decision is pending. To the extent we elect to proceed in this manner, if the final court decision is adverse to us, we could be required to cease the sale of the infringing products and face substantial liability for patent infringement. These damages may be significant as they may be measured by a royalty on our sales or by such damages as may be awarded by the court as a result of final litigation outcome. Refer to Note 33 (“Contingencies”) for further details on our current product and patent related litigations.

Because of the discount pricing typically involved with generic pharmaceutical products, patented brand products generally realize a significantly higher profit margin than generic pharmaceutical products. Furthermore, there may be risks involved in entering into in-licensing arrangements for products, which are often conditioned upon the licensee’s sharing in the patent-related risks.

For business reasons, we continue to examine such product opportunities (i.e., involving non-expired patents) going forward and this could result in patent litigation, the outcomes of which may have a material adverse effect on our results of operations, financial condition and cash flows.

Impairment charges or write downs in our books could have a significant adverse effect on our results of operations and financial results.

A substantial portion of the value of our assets pertains to various intangible assets and goodwill. The proportion of the intangible assets and goodwill to our total assets could increase significantly as we pursue various growth strategies. The value of these intangible assets and goodwill could be substantially impaired upon indications of impairment, with adverse effects on our financial condition and the value of our assets.

For example, during the year ended March 31, 2017, we acquired from Teva and an affiliate of Allergan plc a portfolio of eight ANDAs for our North American Generics business. The transaction, valued at U.S.\$350 million, represents the largest assets acquisition in our history. However, certain products forming part of the said portfolio were impaired during the years ended March 31, 2021 and 2020. Refer to Note 14 (“Other Intangible Assets”) of our consolidated financial statements for further details. Our results of operations may suffer if these products are not timely developed, approved or successfully commercialized.

Class action lawsuits could expose us to significant liabilities, result in negative publicity, harm our reputation and have a material adverse effect on the price of our ADSs.

Shareholders of a public company sometimes bring securities class action lawsuits against the company following periods of instability in the market price of that company’s securities. Refer to Note 33 (“Contingencies”) of our consolidated financial statements for details on our current securities class action lawsuits. As a public company grows in size, the risk of such litigations may increase. If we were to be sued in any such class action suit, irrespective of the merits of the underlying case, it could have adverse effects on us, including among other things: (a) a diversion of management’s time and attention and other resources from our business and operations, which could harm our results of operations; (b) negative publicity, which could harm our reputation and restrict our ability to raise capital in the future; (c) require us to incur significant expenses to defend the suit; and (d) if a claim against us is successful, we may be required to pay significant damages and, in certain circumstances, to indemnify our directors and officers if they are named as defendants in the class action suit. Any of the foregoing could, individually or in the aggregate, have a material adverse effect on our financial condition and results of operations and/or the price of our ADSs.

Reforms in the health care industry and the uncertainty associated with pharmaceutical pricing, reimbursement and related matters could adversely affect the marketing, pricing and demand for our products.

Our businesses are operating in an ever more challenging environment, with significant pressures on the pricing of our products and on our ability to obtain and maintain satisfactory rates of reimbursement for our products by governments, insurers and other payors.

For example, in the United States, Congress continues to consider drug pricing legislation that, if passed and signed into law, could impact companies’ ability to increase prices for prescription drugs, even in case of increase in our input costs, to maintain our margins. For instance, the U.S. Department of Health and Human Services and U.S. FDA’s Safe Importation Action Plan was announced in July 2019. Following this framework, the U.S. FDA proposed a draft rule in December 2019 that would allow importation of certain lower-cost prescription drugs from Canada, and in September 2020 the rulemaking was finalized by the U.S. FDA along with an industry guidance document.

Under the rule, states or certain other non-federal governmental entities would be able to submit importation program proposals to the U.S. FDA for review and authorization of two-year programs (with the opportunity to extend for two more years). The new rule became effective on November 30, 2020, although its implementation has been delayed and its impact is uncertain, in part because lawsuits have been filed challenging the government's authority to promulgate it. Certain states have also proposed measures that are designed to control the costs of pharmaceuticals for which they provide reimbursement.

The growth of overall healthcare costs as a percentage of gross domestic product in many countries means that governments and payors are under intense pressure to control healthcare spending even more tightly than in the past.

These pressures are particularly strong given the persistently weak economic and financial environment in many countries and the increasing demand for healthcare resulting from the aging of the global population and associated increases in non-communicable diseases. These pressures are further compounded by consolidation among distributors, retailers, private insurers, managed care organizations and other private payors, which can increase their negotiating power. In addition, these pressures are augmented by intense publicity regarding the pricing of pharmaceuticals by our competitors, as well as government investigations and legal proceedings regarding pharmaceutical pricing practices. Refer to Note 33 ("Contingencies") of our consolidated financial statements for current investigations and legal proceedings. In many countries in which we currently operate, pharmaceutical prices are increasingly subject to regulation.

Our products continue to be subject to increasing price and reimbursement pressure that can limit the revenues we earn from our products in many countries due to, among other things:

- the existence of government-imposed price controls, tender systems, mandatory discounts and rebates, and pricing transparency mandates;
- more governments using international reference pricing to set the price of drugs based on international comparisons (Refer to "Our Principal areas of Operations - Global Generic segment" in Item 4.A. below for details);
- increased difficulty in obtaining and maintaining satisfactory drug reimbursement rates;
- increase in cost containment policies related to health expenses in the context of economic slowdown;
- more demanding evaluation criteria applied by Health Technology Assessment ("HTA") agencies when considering whether to cover new drugs at a certain price level; and

We expect these efforts to continue as healthcare payors around the globe, in particular government-controlled health authorities, insurance companies and managed care organizations, step up initiatives to reduce the overall cost of healthcare.

If pharmaceutical companies are successful in limiting the use of generics through their legislative, regulatory and other efforts, sales of our generic products may be adversely impacted.

Many pharmaceutical companies increasingly have used state and federal legislative and regulatory means to delay or eliminate generic competition. These efforts have included:

- pursuing new patents for existing products that may be granted just before the expiration of earlier patents, which could extend patent protection for additional years or otherwise delay the launch of generics;
- selling the brand product as an authorized generic, either by the brand company directly or through a marketing partner;
- introducing "next-generation" products prior to the expiration of market exclusivity for the generic product, which often materially reduces the demand for the generic product for which we seek regulatory approval;
- obtaining extensions of market exclusivity by conducting clinical trials of brand drugs in pediatric populations;
- using the Citizen Petition process to request amendments to U.S. FDA standards on testing bio-equivalence;
- seeking changes to U.S. Pharmacopeia, an organization that publishes industry recognized compendia of drug standards;
- attaching patent extension amendments to non-related federal legislation;
- engaging in state-by-state initiatives to enact legislation that restricts the substitution of some generic drugs, which could have an impact on products that we are developing;
- seeking patents on methods of manufacturing certain active pharmaceutical ingredients;
- attempting to use the legislative and regulatory process to have drugs reclassified or rescheduled; and
- entering into agreements with pharmacy benefit management companies that have the effect of blocking the dispensing of generic products.

We may be susceptible to significant product liability claims that are not covered by insurance.

Our business inherently exposes us to potential product liability claims, and the severity and timing of such claims are unpredictable. Notwithstanding pre-clinical and clinical trials conducted during the development of potential products to determine the safety and efficacy of products for use by humans following approval by regulatory authorities, unanticipated side effects may become evident only when drugs are introduced into the marketplace. Due to this fact, our customers and participants in clinical trials may bring lawsuits against us for alleged product defects. In other instances, third parties may perform analyses of published clinical trial results which raise questions regarding the safety of pharmaceutical products, and which may be publicized by the media. Even if such reports are inaccurate or misleading, in whole or in part, they may nonetheless result in claims against us for alleged product defects.

Under the current regulatory scheme in the United States, branded drug manufacturers can independently update product labeling through the “changes being effected” (“CBE”) supplement process, but a generic manufacturer is only permitted to use the CBE process to update its label if the branded drug manufacturer changes its label first. This can prevent generic manufacturers from complying with state law warning requirements and, as a result, state product liability suits based on failure-to-warn and design defect claims against generics manufacturers have generally been determined to be preempted by Federal law.

However, emerging developments in various countries laws relating to the liability of generic pharmaceutical manufacturers for certain product liability claims could increase our exposure to litigation costs and damages. This potential exposure to lawsuits would also have increased the risk that, in the future, we would not be able to obtain the type and amount of insurance coverage we desire at an acceptable price. The risk of exposure to lawsuits is likely to increase as we develop our own new patented products, or limited competition/complex products, such as injectable vaccines or biosimilar products, in addition to making generic versions of drugs that have been in the market for some time. In addition, the existence or even threat of a major product liability claim could also damage our reputation and affect consumers’ views of our other products, thereby negatively affecting our business, financial condition and results of operations.

A relatively small group of products may represent a significant portion of our net revenues, gross profit or net earnings from time to time.

In certain markets, sales of a limited number of products may represent a significant portion of our net revenues, gross profit and net earnings. If the volume or pricing of such products declines in the future, our business, financial position and results of operations could be materially adversely affected.

Research and development efforts invested in our complex generics, differentiated formulations and biologics products may not achieve expected results.

Our business model focuses on building a pipeline in various therapies targeted at both emerging markets and more regulated markets. We must invest increasingly significant resources to develop complex generics, differentiated products and biosimilars, both through our own efforts and through collaborations, in-licensing and acquisition of products from or with third parties. In our Proprietary Products segment, our business model focuses on building a pipeline in the therapeutic areas of neurology and dermatology. In our biologic segment, our business model focuses on building a pipeline in various therapies targeted at both emerging markets and highly regulated markets. The development of complex generics, differentiated products and biosimilars involves processes and expertise significantly more complex, which increases the risks of failure. During each stage, we may encounter obstacles that delay the development process and increase expenses, leading to significant risks that we will not achieve our goals and may be forced to abandon a potential product in which we have invested substantial amounts of time and money.

These obstacles may include: preclinical failures; difficulty enrolling patients in clinical trials; delays in completing formulation and other work needed to support an application for registration; adverse reactions or other safety concerns arising during clinical testing; insufficient clinical trial data to support the safety or efficacy of the product candidate; and failure to obtain, or delays in obtaining, the required regulatory approvals for the product candidate or the facilities in which it is manufactured.

Because of the amount of capital required to be invested in augmenting our differentiated products and biosimilar pipeline, in some cases we are reliant on partnerships and joint ventures with third parties, and consequently face the risk that some of these third parties may fail to perform their obligations, or fail to reach the levels of success that we are relying on to meet our revenue and profit goals.

We are subject to data privacy and security laws and regulations in many different jurisdictions and countries where we do business, and our or our partners’ failure to comply could result in fines, penalties, reputational damage, and could impact the way we operate our business.

We are subject to laws and regulations governing the collection, use and transmission of health information, including personal data. As the legislative and regulatory landscape for data privacy and protection continues to evolve around the world, there has been an increasing focus on privacy and data protection issues that may affect our business.

For example, the European Union’s General Data Protection Regulation (“GDPR”) that became fully effective in May 2018, requires Companies to satisfy new requirements regarding the handling of personal and sensitive data and includes significant new penalties for non-compliance, with fines up to EUR 20 million or 4% of global turnover of the preceding fiscal year, whichever is higher.

Additionally, the California Consumer Privacy Act (“CCPA”) became effective on January 1, 2020, creating new individual privacy rights for California consumers and placing increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA requires covered companies to provide new disclosures to California consumers, provides such consumers new ways to opt-out of certain sales of personal information, and allows for a new cause of action for data breaches.

Other countries in which we do business have, or are developing, laws governing the collection, use and transmission of personal information as well that may affect our business or require us to adapt our technologies or practices. Some countries, including India, are considering legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements.

The European Data Protection Board (“EDPB”) has asserted that data protection laws do not cause any hindrance to the measures taken in the fight against the coronavirus pandemic, noting that the GDPR authorizes employers and health authorities to process personal data without consent in the context of epidemics.

Legal requirements relating to the collection, storage, handling, and transfer of personal information and personal data continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement, sanctions and increased costs of compliance.

These data protection laws and similar initiatives could increase the cost of developing, implementing or maintaining our information technology systems and require us to allocate more resources to compliance initiatives thereby increasing our costs.

In addition, a failure by us, or our third-party vendors, to comply with applicable data privacy and security laws could result in financial, legal, business, and reputational harm to us and could have a material adverse effect on the way we operate our business, our financial condition and results of operations.

Our Proprietary Products segment, particularly our Specialty businesses in the United States, faces intense competition from companies that are more entrenched than we are or have greater resources than ours.

Our risk profile for our Proprietary Products segment is lower than the comparable risk profile of companies working with completely novel entities. Nevertheless, the risk that the businesses in this segment face is higher than that of the generics business due to several factors outlined below.

Success in our Proprietary Products segment requires the ability to strategically differentiate our offerings from those of our competitors.

Even if we are able to successfully develop a differentiated version, the desired potential can only be unlocked if the partner is able to get favorable unrestricted reimbursement from payors (i.e., the managed care plan). Typically, a managed care plan relies on a committee comprised of physicians and other decision makers and influencers to decide which drugs will appear on its formulary. The randomized clinical trial data generated to obtain U.S. FDA approval will no longer be sufficient to gain a favorable access decision. Typically, all managed care plans attempt to aggressively direct their patients towards generic medicines due to their lack of belief in differentiation or overall cost improvement. Thus it is imperative for the specific product profile to satisfy the committee that there is sufficient evidence that the impact of the differentiation and/or incremental innovation of our products is significantly higher, in order to persuade them to list it on their respective formularies. Without these specific products attaining a reasonable position on the formulary of managed care plans, patients will not be able to obtain access to our products and physicians become less likely to prescribe the products.

Additionally, because the Specialty business of our Proprietary Products segment works primarily with known active molecules, there remains a risk that these products are easier to engineer around than products possessing composition of matter patents. Although we strive to create a robust intellectual property portfolio to protect these assets, the products in our U.S. Specialty business portfolio may nonetheless enjoy fewer years of exclusivity than traditional innovative products. This may cause a decline in the commercial value potential of the portfolio. Our results of operations may suffer if these products are not timely developed, approved or successfully commercialized.

GENERAL RISKS THAT ARE NOT SPECIFIC TO OUR COMPANY

If there is delay and/or failure in supplies of materials, services and finished goods from third parties or failure of finished goods from our key manufacturing sites, it may adversely affect our business and results of operations.

In some of our businesses, we rely on third parties for the timely supply of active pharmaceutical ingredients (“API”), specified raw materials, equipment, formulation or packaging services and maintenance services, and in some cases there could be a single source of supply.

Although, we actively manage these third party relationships to ensure continuity of supplies and services on time and to our required specifications, events beyond our control could result in the complete or partial failure of supplies and services or in supplies and services not being delivered on time.

In the event that we experience a shortage in our supply of raw materials, we might be unable to fulfill all of the API needs of our Global Generics segment, which could result in a loss of production capacity for this segment. Moreover, we may continue to be dependent on vendors, strategic partners and alliance partners for supplies of some of our existing products and new generic launches.

Any unanticipated capacity or supply related constraints affecting such vendors, strategic partners or alliance partners can adversely affect our business or results of operations. Our key generics manufacturing sites also may have capacity constraints and, at times, we may not be able to generate sufficient supplies of finished goods.

If we are unable to defend ourselves in patent challenges, we could be subject to injunctions preventing us from selling our products, or we could be subject to substantial liabilities that could adversely affect our profits. Further, our patent settlement agreements with the innovators may face government scrutiny, exposing us to significant damages.

There has been substantial patent related litigation in the pharmaceutical industry concerning the manufacture, use and sale of various products. In the normal course of business, we are regularly subject to lawsuits and the ultimate outcome of litigation could adversely affect our results of operations, financial condition and cash flow. Regardless of regulatory approval, lawsuits are periodically commenced against us with respect to alleged patent infringements by us, such suits often being triggered by our filing of an application for governmental approval, such as an ANDA or NDA.

The expense of any such litigation and the resulting disruption to our business, whether or not we are successful, could harm our business. The uncertainties inherent in patent litigation make it difficult for us to predict the outcome of any such litigation.

California recently passed the Preserving Access to Affordable Drugs (AB-824), legislation that could adversely impact our ability to settle patent litigations. The law, which took effect on January 1, 2020, creates a presumption that a patent settlement has anti-competitive effects, and thus violates California's state antitrust law, if it provides for the generic pharmaceutical company to receive “anything of value” from the branded pharmaceutical company and if the generic pharmaceutical company agrees to delay the launch of a generic product for any period of time. The law specifically identifies exclusive licenses and agreements by the branded pharmaceutical company “not to launch an authorized generic version” of its branded product as things of value that would trigger the presumption. Such presumption may make it more difficult to negotiate settlement agreements which are subject to this new law.

If we are unsuccessful in defending ourselves against these suits, we could be subject to injunctions preventing us from selling our products, resulting in a decrease in revenues, or to damages, which may be substantial. An injunction or substantial damages resulting from these suits could adversely affect our consolidated financial position, results of operations or liquidity.

Further, we have been involved in various litigations involving challenges to the validity or enforceability of registered patents and therefore settling such patent litigations has been and is likely to continue to be an important part of our business.

Parties to patent litigation settlement agreements in the United States, including us, are required by law to file them with the Federal Trade Commission (“FTC”) and the Antitrust Division of the Department of Justice for review. The FTC has publicly stated that, in its view, some of the brand-generic settlement agreements violate the antitrust laws and has brought actions against some brand and generic companies that have entered into such agreements. Accordingly, such settlement agreements may expose us to antitrust violation claims.

If we improperly handle any of the dangerous materials used in our business and accidents result, we could face significant liabilities that would lower our profits.

We handle dangerous materials including explosive, toxic and combustible materials. If improperly handled or subjected to the wrong conditions, these materials could hurt our employees, cause damage to our properties and harm the environment. Also, changes in business and operations in our plants, from new products or increased demand for existing products, can pose increased safety hazards. Such hazards need to be addressed through training, industrial hygiene assessments and other safety measures and, if not carried out, can lead to industrial accidents.

Any of the foregoing could subject us to significant litigation or adversely impact our other litigation matters then outstanding, which could lower our profits in the event we were found liable, and could also adversely impact our reputation.

In a worst case scenario, this could also result in a government forced shutdown of our manufacturing plants, which in turn could lead to product shortages that delay or prevent us from fulfilling our obligations to customers and would adversely affect our business and results of operations.

Counterfeit versions of our products could harm our patients and reputation.

Our industry has been increasingly challenged by the vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in a growing number of markets and over the Internet. Third parties may illegally distribute and sell counterfeit versions of our products, which do not meet the rigorous manufacturing and testing standards that our products undergo. Counterfeit products are frequently unsafe or ineffective, and can be potentially life-threatening.

Counterfeit medicines may contain harmful substances, the wrong dose of the API or no API at all. However, to distributors and patients, counterfeit products may be visually indistinguishable from the authentic version.

Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product, and harm the business of companies such as ours. Additionally, it is possible that adverse events caused by unsafe counterfeit products would mistakenly be attributed to the authentic product. In addition, there could be thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels.

There has been a trend of increased regulatory review of over-the-counter products for safety and efficacy questions, which could potentially affect our over-the-counter products business.

In recent years, significant questions have arisen regarding the safety, efficacy and potential for misuse of certain over-the-counter medicine products. Litigation, particularly in the United States, sometimes gives rise to these questions. As a result, health authorities around the world have begun to re-evaluate some important over-the-counter products, leading to restrictions on the sale of some of them and even the banning of certain products. Any bans or restrictions imposed by the government or regulatory agencies on some of our over-the-counter products would have an adverse effect on our sales and, thus, our overall profitability.

If we are unable to obtain robust patents or otherwise protect our intellectual property rights or proprietary information, or if we infringe on the intellectual property rights of others, our business may be materially and adversely impacted.

Our overall profitability depends, among other things, on our ability to continuously and timely introduce new generic as well as proprietary products. Our success in doing so depends, in large part, on two important factors:

- Our ability to obtain patents and to protect trade secrets and other intellectual property rights for our novel products. For our Proprietary Products business in particular, obtaining robust patents and the resultant market exclusivity is key. Our failure to adequately protect our intellectual property would allow competitors to market products similar to ours or impact our market leadership for our products. Such situations may materially and adversely impact our business.
- In addition, we need to ensure that our novel products do not infringe on the proprietary rights of others. Our competitors may have filed patent applications, or hold issued patents, relating to products or processes that compete with those we are developing, or their patents may impair our ability to successfully develop and commercialize new products. Our business may be materially and adversely impacted if we fail to identify such competing patents early on and are not able to develop a non-infringing strategy for such patents.

We have been successful in obtaining multiple patents claiming our innovative products and processes. Recently, we have filed several patent applications seeking to protect our newly developed technologies and products in various countries, including the United States, and we plan to continue making such filings. Any existing or future patents issued to or licensed by us may not provide us with any competitive advantages for our products or may even be challenged by competitors. In addition, sometimes such patent rights may not prevent our competitors from developing, using or commercializing products that are similar or functionally equivalent to our products.

We also rely on trade secrets, unpatented proprietary know-how and continuing technological innovation that we seek to protect, in part, by confidentiality agreements with licensees, suppliers, employees and consultants. It is possible that these agreements may be breached and we may not have adequate remedies for any such breach. Disputes may arise concerning the ownership of intellectual property or the applicability of the confidentiality or other relevant clauses of these agreements. Furthermore, our trade secrets and proprietary technology may otherwise become known to or be independently developed by our competitors. Therefore, despite all of our information security systems and practices, we may still not be able to ensure the confidentiality of information relating to such products, which may materially and adversely impact our business.

If we fail to maintain a supply of compliant, quality product, it may adversely affect our reputation and our business.

We may experience difficulties, delays and interruptions in the manufacturing and supply of our products for various reasons, including among other reasons:

- demand significantly in excess of forecast demand, which may lead to supply shortages (this is particularly challenging before the launch of a new product);
- supply chain disruptions, including those due to natural or man-made disasters at one of our facilities or at a critical supplier or vendor;
- delays in construction of new facilities or the expansion of existing facilities, including those intended to support future demand for our products (the complexities associated with biologics facilities, especially for drug substance, increases the probability of delay);
- the inability to supply products due to a product quality failure or regulatory agency compliance action such as license withdrawal, product recall or product seizure;
- other manufacturing or distribution problems, including changes in manufacturing production sites, limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, or physical limitations or other business interruptions that could impact continuous supply;
- the ongoing impact of the COVID-19 pandemic, and the restrictive measures to control the outbreak, on the supply chain, manufacturing and delivery logistics for our products, all as more fully discussed above (see “A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, and the resulting restrictive measures and economic impacts may materially and adversely impact our business and results of our operations”); and
- the difficulties inherent in the manufacture and sale of sterile products, including oncology products, which are technically complex to manufacture, and require sophisticated environmental controls. Because the production process for such products is so complex and sensitive, any production failures may lead to lengthy supply interruptions.

Any failure to comply with the complex reporting and payment obligations under the Medicare and Medicaid programs or other laws regulating marketing practices may result in litigation or sanctions and adversely impact our business.

The U.S. laws and regulations regarding Medicare and/or Medicaid reimbursement and rebates and other governmental programs are complex. Some of the applicable laws may impose liability even in the absence of a specific intent to defraud. The subjective decisions and complex methodologies used in making calculations under these programs are subject to review and challenge, and it is possible that such reviews could result in material changes in the calculation outcomes.

The Patient Protection and Affordable Care Act, as amended, continues to face uncertainty due to administrative efforts to repeal, substantially modify or invalidate some or all of its provisions, as well as challenges to its constitutionality. In addition, government authorities have significant leverage to persuade pharmaceutical companies to enter into corporate integrity agreements, which can be expensive and disruptive to operations.

If any of the above queries and/or investigations were to result in a lawsuit that was determined adversely to us or in a large cash settlement, it could require us to pay significant amounts.

Fluctuations in exchange rates and interest rate movements may adversely affect our business and results of operations.

A significant portion of our revenues are in currencies other than the Indian rupee, especially in the U.S. dollar, the Euro, the Russian rouble, and the U.K. pound sterling, while a significant portion of our costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these other currencies, our revenues measured in Indian rupees may decrease and our financial performance may be adversely impacted.

Further, we may also be exposed to credit risks in some of the emerging markets from our customers on account of adverse economic conditions.

We use derivative financial instruments to manage interest rate fluctuations and some of our net exposure to currency exchange rate fluctuations in certain key foreign currencies.

A significant portion of our borrowing costs are linked to U.S. dollar London Interbank Offered Rate (“LIBOR”), and hence any increase in U.S. dollar LIBOR adversely impacts our financial performance.

In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist. As such, depending on the future of LIBOR, a comparable or successor reference rate as determined under our credit agreements may apply, or we may need to renegotiate certain terms of our credit agreements to replace U.S. dollar LIBOR with a new standard. In either case, our interest rates and interest expense could increase, which could adversely affect our financial condition, operating results and cash flows.

Risks from disruption to production, supply chain or operations from natural disasters could adversely affect our business and operations and cause our revenues to decline.

If flooding, droughts, earthquakes, volcanic eruptions or other natural disasters were to directly damage, destroy or disrupt our manufacturing facilities, it could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would negatively impact our business. A significant portion of our manufacturing facilities are situated around Hyderabad and Vishakhapatnam, India, regions that have experienced earthquakes, floods and droughts in the past. Even if we take precautions to provide back-up support in the event of such a natural disaster, the disaster may nonetheless affect our facilities, harming production and ultimately our business. And, even if our manufacturing facilities are not directly damaged, a large natural disaster may result in disruptions in distribution channels or supply chains. The impact of such occurrences depends on the specific geographic circumstances but could be significant.

Changes in tax regulations of the countries we operate in may increase our tax liabilities and thus adversely affect our financial results.

Currently, we are entitled to various tax benefits and exemptions under Indian tax laws, such as tax benefits on research and development spending and exemptions applicable to income derived from manufacturing facilities located in certain tax exempted zones. Any changes in these laws or their application may increase our tax liability and thus adversely affect our financial results.

India's Finance Act, 2016 amended the test of residence for foreign companies. While a non-resident company is generally taxed only on its Indian sourced income, a resident company is taxed on its global income. Under the amended rule, a company not formed under the laws of India would be considered a resident in India if its place of effective management in the previous year was in India.

The term "place of effective management" (or "PoEM") has been defined to mean a place where key management operates and commercial decisions that are necessary for the conduct of the business of an entity as a whole are in substance made.

Changes in tax regimes in India and other countries in which we have significant operations, could result in a material impact on our cash tax liabilities and tax charges, resulting in either an increase or a reduction in financial results depending upon the nature of the change.

We operate in jurisdictions that impose transfer pricing and other tax-related regulations on our intercompany arrangements, and any failure to comply could materially and adversely affect our profitability.

We are required to comply with various transfer pricing regulations in India and other countries. Failure to comply with such regulations may impact our effective tax rates and consequently affect our net margins. Additionally, we operate in numerous countries and our failure to comply with the local and municipal tax regimes may result in additional taxes, penalties and enforcement actions from such authorities.

Although our intercompany arrangements are based on accepted tax standards, tax authorities in various jurisdictions may disagree with and subsequently challenge the amount of profits taxed in such jurisdictions, which may increase our tax liabilities and could have a material adverse effect on the results of our operations. Further, the base erosion and profit shifting ("BEPS") project undertaken by the Organization for Economic Cooperation and Development ("OECD") contemplates changes to numerous international tax principles. Various countries have incorporated such tax principles into their domestic legislations by way of enactment. These enactments are significant in nature and require compliance on a regular basis. Although we will continue to adhere to such compliance, significant uncertainties remain as to the outcome of these efforts.

A slowdown in economic growth in India may adversely affect our business and results of operations.

Our performance and the quality and growth of our business are necessarily dependent on the health of the overall Indian economy. The Indian economy has grown significantly over the past few years. Any future slowdown in the Indian economy could harm us, our customers and other contractual counterparties. In addition, the Indian economy is in a state of transition. The share of the services sector of the Indian economy is rising while that of the industrial, manufacturing and agricultural sector is declining. It is difficult to gauge the impact of these fundamental economic changes on our business.

If wage costs or inflation rise in India, it may adversely affect our competitive advantages over higher cost countries and our profits may decline.

Wage costs in India have historically been significantly lower than wage costs in developed countries and have been one of our competitive strengths. However, wage increases in India may increase our costs, reduce our profit margins and adversely affect our business and results of operations.

Due to various macro-economic factors, the rate of inflation has recently been volatile in India. If the inflation rises, we may not be able to pass these inflationary costs on to our customers by increasing the price we charge for our products.

Stringent labor laws may adversely affect our ability to have flexible human resource policies; labor union problems could negatively affect our production capacity and overall profitability.

Labor laws may restrict our ability to have human resource policies that would allow us to react swiftly to the needs of our business. As of March 31, 2021, approximately 3.4% of our employees belonged to a number of different labor unions. If we experience problems with our labor unions that may adversely affect our production capacity and our overall results and operations.

In 2019, the Ministry of Labour and Employment in India introduced 4 bills to consolidate 29 central laws regulating: (i) wages, (ii) industrial relations, (iii) social security, and (iv) occupational safety, health and working conditions. The Government of India replaced these bills with new ones on September 19, 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. We will assess the impact of this Code and the rules thereunder when they come into effect.

Increasing use of social media could give rise to liability or breaches of data security.

We and our business associates are increasingly relying on social media and mobile tools as a means of communications. To the extent that we seek as a company to use these tools as a means to communicate about our products or about the diseases our products are intended to treat, there are significant uncertainties as to either the rules that apply to such communications, or as to the interpretations that health authorities will apply to the rules that exist. As a result, despite our efforts to comply with applicable rules, there is a significant risk that our use of social media and mobile tools for such purposes may cause us to nonetheless be found in violation of them. In addition, because of the universal availability of social media tools, our associates or third parties may make use of them in ways that may not be sanctioned by us, and that may give rise to liability, or that could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, clinical trial patients, customers and others. Such uses of social media could have a material adverse effect on our business, financial condition and results of operations.

Social media posts could also contain information purported to be disclosed by us that is false or otherwise damaging, which could have a material adverse effect on our reputation and the price of our equity shares and ADSs.

Increasing scrutiny and changing expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks.

Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social and governance ("ESG") practices.

Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, supply chain management, diversity and human rights.

We are subject to various laws and regulations concerning, among other things, the environment, climate change, regulation of chemicals, employee safety and product safety. These requirements include regulation of the handling, manufacture, transportation, storage, use and disposal of materials, including the discharge of regulated materials and pollutants into the environment.

In the normal course of our business, our operations are also exposed to risks relating to (i) increased severity of extreme weather events, such as cyclones and floods; (ii) regulatory changes which can require us to transition to newer forms of energy sources like renewable energy; and (iii) increased water scarcity and water stress, apart from water contamination. Failure to adapt to or comply with regulatory requirements, or investor or stakeholder ESG expectations and standards, could negatively impact our reputation or harm our business.

Opposition to free trade agreements and changes in trade policies of countries in which we operate could adversely affect the pricing and demand for our products.

Opposition to free trade agreements was an important component of the campaign platform of the new U.S. administration, and there are ongoing efforts to achieve that goal. For example, the United States withdrew from the Trans-Pacific Partnership (“TPP”) free trade agreement and recently announced that it will end preferential trade treatment for India, currently being extended under its Generalized System of Preferences (“GSP”). In the current scheme, there might not be any direct impact on U.S. imports of pharmaceutical products due to this withdrawal. However, any such changes in free trade agreements could, among other things, interfere with free trade in goods, impose additional customs duties or tariffs, increase the costs and difficulties of international transactions and potentially disturb the international flow of goods and, in particular, trade between the United States and other countries, and thus may have an adverse effect on our financial performance.

Any new tariffs or other changes in U.S. trade policy could trigger retaliatory actions by affected countries, potentially escalating and resulting in “trade wars”. For example, in March and April 2018, the U.S. government announced new tariffs on steel and aluminum from China, as well as more than 1,300 other Chinese exports. In response, the Chinese government announced that it would enact retaliatory tariffs on more than 100 American products. Trade policy changes or internal policy changes such as these can result in increased costs for goods, which may reduce customer demand for these products if the parties having to pay those tariffs increase their prices, or in increased costs to trading partners. If these consequences are realized, they may materially and adversely affect our sales and our business.

Our success depends on our ability to retain and attract qualified personnel and, if we are not able to retain them or recruit additional qualified personnel, we may be unable to successfully develop our business.

We are highly dependent on the principal members of our management and scientific staff, the loss of whose services might significantly delay or prevent the achievement of our business or scientific objectives. In India, it is not our practice to enter into employment agreements with our executive officers and key employees that are as extensive as are generally used in the United States, and each of those executive officers and key employees may terminate their employment upon notice and without cause or good reason. Currently, we are not aware of any executive officer’s or key employee’s departure that has had, or planned departure that is expected to have, any material impact on our operations. Competition among pharmaceutical companies for qualified employees is intense, and the ability to retain and attract qualified individuals is critical to our success. There can be no assurance that we will be able to retain and attract such individuals currently or in the future on acceptable terms, or at all, and the failure to do so would have a material adverse effect on our business, financial condition and results of operations. In addition, we do not maintain “key person” life insurance on any officer, employee or consultant.

Since a large part of our business centers around the United States, changes to the U.S. immigration laws could make it more difficult to obtain non-immigrant work authorizations in the United States. There have been and will continue to be calls for extensive changes to U.S. immigration laws regarding the admission of highly-skilled temporary and permanent workers.

There are some legislative proposals which, if passed and signed into law, could add further costs and/or restrictions to some of the high-skilled temporary worker categories and, in turn, our cost of doing business in the United States may increase. This could have a material and adverse effect on our business, revenues and operating results.

We have operations in certain countries susceptible to political and economic instability that could lead to disruption or other adverse impact on such operations.

We expect to derive an increasing portion of our sales from regions such as China, Latin America, Russia and other countries of the former Soviet Union, Central Europe, Eastern Europe and South Africa, all of which may be more susceptible to political and economic instability.

We monitor significant political, legal, regulatory and economic developments in these regions and attempt to mitigate our exposure where possible. However, mitigation is not always possible, and our international operations could be adversely affected by political, legal, regulatory and economic developments, such as changes in capital and exchange controls; expropriation and other restrictive government actions; intellectual property protection and remedy laws; trade regulations; procedures and actions affecting approval, production, pricing and marketing of, reimbursement for and access to our products; and intergovernmental disputes, including embargoes and/or military hostilities.

Significant portions of our manufacturing operations are conducted outside the markets in which our products are sold, and accordingly we often import a substantial number of products into such markets. We may, therefore, be denied access to our customers or suppliers or denied the ability to ship products from any of our sites as a result of closing of the borders of the countries in which we sell our products, or in which our operations are located, due to economic, legislative, political and military conditions, including hostilities and acts of terror, in such countries.

While it is not possible to predict the economic impact and the magnitude of the ongoing coronavirus pandemic and the restrictive measures to control the outbreak, it could significantly impact our business operations and supply chain. See “A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, and the resulting restrictive measures and economic impacts may materially and adversely impact our business and results of our operations” above.

Current economic conditions may adversely affect our industry, financial position and results of operations.

In recent years, the global economy has experienced volatility and an unfavorable economic environment, and these trends may continue in the future. Reduced consumer spending, reduced funding for national social security systems or shifting concentrations of payors and their preferences, may force our competitors and us to reduce prices. The growth of our business may be negatively affected by high unemployment levels and increases in co-pays, which may lead some patients to delay treatments, skip doses or use less effective treatments to reduce their costs.

We have exposure to many different industries and counterparties, including our partners under our alliance, research and promotional services agreements, suppliers of raw materials, drug wholesalers and other customers, who may be unstable or may become unstable in the current economic environment. We run the risk of delayed payments or even non-payment by our customers, which consist principally of wholesalers, distributors, pharmacies, hospitals, clinics and government agencies.

Significant changes and volatility in the consumer environment and in the competitive landscape may make it increasingly difficult for us to predict our future revenues and earnings.

Uncertainty and volatility in relation to the U.K.'s planned exit from the EU

On June 23, 2016, the United Kingdom ("U.K.") held a remain-or-leave referendum on its membership within the European Union ("EU"), the outcome of which was a decision for the U.K. to exit from the EU (the "Brexit").

The U.K. formally withdrew from the EU on January 31, 2020 with status quo arrangements through a transition period. The transition period began on February 1, 2020 and ended December 31, 2020.

During the Withdrawal Agreement negotiations, both the United Kingdom and the EU recognised the necessity of safeguarding the 1998 Good Friday (Belfast) Agreement, avoiding a hard border on the island of Ireland and protecting North-South cooperation, while ensuring the integrity of the EU's Single Market for goods, along with all the guarantees it offers in terms of consumer protection, public and animal health protection, and combatting fraud and trafficking. In other words, it essentially keeps Northern Ireland (NI) inside the EU, and checks and controls need to be imposed on goods moving from Great-Britain (GB) to NI.

On December 24, 2020, the U.K. Government and European Commission agreed the terms of a Trade and Cooperation Agreement which sets out the relationship between the U.K. and the EU following the end of the transition period. The agreement comprises a Free Trade Agreement, rules on governance and dispute resolution and, security cooperation. The Free Trade Agreement provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin; maintains a level playing field in areas such as environmental protection, social and labor rights, tax transparency and state aid, with enforcement and a binding dispute settlement mechanism and maintains air, road, rail and maritime connectivity but with new customs and passport checks and limitations on haulage operations. In April 2021, European lawmakers ratified the agreement.

The Trade and Cooperation Agreement is comprehensive, but does not cover all areas of regulation pertinent to the pharmaceutical industry, so certain complexities remain. This finalization of the long-term relationship between the United Kingdom and the European Union will dictate how the European Union will be impacted and may result in an impact on our business operations in Europe.

In November 2020, the European Commission published a "Pharmaceutical strategy for Europe," which sets out a suite of policies that will shape the future European regulatory environment. These wide-ranging policies represent a multi-year program aimed, through review and revision of existing legislation, to provide a flexible regulatory system that, amongst other things, will lead to accelerated availability of medicines and promote sustainability of that system.

The situation could potentially result in changes to intellectual property rights, regulatory approval requirements and pharmaceutical regulations, or increased cost and burdens arising from other new or diverging rules and regulations, any of which may have an adverse impact on our operations. As the process evolves, we will continue to assess its impact on us.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes Oxley Act of 2002, new SEC regulations, New York Stock Exchange rules, NSE IFSC Exchange's listing and corporate governance rules and requirements, provisions of India's Companies Act 2013, Securities and Exchange Board of India rules and Indian stock market listing regulations, create uncertainty for our company. These new or changed laws, regulations and standards may sometimes lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue.

In addition, the new laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer, and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws or regulations and standards differ, our business and reputation may be harmed.

If the world economy is affected due to acts of terrorism, wars or epidemics, it may adversely affect our business and results of operations.

Several areas of the world, including India, have experienced terrorist acts and retaliatory operations in recent years. Local disturbances, terrorist attacks, riots, social disruption, wars, or regional hostilities in the countries in which we or our partners and suppliers operate could affect the economy, our operations and employees by disrupting operations and communications, making travel and the conduct of our business more difficult, and/or causing our customers to be concerned about our ability to meet their needs. If the economy of any of our key markets (including but not limited to the United States, the United Kingdom, Germany, India, China and Russia) is affected by such acts, our business and results of operations may be adversely affected as a consequence.

Epidemics and other public health crises, such as the ongoing novel coronavirus (COVID-19) and the restrictive measures to control the outbreak, could significantly impact our business operations and supply chain. See “A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, and the resulting restrictive measures and economic impacts may materially and adversely impact our business and results of our operations” above.

From time to time we enter new markets, and face risks arising out of our limited knowledge of the market and the customs, laws and regulatory systems that may apply.

From time to time we enter new markets in which we have limited knowledge of the market and the customs, laws, regulatory, political and social systems that may apply. Our success in these new markets is dependent upon the acceptability of our product and brand, the ease of doing business in such market and various other social and economic factors that may be specific to such market. Further, limitations by the local authorities of repatriation of generated funds may pose a risk to our success in these new markets. Our sales and profit margins may be adversely affected if we fail to provide competitive options in the market or our brands fail to gain acceptability in the market.

RISKS RELATING TO INVESTMENTS IN INDIAN COMPANIES

We are an Indian company. Our headquarters are located in India, a substantial part of our operations are conducted in India and a significant part of our infrastructure and other assets are located in India. In addition, a portion of our total revenues for the year ended March 31, 2021 continued to be derived from sales in India. As a result, the following additional risk factors apply that are not specific to our company or industry.

We may be subjected to additional compliance and litigation risks as a result of periodic amendments in certain key Indian regulations, including The Indian Companies Act, 2013 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Foreign Exchange Management Act, 1999.

As a company that is incorporated in India, we are governed by certain key Indian rules and regulations, including the Indian Companies Act, 1956, as amended, and The Companies Act, 2012. Some of the significant changes from The Companies Act, 2012 were in the areas of board and governance processes, boardroom responsibilities, disclosures, corporate social responsibility, audit matters, initiation of class action suits by shareholders or depositors, fraud reporting and whistle-blower mechanisms.

In addition, the Securities and Exchange Board of India (“SEBI”) issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) which replaced the former Listing Agreement, that must be followed by all listed Indian public companies. These Listing Regulations were intended to consolidate and streamline the provisions of the existing listing agreements for different segments of the capital markets (e.g., equity securities, debt securities, Indian depository receipts, etc.). The Listing Regulations have thus been structured to provide ease of reference by consolidating into one single document across various types of securities listed on the stock exchanges.

Key features of the Listing Regulations include:

- A framework has been prescribed for disclosure of material events and information by listed entities to the Indian stock exchanges. Certain events mentioned in the regulations are deemed material and disclosure is mandatory. Certain events are to be disclosed based on application of the guidelines for materiality as prescribed. The Board of Directors is required to frame a policy for determination of materiality and disclose the same on the website of the company.
- Entities are required to frame policies on preservation of documents, determination of material subsidiaries, risk management, code of conduct, remuneration of directors, key managerial personnel and other employees, board diversity, materiality of related party transactions and dealing with related party transactions and criteria for evaluation of directors.

However, certain provisions of the Companies Act, 2013 and the new Listing Regulations provisions are subject to varying interpretations and their application in practice may evolve over time as additional guidance is provided by regulatory and governing bodies. Further, the Companies Act, 2013, the rules made thereunder and the new Listing Regulations have been and are being amended from time to time.

These amendments relate to, among other things, governance, related party transactions, financial reporting, audits and auditors, disclosures and other board and shareholders related matters. All of the foregoing may collectively result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions.

RISKS RELATING TO OUR ADSs THAT ARE NOT SPECIFIC TO OUR COMPANY OR INDUSTRY

Our principal shareholders have significant control over us and, if they take actions that are not in the best interests of our minority shareholders, the value of their investment in our ADSs may be harmed.

Our full time directors and members of their immediate families, in the aggregate, beneficially owned 26.74% of our issued shares as of March 31, 2021. As a result, these people, acting in concert, are likely to have the ability to exercise significant control over most matters requiring approval by our shareholders, including the election and removal of directors and significant corporate transactions. This significant control by these directors and their family members could delay, defer or prevent a change in control, impede a merger, consolidation, takeover or other business combination involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us. As a result, the value of the equity shares and/or ADSs of our minority shareholders may be adversely affected or our minority shareholders might be deprived of a potential opportunity to sell their equity shares and/or ADSs at a premium.

The market price of our ADSs may be volatile, and the value of your investment could materially decline.

Investors who hold our ADSs may not be able to sell their ADSs at or above the price at which they purchased such ADSs. The price of our ADSs fluctuate from time to time, and we cannot predict the price of our ADSs at any given time. The risk factors described herein could cause the price of our ADSs to fluctuate materially.

In addition, the stock market in general, including the market for generic and specialty pharmaceutical companies, has experienced price and volume fluctuations. These broad market and industry factors may materially harm the market price of our ADSs, regardless of our operating performance. In addition, the price of our ADSs may be affected by the valuations and recommendations of the analysts who cover us, and if our results do not meet the analysts' forecasts and expectations, the price of our ADSs could decline as a result of analysts lowering their valuations and recommendations or otherwise.

Fluctuations in our quarterly revenues, operating results and cash flows may adversely affect the trading price of our shares and ADSs.

Our quarterly revenues, operating results and cash flows have fluctuated significantly in the past and may fluctuate substantially from quarter to quarter in the future. Such fluctuations result from a variety of factors, including but not limited to changes in demand for our products, timing of regulatory approvals and of launches of new products by us and our competitors (particularly where we obtain the 180-day period of market exclusivity in the United States provided under the Hatch-Waxman Act of 1984), timing of our retailers' promotional programs and successful development and commercialization of limited competition and complex products. Such fluctuations may result in volatility in the price of our equity shares and our ADSs. In such an event, the trading price of our shares and ADSs may be adversely affected.

Negative media coverage and public scrutiny may adversely affect the prices of our equity shares and ADSs.

Media coverage, including social media coverage such as blogs, of us has increased dramatically over the past several years. Any negative media coverage, regardless of the accuracy of such reporting, may have an adverse impact on our reputation and investor confidence, resulting in a decline in the share price of our equity shares and our ADSs.

Indian law imposes certain restrictions that limit a holder's ability to transfer the equity shares obtained upon conversion of ADSs and repatriate the proceeds of such transfer, which may cause our ADSs to trade at a premium or discount to the market price of our equity shares.

Under certain circumstances, the Reserve Bank of India must approve the sale of equity shares underlying ADSs by a non-resident of India to a resident of India. The Reserve Bank of India has given general permission to effect sales of existing shares or convertible debentures of an Indian company by a resident to a non-resident, subject to certain conditions, including the price at which the shares must be sold. Additionally, except under certain limited circumstances, if an investor seeks to convert the Indian rupee proceeds from sale of equity shares in India into foreign currency and then repatriate that foreign currency from India, he or she will have to obtain an additional approval from the Reserve Bank of India for each such transaction. Required approval from the Reserve Bank of India or any other government agency may not be obtained on terms favorable to a non-resident investor or at all.

Investors who exchange our ADSs for our underlying equity shares may be subject to the provisions of the Companies Act, 2013 and to the disclosure obligations that may be necessary pursuant to the deposit agreement with our applicable depository. The Companies Act, 2013 requires that, where the registered owner of shares does not hold the beneficial interest in such shares, both the registered owner and the beneficial owner of such equity shares are required to disclose to the company the nature of their interest, particulars of the registered owner and certain other details.

There are limits and conditions to the deposit of shares into the ADS facility.

Indian legal restrictions may limit the supply of our ADSs. The only way to add to the supply of our ADSs will be through a primary issuance because the depository is not permitted to accept deposits of our outstanding shares and issue ADSs representing those shares. However, an investor in our ADSs who surrenders an ADS and withdraws our shares will be permitted to re-deposit those shares in the depository facility in exchange for our ADSs. In addition, an investor who has purchased our shares in the Indian market will be able to deposit them in the ADS program, but only in a number that does not exceed the number of underlying shares that have been withdrawn from and not re-deposited into the depository facility. Moreover, there are restrictions on foreign institutional ownership of our equity shares as opposed to our ADSs.

The global pandemic, persistently weak global economic and financial environment in many other countries, particularly emerging market countries, and increasing political and social instability could have a material adverse effect on our business and the price and liquidity of our shares and our ADSs.

Many of the world's largest economies and financial institutions continue to be impacted by the ongoing global pandemic, a weak ongoing global economic and financial environment, with some continuing to face financial difficulty, liquidity problems and limited availability of credit. It is uncertain how long these effects will last, or whether economic and financial trends will worsen or improve. In addition, these issues may be further impacted by the lockdown restrictions, difficult conditions existing in parts of the Middle East, anti-immigrant activities, social unrest and fears of terrorism that have followed in many countries.

If U.S. investors in our ADSs are unable to exercise preemptive rights available to our non-U.S. shareholders due to the registration requirements of U.S. securities laws, the investment of such U.S. investors in our ADSs may be diluted.

A company incorporated in India must offer its holders of shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any shares, unless these rights have been waived by at least 75% of its shareholders present and voting at a shareholders' general meeting.

U.S. investors in our ADSs may be unable to exercise preemptive rights for the shares underlying our ADSs unless a registration statement under the Securities Act of 1933 is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with a registration statement as well as the perceived benefits of enabling U.S. investors in our ADSs to exercise their preemptive rights and any other factors we consider appropriate at the time. We might choose not to file a registration statement under these circumstances. If we issue any of these securities in the future, such securities may be issued to the depository, which may sell them in the securities markets in India for the benefit of the investors in our ADSs.

There can be no assurances as to the value, if any, the depository would receive upon the sale of these securities. To the extent that U.S. investors in our ADSs are unable to exercise preemptive rights, their proportional interests in us would be reduced.

Our equity shares and our ADSs may be subject to market price volatility, and the market price of our equity shares and ADSs may decline disproportionately in response to adverse developments that are unrelated to our operating performance.

Market prices for the securities of Indian pharmaceutical companies, including our own, have historically been highly volatile, and the market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies.

Factors such as the following can have an adverse effect on the market price of our ADSs and equity shares:

- general market conditions,
- speculative trading in our shares and ADSs, and
- developments relating to our peer companies in the pharmaceutical industry.

There may be less company information available in Indian securities markets than securities markets in developed countries.

We are incorporated in India, and there are certain differences in the rights and protections of shareholders under the laws of India as compared to the laws of the United States and other developed economies.

For example, there is a difference between the level of regulation and monitoring of the Indian securities markets over the activities of investors, brokers and other participants, as compared to the level of regulation and monitoring of markets in such other countries. The Securities and Exchange Board of India is responsible for improving disclosure and other regulatory standards for the Indian securities markets. The Securities and Exchange Board of India has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed countries, which could affect the market for our equity shares and ADSs.

Indian stock exchange closures, broker defaults, settlement delays, and Indian Government regulations on stock market operations could affect the market price and liquidity of our equity shares.

The Indian securities markets are smaller than the securities markets in the United States and Europe and have experienced volatility from time to time. The regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants differ, in some cases significantly, from those in the United States and some European countries. Indian stock exchanges have at times experienced problems, including temporary exchange closures, broker defaults and settlement delays and if similar problems were to recur, they could affect the market price and liquidity of the securities of Indian companies, including our shares. Furthermore, any change in Indian Government regulations of stock markets could affect the market price and liquidity of our equity shares and ADSs.

Sale of our equity shares may adversely affect the prices of our equity shares and ADSs.

The Government of India's Depository Receipts Scheme, 2014, permits liberalized rules for sponsored and unsponsored secondary market issue of depository receipts, subject to the existing sectorial cap on foreign investment. Under the regulations implemented, an Indian company's equity shares can be freely issued to a depository for the purpose of issuing depository receipts through any mode permissible for the issue of such securities to other investors. This enables us to more readily issue shares to the depository for our ADSs and conduct U.S. securities issuances of our ADSs, which may impact the share price and available float in Indian stock exchanges as well as the price and availability of our ADSs on the NYSE. Refer to Item 10.D. "Exchange controls – ADS guidelines" for further details.

Further, the SEBI introduced a detailed framework for issuance of Depository Receipts ("DRs") by a company incorporated and listed on a recognized stock exchange in India pursuant to its circular dated October 10, 2019. The framework inter alia sets out eligibility requirements, permissible jurisdictions, international exchanges, and permissible holder of DRs, as well as certain other obligations to be complied with by issuers of DRs, the Indian depository, the foreign depository and the domestic custodian. Further, pursuant to its circular dated November 28, 2019 and December 18, 2020, the SEBI gave notice of the permissible jurisdictions for listing of DRs and amended the scope and process for permissible holders of DRs, respectively.

ITEM 4. INFORMATION ON THE COMPANY

4.A. History and development of the company

Dr. Reddy's Laboratories Limited was incorporated in India under the Companies Act, 1956, by its promoter and our former Chairman, the late Dr. K. Anji Reddy, as a Private Limited Company on February 24, 1984. We were converted to a Public Limited Company on December 6, 1985 and listed on the BSE Limited (formerly known as the Bombay Stock Exchange Limited), the National Stock Exchange of India Limited and certain other Indian stock exchanges in August 1986, and on the New York Stock Exchange on April 11, 2001. We also listed on the NSE IFSC Limited, a stock exchange in the International Financial Services Centre in Gujarat, India, on December 9, 2020. We are registered with the Registrar of Companies, Hyderabad, Telangana, India as Company Identification No. L85195TG1984PLC004507. Our registered office is situated at 8-2-337, Road No. 3, Banjara Hills, Hyderabad, Telangana 500 034, India and the telephone number of our registered office is +91-40-49002900. The name and address of our registered agent in the United States is Dr. Reddy's Laboratories, Inc., 107 College Road East, Princeton, New Jersey 08540. Our main corporate website address is <https://www.drreddys.com>.

The SEC maintains an Internet website (at www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. This annual report on Form 20-F and other information filed by us with or furnished by us to the SEC can be accessed via such website. Certain (but not all) of such materials are also available on our website, at www.drreddys.com, as soon as reasonably practicable after having been electronically filed with or furnished to the SEC. Information contained in our website, www.drreddys.com, is not part of this annual report on Form 20-F and no portion of such information is incorporated herein or any other materials filed with or furnished to the SEC.

Key business developments:

Business Transfer Agreement with Wockhardt Limited

On June 10, 2020, we completed the acquisition of select divisions of Wockhardt Limited's branded generics business in India and the territories of Nepal, Sri Lanka, Bhutan and Maldives. The fair value of consideration transferred was Rs.16,115 million.

Refer to Note 6 of our consolidated financial statements for further details.

Definitive agreement with Glenmark Pharmaceuticals Limited

During the year ended March 31, 2021, we entered into a definitive agreement with Glenmark Pharmaceuticals Limited to acquire marketing authorizations and other rights of select brands in four "Emerging Markets" countries for a total consideration of Rs.1,516 million.

Refer to Note 14 of our consolidated financial statements for further details.

Principal capital expenditures:

During the years ended March 31, 2021, 2020 and 2019, we invested Rs.12,476 million, Rs.5,725 million and Rs.8,376 million (net of sales of capital assets), respectively, in capital expenditures for manufacturing, research and development facilities and other assets.

In addition, during the year ended March 31, 2021, we made payment in connection with our acquisition of certain business assets from Wockhardt Limited for Rs.15,514 million. Refer to Note 6 of our consolidated financial statements for further details.

We believe that these investments will create the capacity to support our strategic growth agenda. As of March 31, 2021, we also had contractual commitments of Rs.9,841 million for capital expenditures. We currently intend to finance our additional capital expansion plans entirely through our operating cash flows and through cash and other investments.

4.B. Business overview

Established in 1984, we are an integrated global pharmaceutical company committed to accelerating access to affordable and innovative medicines. Our reportable operating segments are as follows:

- Global Generics;
- Pharmaceutical Services and Active Ingredients ("PSAI");
- Proprietary Products; and
- Others.

Global Generics. This segment consists of our 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 our biologics business.

Pharmaceutical Services and Active Ingredients. This segment primarily consists of our 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 our 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 our business that focuses on the research and development of differentiated formulations. The segment is expected to earn revenues arising out of monetization of such assets and subsequent royalties, if any.

Others. This segment consists of the operations of our 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 customized models of drug-discovery collaborations.

Our key markets include the United States, India, Russia and other countries of the former Soviet Union, and Europe.

OUR STRATEGY

Our strategy is guided by our core purpose of accelerating access to affordable and innovative medicines, because “Good Health Can’t Wait”.

Spiraling health care costs across the world have put many medicines out of the reach of millions of people who desperately need them. As a global generic pharmaceutical company, we take very seriously our responsibility to offer affordable alternatives to expensive medicines and help patients manage disease better.

We deliver on our purpose through a set of promises we make to our customers and partners:

- to bring expensive medicines within reach;
- to address unmet patient needs;
- to help patients manage disease better;
- to work with partners to help them succeed; and
- to enable and help our partners ensure that our products are always available where needed.

In order to maximize our impact and reach a greater number of patients, we are committed to delivering on three themes:

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

Further, the core of our strategy is to focus on portfolio, patient centricity, people and quality, to achieve sustained growth.

The operational aspects and sources of competitive advantage for us are discussed below.

Strengths in science and technology

Our strengths in science and technology range from synthetic organic chemistry, formulation development and biologics development to small molecule based drug discovery. Furthermore, our wholly owned subsidiary, Aurigene Discovery Technologies Limited, is a specialized biotechnology company engaged in discovery and early clinical development of novel, best in class therapies to treat cancer and inflammatory diseases. Such expertise enables us to deliver first-to-market, difficult-to-make products with an industry leading intellectual property and technology leveraged product portfolio.

Product Offerings

Global Generics: Through our branded and unbranded drug products, we aim to offer affordable alternatives to highly-priced innovator brands, both directly and through key partnerships.

- **Branded Generics:** We seek to have a portfolio that is strongly focused on delivering first-to-market, differentiated products to doctors and patients. Many of our brands hold significant market shares in the molecule and therapy areas where they are present. We have also entered into strategic partnerships with third parties to sell our products in markets where we have not established our own sales and distribution operations.
- **Unbranded Generics:** We aim to ensure that our development capabilities remain strong and enable us to deliver products that are first to market, tough-to-make and technologically challenging.
- **Biologics:** Our biologics business seeks to accelerate access to biosimilar products globally through process development and relevant clinical research. We were the first company to launch a biosimilar version of rituximab in 2007, and have launched multiple biosimilar products in India and other key markets.

Our vertical integration and process innovation helps to ensure that quality products are available to patients in need at all times.

Pharmaceutical Services and Active Ingredients: Our PSAI segment is comprised of our API business and our Custom Pharmaceutical Services (“CPS”) business. Through our API and CPS businesses, we aim to offer technologically advanced product lines and niche product services through partnerships internally and externally.

- Our product offerings in our API business are positioned to offer intellectual property and technology-advantaged products to enable launches ahead of others at competitive prices.
- Through our CPS business, we aim to offer niche product service capabilities, technology platforms, and competitive cost structures to innovator and biotechnology companies.

Proprietary Products: Our Proprietary Products segment is comprised of our differentiated formulations business. In this segment, we work to improve patient outcomes by identifying unmet and under-met medical needs and addressing them through innovative products and services that are affordable and accessible.

Operating priorities

Execution excellence provides the framework to create sustainable customer value across all of our activities. We have been investing in the following to achieve this:

- **Safety:** The concept of safety has been imbued in the operating culture throughout our organization. Specific initiatives are being carried out to increase safety awareness, to achieve a safe working environment, to avoid accidents and injuries, and to minimize the loss of manufacturing time.
- **Quality:** We are fully dedicated to quality and have robust quality processes and systems in place at our developmental and manufacturing facilities to ensure that every product is safe and of high quality. In addition, we have integrated “Quality by Design” to build quality into all processes and use quality tools to minimize process risks.
- **Operational Excellence:** We apply a continuous improvement framework to the critical operations and processes in our value chain. With an operating and management review rhythm, we review and refine the business processes across the organization to measure and improve their performance.
- **Leadership Development:** We are focused on developing leaders, as well as enhancing leadership behavior, across our organization through structured programs.

OUR PRINCIPAL AREAS OF OPERATIONS

The following table shows our revenues and the percentage of total revenues of our business segments for the years ended March 31, 2021, 2020 and 2019, respectively:

Segment	For the year ended March 31,										
	2021		2020		2019						
	(Rs. in millions, U.S.\$ in millions)										
Global Generics	U.S.\$	2,111	Rs.	154,404	81%	Rs.	138,123	79%	Rs.	122,903	80%
PSAI		437		31,982	17%		25,747	15%		24,140	16%
Proprietary Products		7		523	0%		7,949	5%		4,750	3%
Others		38		2,813	2%		2,781	1%		2,058	1%
Total Revenue	U.S.\$	2,594	Rs.	189,722	100%	Rs.	174,600	100%	Rs.	153,851	100%

Revenues by country and by therapeutic area for the years ended March 31, 2021, 2020 and 2019 are discussed in Note 5 to our consolidated financial statements.

Global Generics Segment

Revenues from our Global Generics segment were Rs.154,404 million for the year ended March 31, 2021, an increase of 12% as compared to Rs.138,123 million for the year ended March 31, 2020. The revenue increase was in all the four business geographies of this segment: North America (the United States and Canada), Europe, India and “Emerging Markets” (which is comprised of Russia, other countries of the former Soviet Union, Romania and certain other countries from our “Rest of the World” markets, including South Africa, China, Brazil and Australia).

The production processes for finished dosages of generics are similar, to a certain extent, regardless of whether the finished dosages are to be marketed to highly regulated or less regulated markets. In many cases, the processes share common and interchangeable facilities and employee bases, and use similar raw materials. However, differences remain between highly regulated and less regulated markets in terms of manufacturing, packaging and labeling requirements and the intensity of regulatory oversight, as well as the complexity of patent regimes.

While the degree of regulation in certain markets may impact product development, we are observing increasing convergence of development needs throughout both highly regulated and less regulated markets. As a result, when we begin the development of a product, we may not necessarily target it at a particular market, but will instead target the product towards a cluster of markets that will include both highly regulated and less regulated markets.

Today, we are one of the leading generic pharmaceutical companies in the world. With the integration of all the markets where we are selling generic pharmaceuticals into our Global Generics segment, our front-end business strategies in various markets and our support services in India are increasingly being developed with a view to leverage our global infrastructure.

The following is a discussion of the key markets in our Global Generics segment.

India

During the year ended March 31, 2021, India accounted for 22% of our total Global Generics segment sales. In India, our key therapeutic categories include gastro-intestinal, cardiovascular and anti-diabetic, dermatology, oncology, respiratory, stomatology, urology and nephrology.

As of March 31, 2021, we had a total of 382 branded products in India. Our top ten branded products together accounted for 27% of our revenues in India in the year ended March 31, 2021. According to IQVIA, a provider of market research to the pharmaceutical industry, in its moving annual total report for the twelve month period ended March 31, 2021, our secondary sales in India grew by 3.1%. In comparison, the Indian pharmaceutical market experienced growth of 4.3% during such period. Strategic Marketing Solutions and Research Center Private Limited (“SMSRC”), a prescription market research firm, in its report measuring pharmaceutical prescriptions in India for the twelve month period ended March 2021, ranked us 6th in terms of the number of prescriptions generated in India during such period.

Sales, marketing and distribution network

We generate demand for our products through our 7,345 sales representatives (which include representatives engaged by us on a contract basis through a service provider) and front line managers, who frequently visit doctors to detail our related product portfolio. They also visit various pharmacies to ensure that our brands are adequately stocked.

We sell our products primarily through clearing and forwarding agents to approximately 5,000 wholesalers who decide which brands to buy based on demand. The wholesalers pay for our products within an agreed credit period and in turn sell these products to retailers. Our clearing and forwarding agents are responsible for transporting our products to the wholesalers. We pay our clearing and forwarding agents on a commission basis. We have insurance policies that cover our products during shipment and storage at clearing and forwarding locations.

Competition

We compete with different companies in the Indian formulations market, depending upon therapeutic and product categories and, within each category, upon dosage strengths and drug delivery. On the basis of sales, we were the 11th largest pharmaceutical company in India, with a market share of 2.3%, according to IQVIA in its moving annual total report for the twelve month period ended March 31, 2021.

Our competitors in the Indian market include Cipla Limited, GlaxoSmithKline Pharmaceuticals Limited, Zydus Cadila Healthcare Limited, Sun Pharmaceutical Industries Limited, Alkem Limited, Pfizer Limited, Abbott India Limited, Lupin Limited, Aristo Pharma Limited, Intas Pharmaceuticals Limited, Sanofi India Limited, Glenmark Pharmaceuticals Limited and Emcure Pharmaceuticals Limited.

Government regulations

The manufacturing and marketing of drugs, drug products and cosmetics in India is governed by many statutes, regulations and guidelines, including but not limited to the following:

- The Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945;
- The Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954;
- The Narcotic Drugs and Psychotropic Substances Act, 1985;
- The Drugs (Price Control) Order, 1995 and 2013, read in conjunction with the Essential Commodities Act, 1955; and
- The National Pharmaceuticals Pricing Policy, 2012.

These statutes, regulations and guidelines govern the manufacturing, testing, packaging, labeling, storing, record-keeping, safety, approval, pricing, advertising, promotion, sale and distribution of pharmaceutical products.

An approval is required from the Ministry of Health before a generic equivalent of an existing or referenced brand drug can be marketed. When processing a generics application, the Ministry of Health usually waives the requirement of conducting complete clinical studies, although it generally requires bio-availability and/or bio-equivalence studies. "Bio-availability" indicates the rate and extent of absorption and levels of concentration of a drug product in the blood stream needed to produce a therapeutic effect. "Bio-equivalence" compares the bioavailability of one drug product with another, and when established, indicates that the rate of absorption and levels of concentration of the active drug substance in the body are equivalent for the generic drug with the previously approved drug. A generic application may be submitted for a drug on the basis that it is the equivalent of a previously approved drug. Before approving our generic products, the Ministry of Health also requires that our procedures and operations conform to current Good Manufacturing Practice ("cGMP") regulations, relating to good manufacturing practices as defined by various countries. We must follow the cGMP regulations at all times during the manufacture of our products. We continue to spend significant time, money and effort in the areas of production and quality testing to help ensure full compliance with cGMP regulations. The timing of final Ministry of Health approval of a generic application depends on various factors, including patent expiration dates, sufficiency of data and regulatory approvals.

Pursuant to the amendments in May 2005 to Schedule Y of the Drugs and Cosmetics Act, 1940, manufacturers of finished dosages are required to submit additional technical data to the Drugs Controller General of India in order to obtain a no-objection certificate for conducting clinical trials as well as to manufacture new drugs for marketing.

On March 22, 2005, the Government of India passed the Patents (Amendment) Bill, 2005 (the "2005 Amendment"), introducing a product patent regime for food, chemicals and pharmaceuticals in India. The 2005 Amendment specifically provides that new medicines (patentability of which is not specifically excluded) for which a patent has been applied for in India on or after January 1, 1995 and for which a patent is granted cannot be manufactured or sold in India by anyone other than the patent holder and its assignees and licensees. This has resulted in a reduction of new product introductions in India for all Indian pharmaceutical companies engaged in the development and marketing of generic finished dosages and APIs. Processes for the manufacture of APIs and formulations were patentable in India even prior to the 2005 Amendment, so no additional impact results from patenting of such processes.

Under the present drug policy of the Government of India, certain drugs have been specified under the Drugs (Prices Control) Order, 2013 (the "DPCO") as subject to price control. The Government of India established the National Pharmaceutical Pricing Authority, 2012 ("NPPA"), to control pharmaceutical prices. Under the DPCO, the NPPA has the authority to fix the maximum selling price for specified products.

During the year ended March 31, 2013, the Department of Pharmaceuticals under the Ministry of Chemicals and Fertilizers of the Government of India proposed the National Pharmaceuticals Pricing Policy, 2012, a revised National Pharmaceutical Pricing Policy to apply price controls to 348 drugs listed in National List of Essential Medicines. Some of our formulation products were subject to these price controls. The National List of Essential Medicines, as revised in 2016, now contains 376 drugs.

On March 12, 2016, the Department of Health and Family Welfare under the Ministry of Health and Family Welfare of the Government of India banned 344 fixed dose combination drugs (i.e., two or more active drugs combined in a fixed ratio into a single dosage). A number of pharmaceutical companies, including us, filed a writ petition before the Delhi High Court challenging the ban. The Delhi High Court initially granted an interim stay on the ban notification and on December 1, 2016, it overturned the government imposed ban on the 344 fixed dosage combinations. Subsequently, the Government of India filed an appeal of the decision in the Supreme Court of India. In December 2017, the Supreme Court of India referred the issue to the government's expert body, the Drugs Technical Advisory Board ("DTAB"), for a fresh review of safety, efficacy and therapeutic justification of the drugs before recommending action. DTAB subsequently completed its review and, in September 2018, the Government of India banned 328 fixed dose combination drugs. The impact of this ban was negligible on our revenue.

On February 27, 2019, the NPPA invoked special powers granted under paragraph 19 of the DPCO, and released an Office Memorandum through which it brought 42 non-scheduled anti-cancer medications under price control by capping their trade margin (the difference between the price at which the manufacturers sell the medicines to distributors and the price paid by the end user) at 30%. This Office Memorandum had no material financial impact on our revenue.

From time to time (most recently on March 26, 2021), the NPPA has announced an upward revision in the maximum prices of various drugs, as a result of positive inflation as measured by India's Wholesale Price Index.

Such ongoing price control changes, product bans and other changes can disrupt the Indian branded pharmaceutical market and negatively impact the revenues and profitability of our Indian business and our company.

Russia and other Countries of the former Soviet Union and Romania

Russia

Russia accounted for 10% of our Global Generics segment's revenues in the year ended March 31, 2021. IQVIA ranked us 16th in sales in Russia, with a market share of 1.7% for the twelve months ended March 31, 2021.

According to IQVIA, as per its moving annual total report for the twelve months ended March 31, 2021, our retail sales value decrease was 0.9% and our sales volume decreased by 5.7% for such period, as compared to the Russian pharmaceutical market value growth of 3.3% and sales volume decrease of 5.1% for such period. We were the top ranked Indian pharmaceutical company in Russia for such period.

Our top five brands, Nise, Omez, Nasivin, Cetrine and Ibuclin accounted for 62.1% of our retail sales in Russia for 12 months ended March 31, 2021. Nise (pain management product, including systemic and topical form), Omez (an anti-ulcerant product), Nasivin (for cold and flu), Cetrine (for allergy) and Ibuclin (for cold and flu) and were ranked as the 27th, 56th, 161st, 170th and 172nd best-selling formulation brands, respectively, in the Russian market by IQVIA in its retail segment report for the moving twelve months ended March 31, 2021. (Note that Nasivin is distributed and promoted by us under a licensing agreement and the brand is owned by the licensor). Our strategy in Russia is to focus on the gastro-intestinal, pain management, cough and cold, allergy and oncology therapeutic areas. Our focus is on building leading brands in these therapeutic areas in prescription, over-the-counter and hospital sales.

Our Global Generics segment's revenues in Russia increased by 1% (in Russian rouble absolute currency terms) during the year ended March 31, 2021, which was largely attributable to an increase in the sales price and sales from new product launches during the year ended March 31, 2021, and was partially offset by a reduction in sales due to lower volumes in some of our key existing products. Such revenues, measured in Indian rupees, decreased by 6% as compared to the year ended March 31, 2020.

Other Countries of the former Soviet Union and Romania

We operate in other countries of the former Soviet Union, including Ukraine, Kazakhstan, Belarus, Uzbekistan and Romania. For the year ended March 31, 2021, revenues from these countries accounted for 5% of our total Global Generics segment's revenues.

Sales, marketing and distribution network

Our marketing and promotion efforts in our Russia market is driven by a team of 472 medical representatives and 54 managers to detail our products to doctors in 77 cities in Russia. Our commercial team consists of 16 key account managers and is focused on establishing a network of relationships with key pharmacy chains. Our Russia hospital division has 37 hospital specialists focused on expanding our presence in hospitals.

In Russia, we generally extend credit only to customers after they have established a satisfactory history of payment with us. The credit terms offered to these customers are based on turnover, payment record and the number of the customers' branches or pharmacies, and are reviewed on a periodic basis. We review the credit terms offered to our key customers on a periodic basis and modify them to take into account the macro-economic scenario in Russia.

Competition

Our principal competitors in the Russian market include Berlin-Chemie/Menarini Pharma, GmbH, KRKA Pharma Limited, Teva Pharmaceutical Industries Limited, Lek-Sandoz Pharmaceuticals (an affiliate of Novartis Pharma A.G.) and Zao Ranbaxy (an affiliate of Sun Pharmaceutical Industries Limited).

Government regulations

Healthcare system development in Russia

In order to promote local industry, in the year 2012 the Russian government approved the Strategy of Pharmaceutical Industry Development in the Russian Federation for the period up to the year 2020 (or the "Pharma 2020 plan"), which aimed to develop the research, development and manufacturing of pharmaceutical products by Russia's domestic pharmaceutical industry.

The goal of the Pharma 2020 plan was to reduce Russia's reliance on imported pharmaceutical products and increase Russia's self-sufficiency in that regard. According to this program, 90% of drugs from the list of "Essential and Vital Drugs" (also known as the "ZhNVLS") should be produced by local pharmaceutical companies. By the end of the year 2018, this target was almost achieved (84.2% vs planned 90%). In the year 2018, the Russian government announced a new planned "Pharma-2030" program for the further development of Russian pharmaceutical production. One of the key goals of this program is to increase by 500% to 600% the export of locally produced drugs. This program is expected to be approved during calendar year 2021.

The Russian government approved the State Program for Healthcare System Development on December 26, 2017. The objectives of this program are increasing life expectancy at birth, reducing mortality of the working-age population, reducing mortality from circulatory diseases and tumors (including malignant ones) and raising medical care quality satisfaction.

The Government of the Russian Federation has approved a Strategy for the development of immunoprophylaxis for the next 15 years. The document was developed on behalf of the President of Russia and defines an action plan until 2035. The strategy focuses on the immunoprophylaxis of a number of infections, such as diphtheria, measles, rubella, viral hepatitis B, and seasonal flu. The strategy's activities are divided into six main areas:

- Optimizing the national calendar of preventive vaccinations and vaccinations according to epidemiological indicators. It will include the most complete list of infections, the incidence of which is controlled by the vaccine.
- To stimulate scientific development and preclinical research in the field of creating immunobiological drugs.
- The localization of the full cycle of vaccine production in domestic organizations.
- To ensure safe conditions for immunization and pharmacovigilance of its results.
- The improvement of the state policy in the field of immunoprophylaxis of infectious diseases.
- To increase public awareness of the benefits of vaccination.

Reference pricing regime

During the year ended March 31, 2010, the Russian government announced a reference pricing regime, pursuant to which a price freeze on certain drugs categorized as “essential”, based on a list of “Essential and Vital Drugs” (also known as the “ZhNVLS”) was implemented effective as of April 2010.

For the past several years, the Russian Ministry of Industry and Trade has enacted and renewed short-term government regulations under which local manufacturers (i.e., in Russia, Belarus and Kazakhstan) get a 15% price preference over non-local manufacturers in procurement tenders by the state.

A draft of “Rules for State registration and re-registration of the maximum ex-works manufacturer prices of medicines included in EDL” was published by the Russian Ministry of Health in 2017 and subsequently has undergone several changes. Federal Law No. 134-FZ dated June 6, 2019 establishes, and obligates the holder of a registration certificate for a reference drug to re-register, the maximum selling prices for drugs included in the list of vital and essential drugs. It also provides for an automatic re-registration of maximum selling prices for generics and biosimilar based on step-down coefficient.

State Regulation of Prices for Vital and Essential Medicines

Russia’s Federal Law No. 34-FZ dated March 8, 2015 amended the Federal Law 61-FZ “On Circulation of Medicines”. The amendments created new rules for the registration, manufacture and quality control of medicines, including new rules for the calculation and registration of the maximum retail prices of vital and essential medicines established by the ZhNVLS (the “EDL”).

Calculation of the maximum sale price for medicines included in the EDL list is determined by the Government of the Russian Federation taking into account a variety of economic and/or social criteria. The updated EDL lists for 2020, approved by the Decree of the Government No. 2406-p dated October 12, 2019, became effective from January 1, 2020. These lists include the list of drugs for provision to specific groups of citizens, medicines prescribed by a decision of a medical commission of medical organizations, medical supplies from the 7 Nosologies program list (which covers expensive treatments for patients with certain severe chronic diseases), as well as the minimum range of medicines required for medical aid.

Restrictions on access of foreign drugs

In 2015, the Russian Government enacted the Priority Action Plan for sustainable economic and social stability development and regulation No. 128. This plan and regulation affects medicines included in the EDL, and some of their key terms that have impacted the pharmaceutical industry are (i) supporting import substitution; (ii) optimizing budget costs and reducing inefficient expenses; and (iii) restrictions on access of foreign drugs to state procurement tenders, if two or more locally manufactured drugs participate in the relevant tender.

Interactions between healthcare professionals and medical product companies

During the year ended March 31, 2012, Russia introduced Federal Law # 323, titled “On the Foundations of Healthcare for Russian Citizens”. This law imposes stringent restrictions on interactions between (i) healthcare professionals, pharmacists, healthcare management organizations, opinion leaders (both governmental and from the private sector) and certain other parties (collectively referred to as “healthcare decision makers”) and (ii) companies that produce or distribute drugs or medical equipment (collectively referred to as “medical product companies”) and any representatives or intermediaries acting on their behalf (collectively referred to as “medical product representatives”).

Some of the key provisions of this law are prohibitions on:

- one-on-one meetings and communications between healthcare professionals and medical product representatives, except for participation in clinical trials, pharmacovigilance, group educational events and certain other limited exceptions approved by Russia's Healthcare Organization Administration;
- the acceptance by a healthcare professional of compensation, gifts or entertainment paid by medical product representatives;
- the agreement by a healthcare professional to prescribe or recommend a drug product or medical equipment; or
- the engagement by a healthcare decision maker in a "conflict of interest" transaction with a medical product representative, unless approved by regulators pursuant to certain specified procedures.

At the end of 2013, the State Duma (i.e., the lower chamber of the Russian parliament) adopted a series of amendments to various healthcare related laws. Among other things, the "Law on Medicines" was amended to add regulations restricting interactions between medical product representatives with medical professionals in connection with events sponsored by medical product companies. Under these regulations, in the event that medical product companies wish to sponsor certain scientific, medical education or similar events, they are required to disclose the date, place and time of the event and the plans, programs and agendas for discussion.

Disclosure is to be made by publishing appropriate information on their official websites not later than two months before the indicated events, and the same information shall also be sent to Russia's Federal Healthcare Service (Roszdravnadzor).

Liability for non-compliance with such restrictions extends to both the healthcare professional and the medical product representative. Except for requiring the disclosure of information on conflicts of interest, no specific liability has been currently prescribed for medical product companies.

On July 2, 2013, the Ministry of Health of the Government of Russia published an order on its website that binds physicians to prescribe medicinal products by International Nonproprietary Name (i.e., active substance) or by combination list (which combines different International Nonproprietary Names in one treatment group).

Russia is a member of a common market for medicines within the Eurasian Economic Union

The Eurasian Economic Union ("EEU") was established in January 2015 with the aim of creating a shared economic space for its members. EEU rules for the circulation of medicines have been in effect since 2017. In 2018, the information base of the pharmaceutical market of the Union was created. In 2019, the EEU began re-registering medicines under the EEU rules, which allow manufacturers in EEU countries to re-register medicines under common procedures and reduce costs.

More than three dozen medicines and medical devices have already been registered under the EEU's rules, and more than 200 applications for registration are in process. Work is being actively carried out to inspect pharmaceutical production facilities for compliance with the rules of good manufacturing practice ("GMP") of the EEU, and about 20 certificates have already been issued. This year the first part of the first volume of the Union Pharmacopoeia is releasing.

In 2020-2022, the Eurasian Economic Commission plans to update a number of documents of the Union on good practices in the field of circulation of medicines (GMP, Good Pharmacovigilance Practice ("GVP"), and Good Clinical Practice ("GCP"), rules for registration of medicines, and requirements for inspection of pharmaceutical production. It is also continuing to develop new recommendations on certain aspects of treatment, such as clinical research, biostatistics, and peculiarities of production of certain types of drugs.

The Union Pharmacopoeia was established by Decision of College of the Eurasian Economic Commission № 100 dated August 11, 2020. According to relevant decision The Union Pharmacopoeia came into effect on March 1, 2021. Registration dossiers must be for compliance with its requirements by January 1, 2026.

The decision of the Council of the Eurasian Economic Commission № 128 dated December 23, 2020 was made to extend for six months (until July 1, 2021) the opportunity for pharmaceutical manufacturers to choose the registration of new drugs according to the national procedure in four union states (the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan and the Kyrgyz Republic).

From July 1, 2021 (and in the Russian Federation - from January 1, 2021), new medicinal products (that is, medicinal products that are not valid registration certificates of the Member States of the Union) can be registered only in accordance with the Rules for the registration and examination of medicinal products for medical application approved by the Decision of the EEC Council No. 78 dated November 3, 2016.

Union market participants should take into account that all registration certificates issued under the "national" rules of the member states are valid until their expiration, but no later than December 31, 2025.

With regard to inspection, one of the recent innovations in this area can be considered the decree of the Government of the Russian Federation dated September 5, 2020 No. 1361 "On Amending the Rules for the Organization and Conduct of Inspection of Medicinal Products Manufacturers for Compliance with the Requirements of Good Manufacturing Practice, as well as the issuance on the compliance of the manufacturer of medicinal products with the specified requirements". Previously, foreign drug manufacturers could confirm the fact that the discovered remarks were eliminated only during the next inspection. Now, in the event of inconsistencies, foreign companies will be able to submit a corrective action plan even before the inspection report is generated.

Mutual recognition of national GMP certificates of the EEU members was adopted. Decision of the EEC Council No. 66 of September 4, 2020 establishes for the period from 2021 to 2025, mutual recognition of, firstly, national GMP certificates of the states of the Eurasian Economic Union, secondly, GMP certificates of the Union when making changes to the registration dossier and renewing national registration certificates for medicines produced in the EEU, and thirdly, during the national registration of the Union's GMP certificates for medicines produced in third countries. These changes will make it possible to exclude the resumption of repeated inspections of drug manufacturers by the authorized bodies of the EEU states from January 1, 2021.

An important innovation is the granting of the Russian Ministry of Industry and Trade the status of an authorized organization for organizing and/or conducting pharmaceutical inspections of the production of medicines for medical use for compliance with the requirements of the GMP rules of the EEU, including jointly with the pharmaceutical inspectorates of another state which is a member of the EEU (see the Resolution of the Government of the Russian Federation of September 15, 2020 No. 1446).

A distinctive feature of 2020 is the transition to remote inspection. As of September 18, 2020, 184 such remote inspections were held by the Federal State Institution «State Institute of Drugs and Good Practices» (also known as "FSI «SID & GP»"), a subordinate agency of the Russian Ministry of Industry and Trade.

Monitoring System of Movement of Medicines from the Producer to the Final Consumer

In 2019, the Ministry of Health in Russia proposed a full serialization system to track and trace the passage of pharmaceuticals through the entire supply chain, from the manufacturers to the end users, known as Markirovka or "MDLP". The proposed federal repository and tracking system would provide the manufacturers, supply chain and end users of pharmaceuticals many functionalities. Listed below are some of the functions that would be available in addition to the usual authentication and track and trace services:

- the system would provide price controls on products designated as vital and essential medicines;
- consumers would be able to compare the price of the drug to its official price limit, find which pharmacies do have the drug available, and get the product information;
- manufacturers would be able to get real time data on the logistics and storage of their products in the market;
- pharmacists could get information related to the price, and monitor expiration dates;
- health care institutions would be able to track registration and prices; and
- federal agencies would have capability to monitor all medicinal products on the market to facilitate price controls as well as report on and analyze the industry.

The provisions on manufacturers' obligations to label the package with the identification marks, to submit the data to the monitoring system as well as the terms governing liability for non-compliance will become effective starting July 1, 2020. (As per Art. 2, Federal Law No. 462-FZ dated December 27, 2019).

The implementation of serialization caused great difficulties for all participants in the pharmaceutical supply chain and has affected the availability of drugs. The notification regime of the MDLP, which began at the end of October 2020 and was fixed in November resolution No. 1779, helped resolve these problems. Now the participants in the turnover do not have to wait for acceptance from suppliers and can independently enter medicines and promote them further along the chain. For pharmacies and medical organizations, the regime remains simplified indefinitely. For the rest of the participants of the turnover, the regime will be valid until July 1, 2021.

Antimonopoly compliance in Russia

On March 1, 2020, the Russian President signed the bill setting forth the legal framework for the internal systems of antimonopoly compliance (the "Compliance Amendments"). The Compliance Amendments came into force on March 12, 2020.

The Compliance Amendments set forth the optional right of Russian companies to introduce an internal system of antimonopoly compliance which is designed to assess and prevent violations of Russian antimonopoly laws and promote internal controls for the same (the "Compliance System"). If a Compliance System is adopted by a company and properly functions, this can serve as a mitigating factor, and potentially reduce liability, in the event of an antimonopoly law violation.

A Russian company is entitled to file the Compliance System with the Russian Federal Antimonopoly Service (the "FAS") for prior approval. This mechanism allows minimizing risks of violation of the antimonopoly law and imposition of the respective administrative fines if the Compliance System is approved by the FAS and the company follows it in practice.

E-Commerce for Medical Products

In light of the volatile situation with COVID-19, on April 3, 2020 the President of Russia signed Decree No. 187 dated March 17, 2020 "On Retail Trade of Medicines for Medical Use" under which online retail sales of over-the-counter medicinal products (except illegal drugs, psychedelic medicines and medicines containing over 25% of ethyl alcohol) in the Russian Federation is now permitted. In the case of prescription medicines, online retail sales are now permitted in cases of urgent medical need and emergency or where there is an "occurrence of a threat of transmission of a disease constituting a danger to the public." The online retail sales of medicines can be undertaken by any person (including medicine manufacturers and retail traders) that trades through a licensed pharmacy and has obtained the requisite government agency permission. The law does not set forth any procedures for e-commerce authorization issuance and medical product delivery. The permits are granted by the Federal Service for Surveillance in Healthcare, also known as the Roszdravnadzor.

North America (the United States and Canada)

During the year ended March 31, 2021, North America (the United States and Canada) accounted for 46% of our total Global Generics segment sales. In the United States, we sell generic drugs that are the chemical and therapeutic equivalents of reference branded drugs, typically sold under their generic chemical names at prices below those of their brand drug equivalents. Generic drugs are finished pharmaceutical products ready for consumption by the patient. These drugs are required to meet the U.S. FDA or Health Canada, as applicable, standards that are similar to those applicable to their brand-name equivalents and must receive regulatory approval prior to their sale.

Generic drugs may be manufactured and marketed only if relevant patents on their brand name equivalents and any additional government-mandated market exclusivity periods have expired, been challenged and invalidated, or otherwise validly circumvented. Generic pharmaceutical companies sometimes conduct "at-risk launches", in which the product is launched prior to resolution of a patent challenge.

Generic pharmaceutical sales increased significantly in the last decade, primarily due to an increased awareness and acceptance among consumers, physicians and pharmacists that generic drugs are the equivalent of brand name drugs, and have resulted in substantial cost savings to U.S. healthcare and further due to support by governments through passage of legislation permitting generic drug alternatives.

However, the generic pharmaceutical business has been negatively impacted by consolidation among wholesalers and retailers and the formation of group purchasing organizations ("GPOs"), which has led to increased pricing pressures in the market. In addition, accelerated approval from the U.S. FDA under the timelines of the Generic Drug User Fee Act, as amended, has led to more competition and resulted in a decline in the growth of the generic companies in North America. We intend to continue building our presence in the region by leveraging our product development capabilities and alliance management, manufacturing capacities inspected by various international regulatory agencies and access to our own APIs, which offer significant supply chain efficiencies.

During the year ended March 31, 2017, we acquired from Teva and an affiliate of Allergan plc a portfolio of eight ANDAs for our North American Generics business. The transaction, valued at U.S.\$350 million, represents the largest assets acquisition in our history. However, certain products forming part of the said portfolio were impaired during the years ended March 31, 2021 and 2020. Refer to Note 14 of our consolidated financial statements for further details.

Through coordinated efforts of our teams in the United States and India, we constantly seek to expand our pipeline of generic products. During the year ended March 31, 2021, we made 20 new ANDA filings and 1 new NDA filing under section 505(b)(2) of the Federal Food, Drug and Cosmetic Act in the United States with the U.S. FDA. As of March 31, 2021 our cumulative filings were 304, which includes 5 NDA filings under section 505(b)(2) and 299 ANDA filings. These 299 ANDA filings include 8 ANDAs that we acquired from Teva and an affiliate of Allergan plc. As of March 31, 2021, we had 95 filings pending approval with the U.S. FDA (92 ANDAs and 3 NDAs under the 505(b)(2) route, including 21 tentative approvals). Of the 92 ANDAs which are pending approval, 47 are Paragraph IV filings (see "U.S. REGULATORY ENVIRONMENT" below), and we believe that we are the first to file with respect to 23 of these filings.

We have also filed two new Investigational New Drugs (“IND”) applications, for our proposed biosimilars to rituximab and pegylated granulocyte colony stimulating factor (“PEG-GCSF”). For rituximab, Phase 1 clinical trials have been successfully completed and Phase 3 clinical trials are currently in progress under the applicable IND. For PEG-GCSF, our partner Fresenius Kabi has successfully completed their clinical trials and has submitted a Biologics License Application (“BLA”) with the U.S. FDA and a Marketing Authorization Application (“MAA”) with the European Medicines Agency (“EMA”), and the respective agencies have accepted the same for review.

Our Canada business generated revenues of Rs.1,902 million during the year ended March 31, 2021. This business includes revenues from certain profit sharing arrangements with distributors who market certain of our generic products. As of March 31, 2021 we have filed a cumulative total of 1 New Drug Submission (“NDS”), 1 COVID-19 Interim Order Application, 1 Drug Identification Number (DIN-A) Application and 43 Abbreviated New Drug Submissions (“ANDS”) in Canada, out of which 32 were approved, 3 were withdrawn and 11 are pending approval.

We have also submitted a New Drug Submission under Interim Order Respecting Importation, Sale and Advertising of Drugs for Favipiravir Tablets, 200 mg, for treatment of mild to moderate COVID-19 patients that is under review with Health Canada.

Sales, Marketing and Distribution Network

Dr. Reddy’s Laboratories, Inc., our wholly-owned subsidiary headquartered in Princeton, New Jersey, United States, is primarily engaged in the marketing of our generic products in the United States. In early 2003, we commenced sales of generic products under our own label. We have our own sales and marketing team to market these generic products. Our key account representatives for generic products call on procurement buyers for chain drug stores, drug wholesalers and distributors, mass merchandisers, group purchasing organizations (“GPOs”) for hospitals, specialty distributors and pharmacy buying groups.

The majority of revenue from our North America Generics business is derived from sales of oral solids, as well as sales of various products (both oral solids and OTC products) to retail chains. This portion of the business represents nearly three quarters of this segment’s gross revenues for this region. The product portfolio includes a wide range of therapeutic areas.

Our over-the-counter (“OTC”) division primarily markets and distributes store brand OTC products, but expanded into the branded OTC segment in May 2016, developing a new channel for our growth. This division has successfully launched over 15 products. OTC products include store brand generic equivalents of products that approved to be sold Over-the-counter in the U.S. market. Many of the products may also originally have had prescription drug status and are switched to OTC drug status by the innovator upon U.S. FDA approval (sometimes called “Rx-to-OTC switch” products). Our entry into the OTC branded space in May 2016 was through the acquisition from Ducere Pharma of the rights to six OTC brand products, including Doan’s, Bufferin and Nupercainal. Our OTC division services a broad range of customers, including drug retailers, mass merchandisers, food chains, drug wholesalers, distributors, GPOs, and more recently, e-commerce or online retailers as well. We launched 3 new products in the market during the year ended March 31, 2021, which included Nicotine Lozenges, Diclofenac Gel and Olopatadine Eye drops. We also re-launched 2 dormant products of Famotidine Tablets and Fexofenadine 60mg Tablets.

During the year ended March 31, 2021, we continued to ramp up our presence in the e-commerce channel with the launch of multiple new products on Amazon marketplace. We feel very optimistic about significantly growing this segment, with evolving consumer trends in the United States moving towards a higher share of e-commerce, especially with COVID-19 accelerating some of these trends. Additionally, we continue to strengthen our presence in the smoking cessation space with our Habitrol® business. We secured approval and launched for Nicotine lozenges (mint and original) in July 2020.

A portion of our revenue is derived from the sale of injectable products in the therapeutic areas of oncology and critical care. We have also expanded our presence from drug wholesalers to specialty distributors, integrated distribution networks (“IDNs”), clinics, and hospitals to market these products. We also supply products for private label customers for injectable prescription products.

Competition

Revenues and gross profit derived from the sales of generic pharmaceutical products are affected by certain regulatory and competitive factors. As patents and regulatory exclusivity for brand name products expire, the first manufacturer to receive regulatory approval for generic equivalents of such products is generally able to achieve significant market penetration. As competing manufacturers receive regulatory approvals on similar products, market share, revenues and gross profit typically decline, in some cases significantly.

Accordingly, the level of market share, revenues and gross profit attributable to a particular generic product is normally dependent upon the number of competitors and the timing of that product’s regulatory approval and launch, in relation to competing approvals and launches. Consequently, we must continue to develop and introduce new products in a timely and cost-effective manner to maintain our revenues and gross margins.

In addition, the other competitive factors critical to this business include price, product quality, consistent and reliable product supplies, customer service and reputation. Our major competitors in the United States include Teva, Mylan Inc., Sandoz (a division of Novartis Pharma A.G.), Endo International plc (including its subsidiaries Endo Pharmaceuticals Inc. and Par Pharmaceutical Inc.), Sun Pharmaceuticals Limited, Lupin Limited, Aurobindo Pharma Limited, Fresenius Kabi, Sagent Pharmaceuticals, Amneal Pharmaceuticals, Inc., Cadila Healthcare Limited (also known as Zydus Cadila), and Hikma Pharmaceuticals plc.

Consolidation of customer purchasing power through acquisitions, alliances and joint ventures impacts pricing. New manufacturers continue to enter the generic market in the United States, which may further lower our pricing power and adversely affect our revenues in that market.

Brand name manufacturers have devised numerous strategies to delay competition by introducing lower-cost generic versions of their products. One of these strategies is to change the dosage form or dosing regimen of the brand product prior to generic introduction, which may reduce the demand for the original dosage form as sought by a generic ANDA dossier applicant or create regulatory delays, sometimes significant, while the generic applicant, to the extent possible, amends its ANDA dossier to match the changes in the brand product. In many of these instances, the changes to the brand product may be protected by patent or exclusivities, further delaying generic introduction. Another strategy is the launch by the innovator or its licensee of an “authorized generic” during the 180-day generic exclusivity period, resulting in two generic products competing in the market rather than just the product that obtained the generic exclusivity. This may result in reduced revenues for the generic company which has been awarded the generic exclusivity period.

The U.S. market for OTC pharmaceutical products is highly competitive. Competition is based on a variety of factors, including price, quality, product mix, customer service, marketing support, and the reliability and flexibility of the supply chain for products. Our competition in store brand and innovator branded products in the United States consists of several publicly traded and privately owned companies, including large brand-name pharmaceutical companies.

The competition is highly fragmented in terms of both geographic market coverage and product categories, such that a competitor generally does not compete across all product lines. In the store brand market, we compete directly with companies, such as Perrigo, Apotex, PLD Aurobindo and Sun Pharma that sell store brand OTC products. In the branded market, we compete directly with companies, such as Bayer and Pfizer, which sell branded OTC products.

With the acquisition of Habitrol®, we now not only compete with store brands but also with large branded companies such as GlaxoSmithKline Consumer Care, which is an industry leader in the nicotine replacement therapy category. In addition, since a majority of our products are generic equivalents of innovator brands, we also compete against large brand-name pharmaceutical companies.

The competitive landscape and market dynamics of the OTC market are rapidly evolving. Large brand-name pharmaceutical companies have begun to more aggressively pursue Rx-to-OTC switches in new categories, which could present opportunities for us and other companies that sell store brand products. At the same time, pricing pressures continue to increase with the entry of new competitors in the market. On key select molecules, the expectation is that competition in this area will continue to grow as newer categories experience Rx-to-OTC switches.

Government regulations

U.S. REGULATORY ENVIRONMENT

All pharmaceutical manufacturers that sell products in the United States are subject to extensive regulation by the U.S. federal government, principally pursuant to the Federal Food, Drug and Cosmetic Act, the Hatch-Waxman Act, the Generic Drug Enforcement Act and other federal government statutes and regulations. These regulations govern or influence the testing, manufacturing, packaging, labeling, storing, record keeping, safety, approval, advertising, promotion, sale and distribution of products.

Our facilities and products are periodically inspected by the U.S. FDA, which has extensive enforcement powers over the activities of pharmaceutical manufacturers. Non-compliance with applicable requirements can result in fines, criminal penalties, civil injunction against shipment of products, recall and seizure of products, total or partial suspension of production, sale or import of products, refusal of the U.S. government to enter into supply contracts or to approve new drug applications and criminal prosecution. The U.S. FDA also has the authority to deny or revoke approvals of drug active pharmaceutical ingredients and dosage forms and the power to halt the operations of non-complying manufacturers. Any failure to comply with applicable U.S. FDA policies and regulations could have a material adverse effect on the operations in our generics business.

U.S. FDA approval of an ANDA is required before a generic equivalent of an existing or referenced brand drug can be marketed. The ANDA approval process is abbreviated because the U.S. FDA waives the requirement of conducting complete clinical studies, although it generally requires bio-availability and/or bio-equivalence studies. An ANDA may be submitted for a drug on the basis that it is the equivalent of a previously approved drug or, in the case of a new dosage form, is suitable for use for the indications specified.

An ANDA applicant in the United States is required to review the patents of the innovator listed in the U.S. FDA publication entitled Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the “Orange Book,” and make an appropriate certification. There are several different types of certifications that can be made. A Paragraph IV filing is made when the ANDA applicant believes its product or its manufacture, use or sales thereof does not infringe on the innovator’s patents listed in the Orange Book or where the applicant believes that such patents are not valid or enforceable. The first generic company to file a Paragraph IV filing may be eligible to receive a six-month marketing exclusivity period starting from either the first commercial marketing of the drug by any of the first applicants or a decision of a court holding the patent that is the subject of the paragraph IV certification to be invalid or not infringed. A Paragraph III filing is made when the ANDA applicant does not intend to market its generic product until the patent expiration. A Paragraph II filing is made where the patent has already expired. A Paragraph I filing is made when there are no patents listed in the Orange Book. Another type of certification is made where a patent claims a method of use, and the ANDA applicant’s proposed label does not claim that method of use. When an innovator has listed more than one patent in the Orange Book, the ANDA applicant must file separate certifications as to each patent.

Before approving a product, the U.S. FDA also requires that our procedures and operations conform to cGMP regulations, relating to good manufacturing practices as defined in the U.S. Code of Federal Regulations. We must follow cGMP regulations at all times during the manufacture of our products. We continue to spend significant time, money and effort in the areas of production and quality to help ensure full compliance with cGMP regulations.

The timing of final U.S. FDA approval of an ANDA depends on a variety of factors, including whether the applicant challenges any listed patents for the drug and whether the brand-name manufacturer is entitled to one or more statutory exclusivity periods, during which the U.S. FDA may be prohibited from accepting applications for, or approving, generic products. In certain circumstances, a regulatory exclusivity period can extend beyond the life of a patent, and thus block ANDAs from being approved on the patent expiration date.

The “pediatric exclusivity” program under The Best Pharmaceuticals for Children Act provides a six-month period of extended exclusivity, applicable to certain listed patents and to other regulatory exclusivities for all formulations of an active ingredient, if the sponsor performs and submits pediatric studies requested by the U.S. FDA within specified timeframes. An effect of this program has been to delay the launch of numerous generic products by an additional six months.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Medicare Act of 2003”) modified certain provisions of the Hatch-Waxman Act. In particular, significant changes were made to provisions governing 180-day exclusivity and forfeiture thereof where the first Paragraph IV certification was submitted on or after December 8, 2003.

Under the revised provisions, 180-day exclusivity is awarded to each ANDA applicant submitting a Paragraph IV certification for the same drug with regard to any patent on the first day that any ANDA applicant submits a Paragraph IV certification for the same drug. The 180-day exclusivity period begins on the date of first commercial marketing of the drug by any of the first applicants or a decision of a court holding the patent that is the subject of the paragraph IV certification to be invalid or not infringed.

However, a first applicant may forfeit its exclusivity in a variety of ways, including, but not limited to (a) failure to obtain tentative approval within 30 months after the application is filed or (b) failure to market its drug by the later of two dates calculated as follows: (x) 75 days after approval or 30 months after submission of the ANDA, whichever comes first, or (y) 75 days after each patent for which the first applicant is qualified for 180-day exclusivity is either (1) the subject of a final court decision holding that the patent is invalid, not infringed, or unenforceable or (2) withdrawn from listing with the U.S. FDA (court decisions qualify if either the first applicant or any applicant with a tentative approval is a party; a final court decision is a decision by a court of appeals or a decision by a district court that is not appealed). The foregoing is an abbreviated summary of certain provisions of the Medicare Act of 2003, and accordingly such act should be consulted for a complete understanding of both the provisions described above and other important provisions related to 180-day exclusivity and forfeiture thereof.

The federal Controlled Substances Act (the “CSA”) and its implementing regulations establish a closed system of controlled substance distribution for legitimate handlers. The CSA imposes registration, security, recordkeeping and reporting, storage, manufacturing, distribution, importation and other requirements upon legitimate handlers under the oversight of the U.S. Drug Enforcement Administration (the “DEA”). The DEA categorizes controlled substances into one of five schedules — Schedule I, II, III, IV, or V — with varying qualifications for listing in each schedule. Facilities that manufacture, distribute, import or export any controlled substance must register annually with the DEA. The DEA inspects manufacturing facilities to review security, record keeping and reporting and handling prior to issuing a controlled substance registration.

Failure to maintain compliance with applicable requirements, particularly as manifested in the loss or diversion of controlled substances, can result in enforcement action, such as civil penalties, refusal to renew necessary registrations, or the initiation of proceedings to revoke those registrations. In certain circumstances, violations could lead to criminal prosecution.

On October 23, 2019, the DEA launched the Suspicious Orders Report System (“SORS”) Online, a centralized database required by the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act (the “SUPPORT Act”). The SUPPORT Act requires that all DEA registrants that distribute controlled substances report suspicious orders to the DEA. Therefore, the SORS Online system should only be used by DEA registrants that distribute controlled substances to other DEA registrants. On November 2, 2020, the DEA released a proposed rule to clarify the procedures for identifying, reporting, and refusing to distribute certain orders of controlled substances received under suspicious circumstances.

Food and Drug Administration Safety and Innovation Act, Generic Drug User Fee Act, Biosimilar User Fee Act and Food and Drug Administration Reauthorization Act

In 2012, the United States enacted the Food and Drug Administration Safety and Innovation Act (“FDASIA”), a landmark legislation intended to enhance the safety and security of the U.S. drug supply chain by imposing stricter oversight and by holding all drug manufacturers supplying products to the United States to the same U.S. FDA inspection standards. Specifically, prior to the passage of FDASIA, U.S. law required U.S. based manufacturers to be inspected by the U.S. FDA every two years but remained silent with respect to foreign manufacturers, causing some foreign manufacturers to go as many as nine years without a routine U.S. FDA cGMP inspection, according to the Government Accountability Office. FDASIA requires foreign manufacturers to have cGMP inspections at least every two years, or more frequently for manufacturers with high risk profiles.

FDASIA also includes the Generic Drug User Fee Act (“GDUFA”) and Biosimilar User Fee Act (“BuFA”), programs to provide the U.S. FDA with additional funds through user fees imposed on generic and biosimilar products. Under GDUFA, total fees are derived primarily from facility fees paid by finished dosage form manufacturers and active pharmaceutical ingredient facilities listed or referenced in a pending or approved generic drug application. A significant portion is also derived from application fees, including generic drug application fees, prior approval supplement fees and drug master file fees.

The FDA Reauthorization Act of 2017 (“FDARA”) and the GDUFA Amendments (“GDUFA II”), signed into law on August 18, 2017, extended the user fee program for a period of another five years through September, 2022. Under the provisions of these acts, an additional generic drug applicant program fee will be established, which will be based on the number of ANDAs the applicant holds and the prior approval supplement fees will be eliminated. Of the total GDUFA user fee revenue, 35% will be generated from this ANDA-based fee. Further, the GDUFA II commitment letter describes a consolidated review goals scheme for all cohorts of ANDAs, prior approval supplements and amendments. This includes shorter review goals for generic drug submissions that are public health priorities.

The establishment of dedicated biosimilar fees was also intended to help ensure that the U.S. FDA has appropriate resources for managing the introduction of biosimilar products on the U.S. market. Under the FDARA, for the first time, an independent fee structure for biosimilars will be implemented, including an initial biosimilar development fee which will be assessed the first year a manufacturer begins clinical trials. Further, an annual biosimilar development fee for subsequent years of the development process, a biosimilar program fee for approved biosimilars, and an application fee for new biosimilar applications will be introduced. The legislation also reauthorizes several programs that are designed to simplify and expedite the regulatory process for the development of drugs and devices that aid patients with rare diseases.

In addition, under the FDARA, a drug is eligible for designation as a “Competitive Generic Therapy” (or “CGT”) if the U.S. FDA determines that there is inadequate generic competition i.e., with respect to a drug, there is not more than one approved drug on the list of drugs described in section 505(j)(7)(A) (not including drugs on the discontinued section of such list) that is (a) the reference listed drug; or (b) a generic drug with the same reference listed drug as the drug for which designation as a competitive generic therapy is sought. A draft guidance on Competitive Generic Therapy was published on February 2019 which provides more clarity on eligibility for and forfeiture and relinquishment of CGT exclusivity. Final guidance was issued by the U.S. FDA in March 2020. This final guidance provides a description of the process that applicants should follow to request designation of a drug as a CGT and the criteria for designating a drug as a CGT. It also includes information on the actions the U.S. FDA may take to expedite the development and review of ANDAs for drugs designated as CGTs. Finally, it provides information on how the U.S. FDA implements the statutory provision for a 180-day exclusivity period for certain first approved applicants that submit ANDAs for CGTs.

As part of GDUFA II, in order to accelerate access to generic version of complex products, GDUFA II pre-ANDA program product development meetings can be initiated by the U.S. FDA for an ongoing ANDA development program for complex products. These meetings will encourage applicants for product development meetings, pre-submission meetings and mid-review cycle meetings to clarify regulatory expectations early in product development. Furthermore, in November 2017, the Manual of Policy and Procedures (“MAPP”) 5240.3, “Review Order of Original ANDAs, Amendments, and Supplements” was revised to MAPP 5240.3 Rev 4, and on January 30, 2020 to MAPP 5240.3 Rev 5 “Prioritization of the Review of Original ANDAs, Amendments and Supplements” under which a priority review may be granted by the U.S. FDA if an original ANDA, amendment, or supplement meets one of the prioritization factors set forth in the MAPP, and may receive either a shorter goal date or an expedited review, as defined in the MAPP.

On July 21, 2020, the U.S. FDA kicked off a GDUFA III reauthorization process for fiscal years 2023 through 2027. GDUFA reauthorization meetings were held with industry members to discuss various topics, including opportunities to increase first cycle approvals, exploring transparency and communications between the U.S. FDA and industry members, as well as proposals to set a sound foundation for continued programmatic success, inspections, and controlled correspondence. GDUFA III reauthorization discussions between the U.S. FDA and industry members are ongoing. The U.S. FDA issued guidance with regards to risk assessments for nitrosamine impurities that required the manufacturer to complete risk assessments for all approved or marketed drug products by March 31, 2021.

Prescription Drug Marketing Act and Laws Regulating Payments to Healthcare Professionals

The U.S. FDA also enforces the requirements of the Prescription Drug Marketing Act, which, among other things, imposes various requirements in connection with the distribution of product samples to physicians. Sales, marketing and scientific/educational grant programs must comply with the federal anti-kickback statute, the Medicare-Medicaid Anti-Fraud and Abuse Act, as amended, the False Claims Act, as amended, and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990, as amended.

We are also subject to Section 6002 of the Patient Protection and Affordable Care Act, commonly known as the Physician Payment Sunshine Act, which regulates disclosure of payments to certain healthcare professionals and providers.

Patient Protection and Affordable Care Act and Medicaid Drug Rebate Program

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the "PPACA"), were signed into law. The PPACA is one of the most significant healthcare reform measures in the United States in decades, and significantly impacts the U.S. pharmaceutical industry.

The PPACA imposes additional rebates, discounts and fees, mandates certain reporting and contains various other requirements that affect our business. The PPACA made several important changes to the federal anti-kickback statute, false claims laws, and health care fraud statutes that made it easier for the government or whistleblowers to pursue such fraud and abuse violations. In addition, the PPACA increased penalties for fraud and abuse violations. If our past, present or future operations are found to be in violation of any of the laws described above or other similar governmental regulations to which we are subject, we may be subject to the applicable penalty associated with the violation which could adversely affect our ability to operate our business and our financial results.

The PPACA changed the computations used to determine Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program by redefining the average manufacturer's price ("AMP"). In November 2015, the Bipartisan Budget Act of 2015 (the "BBA") amended the Medicaid Drug Rebate Program to impose a penalty rebate on generic drugs whose price increases exceed the inflation rate. Initially, the penalty rebate had only applied to brand drugs and authorized generics, but other generic drugs were subject to a fixed base rebate of 13% of AMP. The BBA imposed a price increase penalty rebate on generic drugs similar to that of the price increase penalty on brand drugs and authorized generics.

The additional penalty rebate for generic drugs applies to rebate periods beginning with the first quarter of 2017. The additional penalty rebate due for generic drugs is equal to the AMP for the current quarter minus the baseline AMP adjusted for inflation based upon the Consumer Price Index for Urban Consumers.

The PPACA also increased the number of healthcare organizations eligible to participate in the Public Health Service pharmaceutical pricing program, which provides for government controlled prices that result in substantial discounts for participants. To further facilitate the government's efforts to coordinate and develop comparative clinical effectiveness research, the PPACA established a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in such research. The manner in which the comparative research results would be used by third-party payors is uncertain.

The PPACA has created an abbreviated pathway to U.S. FDA approval of "biosimilar" biological products and allows the first interchangeable biosimilar biological product 18 months of exclusivity, which could increase competition for our biosimilars business. The PPACA also has some anti-generic provisions that could adversely affect our biosimilars business, including provisions granting the innovator of a biological drug product 12 years of exclusive use before generic drugs can be approved based on being biosimilar.

On February 1, 2016, the Centers for Medicare & Medicaid Services (“CMS”) published in the Federal Register a Final Regulation with comment period to implement the Medicaid Drug Rebate Program. The Final Regulation was to clarify ambiguities in the ACA amendments. The key provisions covered under the Final Regulation included, without limitation, the following: (i) the adoption of a final definition of “retail community pharmacy” (“RCP”), (ii) the adoption of a rule permitting inhalation, infusion, instilled, implanted, or injectable drugs (“5i drugs”) to be deemed not to be “generally dispensed” through a RCP, and thus excluded from the calculation of their AMP, if 70% or more of its sales were to entities other than RCPs or wholesalers for drugs distributed to RCPs (the prior threshold was 90%), (iii) the inclusion of authorized generics in calculations of AMP and best price, (iv) narrowing the regulatory definition for “best price”, (v) requiring additional Medicaid rebate payments for generic drugs, effective as of April 1, 2017, and (vi) clarification of the definition of “bona fide service fees” based on a four part test.

We are still awaiting guidance from CMS on a delay in the participation of the U.S. territories in the Medicaid Drug Rebate Program until April 1, 2022 an aspect of the rule that was deferred for later implementation. We will evaluate the financial impact of this when it becomes effective.

The PPACA required manufacturers to calculate an alternate rebate amount for drugs that are “line extensions” of an oral solid dosage form. CMS was responsible under the PPACA for providing a regulatory definition of “line extension,” although the CMS February 2016 final rule did not do so. The Comprehensive Addiction and Recovery Act enacted on July 22, 2016 included a statutory definition of line extension as follows: “with respect to a drug, a new formulation of the drug, such as an extended release formulation, but does not include an abuse-deterrent formulation of the drug (as determined by the Secretary), regardless of whether such abuse-deterrent formulation is an extended release formulation.” On April 1, 2019, CMS published a final rule and interim final rule which reiterated prior guidance that manufacturers rely on the statutory definition and where appropriate, may use “reasonable assumptions” to determine if a drug qualifies as a line extension drug. On December 21, 2020, the CMS issued a final rule that defines “line extension” as “a new formulation of the drug, which does not include an abuse-deterrent formulation of the drug,” and defines “new formulation” as “a change to the drug, including, but not limited to: an extended release formulation or other change in release mechanism, a change in dosage form, strength, route of administration, or ingredients.” We are not currently marketing any drugs that we believe would be a line extension.

In addition, Such December 21, 2020 final rule also made several other changes to the Medicaid Drug Rebate Program regulations, including some changes to the treatment of value-based purchasing arrangements and price reporting for patient benefit programs sponsored by pharmaceutical manufacturers.

In October 2017, the U.S. President Trump signed an Executive Order directing federal agencies to modify how the PPACA is implemented, ending the subsidies to health care insurance companies that sell insurance to low income consumers through state health insurance marketplaces.

Further, the Tax Cuts and Jobs Act enacted in December 2017 effectively repealed the PPACA’s individual mandate by removing the penalties imposed for failure to purchase healthcare insurance. As a result of this change, in December 2018, a U.S. federal district court ruled that the PPACA is unconstitutional. An appellate review of this decision by the Fifth Circuit Court of Appeals in December 2019 held that the individual mandate under the PPACA was unconstitutional, and remanded the case back to the Texas federal judge to conduct a re-evaluation of the entire PPACA to determine which provisions, if any, could survive without the individual mandate provision. The case was appealed to the U.S. Supreme Court in January 2020. On June 17, 2021, the U.S. Supreme Court declined to strike down the individual mandate or the PPACA as a whole, ruling that the plaintiffs who brought the case did not have standing to sue and keeping the PPACA intact.

The Bipartisan Budget Act of 2018 amended the PPACA, effective January 1, 2019, to close the coverage gap (commonly referred to as the “donut hole”) in most Medicare drug plans, and also increased in 2019 the percentage by which a drug manufacturer must discount the negotiated price of branded prescription drugs dispensed to Medicare Part D patients in the coverage gap from 50% to 70%.

The Continuing Appropriations Act of 2020 and the Health Extenders Act of 2019 became effective, amending the Medicaid Drug Rebate Statute in two key ways: (i) by requiring manufacturers to exclude (rather than include) the prices paid by wholesalers to manufacturers for authorized generic drugs from the calculation of the “average manufacturers’ price” for the branded drug and (ii) by deleting references to “manufacturers” from the definition of wholesaler.

In November 2020, the U.S. Department of Health and Human Services finalized a regulation aimed at lowering prescription drug prices and out-of-pocket spending for prescription drugs by excluding rebates on prescription drugs paid by manufacturers to or purchased by Medicare Part D plan sponsors or pharmacy benefit managers acting under contract with Medicare Part D plan sponsors from the existing discount safe harbor under the federal Anti-Kickback Statute.

On November 27, 2020, the CMS published an interim final rule that imposes a mandatory most favored nation pricing model on certain drugs and biosimilars reimbursed by Medicare Part B. Originally set to be effective January 1, 2021, several groups filed litigation to enjoin the implementation process, and it is currently subject to a court injunction on implementation pending a final rule (based on the interim final rule) published in the Federal Register. Following his inauguration in January 2021, President Biden ordered a regulatory freeze on all pending substantive executive actions in order to permit incoming department and agency heads to review them. Accordingly, it remains to be seen whether this interim final rule advances to the final rule stage.

On December 21, 2020, the CMS issued a final rule that implements changes to the Medicaid Drug Rebate Program regulations in several areas, including with respect to how manufacturers should calculate AMP and best price in value-based purchasing arrangements, the definition of key terms “line extension” and “new formulation,” and the price reporting treatment of manufacturer-sponsored patient benefit programs.

The American Rescue Plan Act of 2021, the US\$1.9 trillion stimulus package passed by Congress and signed into law by President Biden on March 11, 2021, includes a provision that eliminates the statutory cap on rebates drug manufacturers pay to Medicaid at the end of 2023, which will eliminate the rebate cap of 100 percent of the AMP.

Drug Quality and Security Act

On November 28, 2013, the Drug Quality and Security Act was signed into law in the United States. The legislation introduces a federal track-and-trace system for medicines with serial numbers added to individual packs and (non-mixed) cases within four years of the legislation’s adoption, and electronic tracing of production through the supply chain mandated within ten years. It also strengthens licensure requirements for wholesale distributors and third-party logistics providers, and requires the U.S. FDA to maintain a database of wholesalers that will be available to the public through its website. The law also boosts oversight of compounding pharmacies that make drugs to order, and increases the powers of the U.S. FDA to oversee large-volume or ‘outsourcing’ compounders without individual prescriptions. During 2017, the U.S. FDA delayed the enforcement of serialization requirements for manufacturers until November 2018 to provide manufacturers with additional time to comply and avoid supply disruptions. We completed all of the activities necessary to implement serialization, and the batches packaged after November 26, 2018 are being serialized.

Title XI of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)

On October 6, 2016, the U.S. FDA issued a final rule to implement new regulations that govern the approval of applications under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act in the United States, and of ANDAs. This rule revises and clarifies U.S. FDA regulations as to matters such as: the procedures and requirements for providing notice to each patent owner and the NDA holder of certain patent certifications made by applicants submitting 505(b)(2) applications or ANDAs; the availability of 30-month stays of approval on 505(b)(2) applications and ANDAs that are otherwise ready to be approved; submission of amendments and supplements to 505(b)(2) applications and ANDAs; and the types of bioavailability and bioequivalence data that can be used to support these applications. This rule was effective December 5, 2016.

Biologics Pathway

The Biologics Price Competition and Innovation Act of 2009 (“BPCIA”) created a statutory pathway and abbreviated approval processes for the approval of biosimilar versions of branded biological products. Under the BPCIA, a biosimilar must be highly similar with no clinically meaningful differences compared to the reference medicine. Approval of a biosimilar in the United States requires the submission of a BLA to the U.S. FDA, including an assessment of immunogenicity, and pharmacokinetics or pharmacodynamics. The BLA for a biosimilar can be submitted as soon as four years after the initial approval of the reference biologic, but can only be approved 12 years after the initial approval of the reference biologic.

This pathway is still relatively new and some aspects remain untried, controversial and subject to ongoing litigation. Though the U.S. FDA has issued and updated various technical guidance documents addressing quality considerations, scientific considerations and questions and answers regarding commonly posed issues to assist the biopharmaceutical industry in developing biosimilar products in compliance with the BPCIA, there remains some uncertainty regarding the abbreviated biosimilar pathway. On December 11, 2018, the U.S. FDA released final guidance defining biologics, transitioning biological products approved under an NDA to a deemed BLA, and outlining an abbreviated pathway for biosimilar licensure. As part of the publication of the final guidance, the U.S. FDA is allowing for ongoing comments from the public, which may result in further changes or revisions to such guidance. On May 10, 2019, the U.S. FDA issued final guidance on “Considerations in Demonstrating Interchangeability With a Reference Product,” which is intended to provide guidance as to how to demonstrate that a proposed therapeutic protein product is interchangeable with a reference product for the purposes of submitting a marketing application or supplement under section 351(k) of the Public Health Service Act (PHS Act) (42 U.S.C. 262(k)).

21st Century Cures Act

On December 13, 2016, the 21st Century Cures Act was enacted into law in the United States, and is intended to promote biomedical innovation and personalized medicines. The 21st Century Cures Act includes increased funding for the National Institutes of Health and the U.S. FDA and provides for the implementation of, among other reforms, enhanced pathways for medical product approval and the modernization and harmonization of clinical trial procedures over a period of several years.

Blueprint to Lower Drug Prices and Safe Importation Action Plan

In May 2018, U.S. President Trump released “American Patients First: The Trump Administration Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs,” which outlined actions that his administration proposed to take to lower prescription drug prices, including certain actions that would be taken immediately by the U.S. Department of Health and Human Services (“HHS”) and issues on which HHS would solicit public feedback before determining any additional reform proposals. This blueprint sought to increase competition, improve negotiation, and incentivize lower list prices and lower out-of-pocket costs.

It called for, among other things, greater transparency of drug prices, better informing consumers about prescription drugs, increased promotion of generic drugs and experimenting with value-based payment. We are currently evaluating the impact of this blueprint on our business, and we cannot yet be certain what the effect will be.

To create better incentives for lower list prices, the blueprint called for HHS to consider requiring the inclusion of list prices in direct-to-consumer advertising. On May 30, 2018, the CMS announced a final rule that requires direct-to-consumer television advertisements for prescription pharmaceuticals covered by Medicare or Medicaid to include the list price if such price is equal to or greater than \$35 for a month’s supply or the usual course of therapy. This rule became effective starting on July 9, 2019.

The U.S. Department of Health and Human Services and U.S. FDA’s Safe Importation Action Plan was announced in July 2019. Following this framework, the U.S. FDA proposed a draft rule in December 2019 that would allow importation of certain lower-cost prescription drugs from Canada, and in September 2020 the rulemaking was finalized by the U.S. FDA along with an industry guidance document. The new rule became effective on November 30, 2020, although its implementation has been delayed and its impact is uncertain, in part because lawsuits have been filed challenging the government’s authority to promulgate it.

State Efforts to Lower Drug Prices

A number of states have passed legislation intended to impact pricing or requiring price transparency reporting, including among others California, Colorado, Connecticut, Louisiana, Maine, Maryland, Nevada, Oregon, Texas, Vermont, and Washington, and a number of other states have proposed such legislation in recent years. While the disclosure requirements vary by state, these laws typically require manufacturers to report certain product price information or other financial data to the state, and, in some cases, provide advance notification of price increases. It is expected that states will continue their focus on pharmaceutical price transparency and that this focus will continue to exert pressure on product pricing.

Right to Try Act

On May 30, 2018, the Trickett Wendler, Frank Mongiello, Jordan McLinn, and Matthew Bellina Right to Try Act of 2017 (the “Right to Try Act”) was signed into law in the United States. The law, among other things, provides a federal framework for certain patients to request access to certain investigational new drug products that have completed a Phase I clinical trial and that are undergoing investigation for U.S. FDA approval. There is no obligation for a pharmaceutical manufacturer to make its drug products available to eligible patients as a result of the Right to Try Act, although in 2020 the U.S. FDA published a notice of proposed rulemaking that would require manufacturers who do so to make annual reports of those programs to the U.S. FDA. Following his inauguration in January 2021, President Biden ordered a regulatory freeze on all pending substantive executive actions in order to permit incoming department and agency heads to review them. Accordingly, it remains to be seen whether the proposed rule for annual reporting under the Right to Try Act advances to the final rule stage.

Final Conscience Rule

In May 2019, the U.S. Department of Health and Human Services (“HHS”) published final rules to enforce so-called “conscience laws,” a series of previously enacted laws that allow health professionals, insurers and employers to opt out of participating in certain health care activities that violate the worker’s conscience or religious beliefs, such as abortion, sterilization, vaccination or assisted suicide. The final rule would significantly expand the authority of HHS’s Office of Conscience and Religious Freedom to enforce federal conscience protection laws and implement new enforcement mechanisms. The conscience laws and the final rule could potentially impact certain pharmaceutical products, including the availability of such products from hospitals and other prescribers and the availability of insurance coverage for such products. A number of lawsuits were filed challenging the final rule’s constitutionality and, before it became effective, three federal courts in New York, Washington and California issued rulings invalidating the final rule. Although the Trump administration appealed these decisions, the Biden administration subsequently moved to delay the appeals, indicating that new leadership at HHS would reassess the rule. Accordingly, the overall status of the final conscience rule is uncertain. We are currently evaluating the impact of these conscience laws and the final rule on our business, and we cannot yet be certain what their effect will be.

Coronavirus Aid, Relief, and Economic Security (CARES) Act 2020

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act signed into law by President Donald Trump on March 27, 2020, in response to the economic fallout of the COVID-19 pandemic in the United States.

The CARES Act includes authorities that enhance FDA's ability to identify, prevent, and mitigate possible drug shortages by, among other things, enhancing FDA's visibility into drug supply chains. Specifically, section 3112(e) amends the Federal Food, Drug, and Cosmetic Act to require that each registered drug establishment annually report the "amount of each drug . . . that was manufactured, prepared, propagated, compounded, or processed" by the registrant for commercial distribution. This CARES Act amendment also provides that such "information may be required to be submitted in an electronic format." The effective date of this reporting requirement under section 3112 (e) of the CARES Act was implemented by FDA on September 23, 2020, which is 180 days after the CARES Act was enacted.

In addition to the COVID-19 response efforts, the CARES Act includes statutory provisions that reform and modernize the way OTC monograph drugs are regulated in the United States. Specifically, the CARES Act replaces the rulemaking process with an administrative order process for issuing, revising, and amending OTC monographs. The CARES Act also provides FDA the authority to assess and collect user fees dedicated to OTC monograph drug activities (OMUFA) FDA anticipates that this user fee program will provide additional resources to help the agency conduct these important regulatory activities in a timely manner and ultimately help provide the public with access to innovative OTC monograph drugs.

Other matters

Refer to Note 33, "Contingencies", of our consolidated financial statements for discussions of the following lawsuits, investigations and proceedings:

- Child resistant packaging matter complaint under the False Claims Act ("FCA");
- Ranitidine recall and litigation;
- United States Antitrust Multi-District Litigations;
- Civil Investigative Demand from the Office of the Attorney General, State of Texas
- Subpoena duces tecum from the Office of the Attorney General, California
- 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; and
- Civil Investigative Demand from the Civil Division of the DOJ.

CANADA REGULATORY ENVIRONMENT

In Canada, we are required to file product dossiers with the Health Canada for permission to market a generic pharmaceutical product. The regulatory authorities may inspect our manufacturing facility before approval of the dossier. As of March 31, 2021, we had filed a cumulative total of 1 New Drug Submission ("NDS"), 1 COVID-19 Interim Order Application, 1 DIN-A Application and 43 Abbreviated New Drug Submissions ("ANDS") in Canada, out of which, 32 were approved, 3 were withdrawn and 11 are pending approval.

Health Canada has also introduced various flexibilities to address the COVID-19 pandemic. This includes expedited authorization of drugs and vaccines for Covid-19; measures to address critical drug shortages; extension of the New Evidence Required by ("NERBY") date on the drug establishment license for all foreign buildings importing drugs into Canada until further notice; and flexibility with GMP and importation requirements.

Health Canada has issued various guidance documents with regards to the risk assessments for nitrosamine impurities, and required manufacturers to complete risk assessments for drug products containing chemically synthesized APIs by March 31, 2021. Manufacturers are also required to evaluate the risk of the presence of nitrosamine impurities in biologics and radiopharmaceuticals by November 30, 2021.

Europe

Our sales of generic medicines in Europe for the year ended March 31, 2021 were Rs.15,404 million, which accounted for 10% of our Global Generics segment's sales. Our principal markets in Europe are Germany and the United Kingdom. We have also established our presence in other markets, including Italy, France and Spain.

Sales, Marketing and Distribution Network

Germany

In Germany, we sell a broad range of generic pharmaceutical products under the “betapharm” brand.

Over the last decade, the German pharmaceutical market has significantly changed. Health care reforms by the government have significantly increased the power of insurance companies and statutory health insurance funds (“SHI funds”) to influence dispensing of medicines. Pursuant to the reforms, those pharmaceutical products which are covered by rebate contracts with insurance companies and SHI funds will be prescribed by physicians and dispensed by pharmacies with priority. As a result, many SHI funds have enacted tender (i.e., competitive bidding) processes to determine which pharmaceutical companies they will enter into rebate contracts with. This has resulted in more than 90% of generic products currently sold in German retail outlets being supplied through contracts procured in competitive bidding tenders, thereby causing significant pressure on product margins.

United Kingdom and other Countries within Europe

We market our generic products in the United Kingdom through our U.K. subsidiary, Dr. Reddy’s Laboratories (U.K.) Limited. This subsidiary was formed in the year ended March 31, 2003 after our acquisition of Meridian Healthcare Limited, a United Kingdom based generic pharmaceutical company. We currently sell more than 60 products in the United Kingdom, covering both International Nonproprietary Name (“INN”) generics and branded generics. INN generics are sold via wholesale and retail channels, and hospitals. In the U.K., we work closely with the Clinical Commissioning Groups (i.e., groups that commission healthcare services for their local communities and include all of the general practitioner groups in their geographical area) to promote our range of branded generics. While the retail business covers a broad range of therapeutic areas, the hospital business focuses mainly on oncology, anti-infectives and HIV.

In 2016, we established a commercial structure in Italy, Spain and France to expand our direct footprint in the western European region. Our initial focus has been to supply products through hospitals and to institutional clients. Our product mix in these markets focuses on a limited number of key therapy areas such as oncology, anti-infectives and HIV, leveraging our portfolio. This market’s business is predominantly tender-driven, without the need for a large sales force.

Competition

The German market is highly competitive as a result of a large number of generic players and the predominance of a tender system which drives competition. Our key competitors within the German generics market include Sandoz International GmbH, Teva Pharmaceutical Industries Limited (“Teva”), Zentiva Pharma GmbH and Stada Arzneimittel AG.

According to the British Generic Manufacturers Association, the United Kingdom is one of the largest markets for generic pharmaceuticals in Europe, with generic penetration of around 84%, and is also one of the most price competitive markets due to a high degree of vertical integration and consolidation of buyers, as more than 70% of the retail pharmacies are owned by wholesalers or are part of retail chains, and has low barriers of entry. The market is dominated by global pharmaceutical companies such as Teva, the Sandoz group of Novartis Pharma A.G. and Mylan Inc.

In Italy, Spain and France, we compete with companies such as Hospira (an affiliate of Pfizer Limited), Fresenius SE & Co. KGaA, Teva and Accord Healthcare Limited (an affiliate of Intas Pharmaceuticals Ltd.), each of which has a well-established presence in the hospital segment of these countries.

Government regulations

In the EU, the manufacture and sale of pharmaceutical products is regulated in a manner substantially similar to that in the United States. Legal requirements generally prohibit the handling, manufacture, marketing and importation of any pharmaceutical product unless it is properly registered and manufactured in accordance with applicable law. The registration file relating to any particular product must contain scientific data related to product chemistry, efficacy and safety, including results of clinical testing and references to medical publications, as well as detailed information regarding production methods and quality control. Regulatory authorities are authorized to suspend, restrict or cancel the registration of a product if it is found to be harmful or ineffective, or manufactured and marketed other than in accordance with registration conditions. Additionally, a product registration can be cancelled, if the registration is not used for more than three years (under the regulation’s “sun-set clause”) or the renewal deadline is missed.

The activities of pharmaceutical companies within the EU are governed in particular by Directives 2001/83/EC and 2003/94/EC and Regulation 1234/2008, in each case as amended, and as implemented in national laws within the countries of the EU. The Directives outline the legislative framework, including the legal basis of marketing authorization procedures, and quality standards including manufacture, patient information and pharmacovigilance activities.

Prior approval of a marketing authorization is required to supply products within the EU. Such marketing authorizations may be restricted to one-member state, cover a selection of member states or can be for the whole of the EU, depending upon the form of registration procedure selected.

An abridged application can be filed for obtaining EU marketing authorization for a generic drug. Generic or abridged applications contain limited non-clinical and clinical data, depending upon the legal basis of the application or to address a specific issue. However, the applicant is required to demonstrate that its generic product contains the same active pharmaceutical ingredients in an equivalent dosage form for the same indication as the innovator product.

Specific data is included in the application to demonstrate that the proposed generic product is interchangeable to the innovator product with respect to quality, safe usage and continued efficacy. EU laws prevent regulatory authorities from accepting applications for registration of generics that rely on the safety and efficacy data of an innovator of a branded product until the expiration of the innovator's data exclusivity period (usually 8 years from the first marketing authorization in the EU, depending on the circumstances). The applicant is also required to demonstrate bioequivalence or bioavailability, respectively, with the EU reference product. Once all these criteria are met, a marketing authorization may be considered for grant.

Unlike in the United States, there is no equivalent regulatory mechanism within the EU to incentivize challenge to any patent protection, nor is any period of market exclusivity conferred upon the first generic approval.

In situations where the period of data exclusivity given to the innovator of a branded product expires before their patent expires, the launch of our product would then be delayed until patent expiration.

Our U.K. facilities are licensed and periodically inspected by the U.K. Medicines and Healthcare products Regulatory Agencies ("MHRA") good manufacturing practice Inspectorate, which has extensive enforcement powers over the activities of pharmaceutical manufacturers. Non-compliance can result in product recall, plant closure or other penalties and restrictions. In addition, the U.K. MHRA Inspectorate has approved and periodically inspected our manufacturing facilities based in Hyderabad, Telangana, India for the manufacture of generic medicines for supply to Europe.

All pharmaceutical companies that manufacture and market human medicinal products in Germany are subject to the applicable rules and regulations executed by the Federal Institute for Drugs and Medical devices ("BfArM") or the Paul-Ehrlich-Institut ("PEI") and the supervisory authorities of the respective federal state in Germany. All pharmaceutical companies in Upper Bavaria, Germany are periodically inspected by the Regierung von Oberbayern (the district government of Upper Bavaria in Germany), which has extensive enforcement powers over the activities of pharmaceutical companies. Non-compliance can result in closure of the facility. The Regierung von Oberbayern has also inspected our plants in Hyderabad and Visakhapatnam.

The German Social Code's price freeze imposed on reimbursable drugs, which was due to expire at the end of 2017, was extended until December 31, 2022 for all patent free drugs launched before August 1, 2010, although the continued price freeze will not apply to medicines subject to internal reference pricing.

European pharmacovigilance legislation (Regulation (EU) No 1235/2010 and Directive 2010/84/EU) was enacted in July 2012. Among other things, this legislation amended certain prior regulations regarding pharmacovigilance of medicinal products for human use, and procedures for the authorization and supervision of medicinal products for human and veterinary use.

The International Standards for Identification of Medicinal Products ("IDMP"), comprised of five International Organization for Standardization ("ISO") standards, were approved in calendar year 2012. These standards are designed to allow unambiguous identification of medicinal products across companies and regions in order to support and improve pharmacovigilance and other activities.

The implementation of IDMP has, for a variety of reasons, experienced a series of delays. But the EMA has now published an updated EU Implementation guide, and the latest implementation timelines published in February 2021 state a mandatory implementation date for calendar year 2023.

The EMA has adopted the Health Level 7 ("HL7") Fast Healthcare Interoperability Resources ("FHIR") messaging standard for the EU wide implementation of IDMP, and the full implementation will happen through 4 domains: Substance, Product, Organization, and Reference Data (sometimes referred to, collectively, as "SPOR").

The submission of medicinal product data to support pharmacovigilance has been required since 2012 in the EU. The original European database for data regarding medicinal products, the Eudravigilance Medicinal Product Dictionary ("EVMPD"), was launched by the EMA at the end of 2001. It was designed to standardize the collection, reporting, coding, and evaluation of authorized and investigational medicinal product information. In 2012 it became mandatory for marketing-authorization holders to supply information to the extended version of the EVMPD (xEVMPD or Article 57 database). However, this currently contains only a fraction of the data that eventually will have to be submitted to the IDMP-compliant database for each authorized product in the EU. In order for us to support the maintenance of medicinal product data in the IDMP-compliant database, we will have to make significant changes to our processes and procedures.

In order to prevent counterfeit medicines entering into the supply chain, in October 2015, as part of the Falsified Medicines Directive (the “FMD”), the European Commission adopted regulations providing detailed rules for the safety features appearing on the packaging of medicinal products for human use. Accordingly, all medicinal products generally subject to prescription must bear safety features that facilitate specifically the identification of individual packs and the verification of their authenticity. Effective as of February 9, 2019, we have successfully implemented the FMD and only those prescription drugs which have a unique serial number on the pack, and where the integrity of the pack can be seen, have been placed on the market ever since.

The decision for the United Kingdom to exit from the EU (the “Brexit”) has impacted pharmacovigilance operations. The Brexit transition period ended as of December 31, 2020 and the U.K. MHRA have issued guidance for the pharmaceutical industry to follow from January 1, 2021. The new requirements include the appointment of a “Qualified Person” for pharmacovigilance for U.K. nationally authorized products. The MHRA will continue to support EU harmonized approaches for certain safety data, but require U.K. specific supplemental information to be provided. In addition, parallel, U.K. specific processes must be implemented for certain activities including adverse event reporting. These additional requirements are expected to result in increased costs for the marketing authorization holders (“MAHs”).

In the EU, there must be at least one “Qualified Person” who is responsible for a medicinal product’s batch certification and release. Each batch of an imported medicinal product placed onto the market in the EU must be tested in laboratory in the EU prior certification. The MAH’s Qualified Person, or a qualified partner, must then certify that the product is in accordance with the requirement of Annex 16 of the EU-GMP Guidelines (Certification by a Qualified Person and Batch Release) and can therefore be released to the market. As a consequence of the Brexit, this activity will no longer be able to be conducted in the U.K. for the EU. Following the Brexit vote, the EU moved the headquarters of the EMA from the U.K. to the Netherlands in March 2019.

In the European Union, the term of certain pharmaceutical patents may be extended by up to five years (subject to further patent term extension under certain conditions) through a Supplementary Patent Certificate (“SPC”). The purpose of this extension is to compensate for the patent term lost during regulatory review processes.

Effective July 2019, the European Union’s new SPC Manufacturing Waiver Regulation exempts businesses which satisfy its conditions from infringement of a pharmaceutical product protected by a SPC. The exemption covers the manufacture of a product for either the purpose of exporting it to countries outside the European Union, or the purpose stockpiling inventory of such product for up to six months for launch in the European Union upon SPC expiration.

“Rest of the World” markets of our Global Generics segment

We refer to all markets of our Global Generics segment other than North America, Europe, Russia and other countries of the former Soviet Union and Romania and India as our “Rest of the World” markets. Our significant Rest of the World markets include China, Kazakhstan, South Africa, Australia, Brazil, Vietnam and Myanmar.

We started our operations in China in the year 2000, by setting up a joint venture in the city of Kunshan, Jiangsu Province. Over the past several years, our joint venture called Kunshan Rotam Reddy Pharmaceuticals Company Limited (“KRRP”) has commercialized several products. Some of these products are manufactured by KRRP at its manufacturing plant in Kunshan while some others are imported in bulk packs, repackaged and sold in China. In calendar year 2020, KRRP started manufacturing capacity expansion at the Kunshan facility, and the same is in progress and likely to be completed in calendar year 2021.

Over the last few years, we have also increased our operations with respect to the filing of dossiers and obtaining new product registrations in China. Upon successful registration and approval by the China regulatory authorities, we intend to launch these products in the coming years.

Further, in September 2019, one of our products Olanzapine, which we had commercialized in China through a distribution and supply agreement with a Chinese company, was successfully listed in the national volume based procurement program, which is a tender-style bidding system for centralized procurement of medicines in China.

Our revenues from our “Rest of the World” markets were Rs.11,844 million in the year ended March 31, 2021, an increase of 25% as compared to the year ended March 31, 2020. The growth is largely attributable to increased sales volumes of our existing business and to new products launched during the year ended March 31, 2021. The foregoing was partially offset by decline in revenues due to price erosion in some of our existing products.

Global Generics Manufacturing and Raw Materials

Manufacturing for our Global Generics segment entails converting API into finished dosages. As of March 31, 2021, we had eleven manufacturing facilities within this segment. Ten of these facilities are located in India, including four in a Special Economic Zone, and one in the United States (Shreveport, Louisiana). In addition, we also have one packaging facility in the United Kingdom. All of the facilities are designed in accordance with and are compliant with current cGMP requirements and are used for the manufacture of tablets, hard gelatin capsules, injections, liquids and creams for sale in India as well as other markets. All of our manufacturing sites’ laboratories and facilities are designed and maintained to meet increasingly stringent requirements of safety and quality. All of our sites outside of India are approved by the respective regulatory bodies in the jurisdictions where they are located.

We manufacture most of our finished products at these facilities and also use contract manufacturing arrangements as we determine necessary. For each of our products, we continue to identify, upgrade and develop alternate vendors as part of risk mitigation and continual improvement.

The ingredients for the manufacture of the finished products are sourced from in-house API manufacturing facilities and from vendors, both local and non-local. Each of these vendors undergo a thorough assessment as part of the vendor qualification process before they qualify as an approved source. We attempt to identify more than one supplier in each drug application or make plans for alternate vendor development from time to time, considering the supplier's history and future product requirements. Arrangements with international raw material suppliers are subject to, among other things, respective country regulations, various import duties and other government clearances. The prices of our raw materials generally fluctuate in line with commodity cycles. Raw material expense forms the largest portion of our cost of revenues. We evaluate and manage our commodity price risk exposure through our operating procedures and sourcing policies.

The logistics services for storage and distribution in the United States, the European Union, Russia, South Africa, Australia and other emerging markets are outsourced to a third party service provider.

We manufacture formulations in various dosage forms including tablets, capsules, injections, liquids and creams. These dosage forms are then packaged, quarantined and subject to stringent quality tests, to assure product quality before release into the market. We manufacture our key brands for our Indian markets at our facilities in Baddi, Himachal Pradesh, to take advantage of certain fiscal benefits offered by the Government of India, which includes partial exemption from income taxes for a specified period.

All pharmaceutical manufacturers that sell products in any country are subject to regulations issued by the Ministry of Health (or its equivalent) of the respective country. These regulations govern, or influence the testing, manufacturing, packaging, labeling, storing, record-keeping, safety, approval, advertising, promotion, sale and distribution of products. Our facilities and products are periodically inspected by various regulatory authorities such as the U.S. FDA, the U.K. MHRA, the German BfARM, the South African Medicines Control Council, the Brazilian ANVISA, the Romanian National Medicines Agency, Ukrainian State Pharmacological Center, the local World Health Organization and Drug Control Authority of India, all of which have extensive enforcement powers over the activities of pharmaceutical manufacturers operating within their jurisdiction.

In November 2015, we received a warning letter from the U.S. FDA relating to violations at our injectable oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. Subsequently in February 2019, the U.S. FDA issued an Establishment Inspection Report ("EIR") indicating successful closure of the audit of such facility.

Pharmaceutical Services and Active Ingredients ("PSAI") segment

Our PSAI segment primarily includes our 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 our contract research services business and our manufacture and sale of steroids in accordance with specific customer requirements.

Our PSAI segment's revenues for the year ended March 31, 2021 were Rs.31,982 million, an increase of 24% as compared to Rs.25,747 million for the year ended March 31, 2020. Our PSAI segment accounted for 17% of our total revenues for the year ended March 31, 2021.

During the year ended March 31, 2021, we filed 149 Drug Master Files ("DMFs") worldwide, of which 14 were filed in the United States, 18 were filed in Europe and 117 were filed in other countries. Cumulatively, our total active DMFs filed worldwide as of March 31, 2021 were 1,172, including 223 (active) DMFs filed in the United States.

We produce and market more than 154 different APIs for numerous markets. Our API business is operated independently from our Global Generics segment and, in addition to supplying API to our Global Generics segment, our PSAI segment sells API to third parties for use in manufacturing generic products, subject to any patent rights of other third parties.

We export API to more than 76 countries, and our principal overseas markets in this business segment include North America (the United States and Canada) and Europe. The research and development group within our API business contributes to our business by creating intellectual property (principally with respect to novel and non-infringing manufacturing processes and polymorphs), providing research intended to reduce the cost of production of our products and developing new products.

The pharmaceutical services (contract research and manufacturing) arm of our PSAI segment was established in 2001 to leverage our strength in process chemistry to serve the niche segment of Innovator pharmaceutical and specialty chemicals industry. Our objective is to be the preferred partner for innovator pharmaceutical companies, providing a complete range of services that are necessary to support their innovations to bring the new drug to the market quickly and more efficiently.

The focus is to leverage our skills in process development, analytical development, formulation development and Current Good Manufacturing Practice (“cGMP”) to serve outsourcing needs of innovator pharmaceutical companies. We have positioned our PSAI segment’s Custom Pharmaceutical Services business to be the partner of choice for large, medium and emerging innovator companies across the globe, with service offerings spanning the entire value chain of pharmaceutical services.

Effective June 1, 2020, our Custom Pharmaceutical Services business has been integrated with Aurigene Discovery Technologies Limited’s (“ADTL”) service business, and the integrated business model was commenced under Aurigene Pharmaceutical Services Limited (“APSL”). APSL is a subsidiary of ADTL within our group. APSL has been formed to service the needs of innovator customers in the areas of medicinal chemistry and biology, contract development and manufacturing services for clinical and commercial needs. Our aspiration is to make APSL a global leader in offering end-to-end integrated solutions across discovery, development and manufacturing.

Sales, Marketing and Distribution

Developed Markets. Our PSAI segment’s principal overseas markets are the United States and Europe. Our PSAI segment’s sales to these markets were Rs.13,942 million for the year ended March 31, 2021, and accounted for 44% of our PSAI segment’s revenues for the year ended March 31, 2021.

In the United States and Europe, the patent protection for a large number of high value branded pharmaceutical products expired in years ended March 31, 2011, 2012 and 2013 and this opened the market to generic products that sourced their API from our PSAI segment. However, during the years ended March 31, 2014 through March 31, 2019, such expirations were much less frequent, which resulted in a decrease in new opportunities in these markets for the customers of our PSAI segment. We market our products through our subsidiaries in the United States and Europe. These subsidiaries are engaged in all aspects of marketing activity and support our customers’ pursuit of regulatory approval for their products, focusing on building long-term relationships with the customers.

Other Key Markets. India is an important market for our PSAI segment, with total sales of Rs.2,821 million, and it accounted for 9% of the PSAI segment’s revenues in the year ended March 31, 2021. In India, we market our API products to Indian and multinational companies, many of whom are also our competitors in our Global Generics segment. The market in India is highly competitive, with severe pricing pressure and competition from lower cost foreign imports in several products.

Being the highest growing emerging market, China is a lucrative market to operate in. Our PSAI segment has a strong pipeline of products for the Chinese market has concentrated talent deployment in the region. Our PSAI segment’s sales to all of the other markets (excluding the United States, Europe and India) was Rs.15,220 million for the year ended March 31, 2021 and accounted for 47% of our PSAI segment’s revenues for the year.

Our PSAI segment’s other key markets include Brazil, Mexico, China and Japan. While we work through our agents in these markets, our zonal marketing managers also interact directly with our key customers in order to service their requirements. With the aim of being closer to the customers, and in their respective time zones, our PSAI business has sales operations now in 8 markets, including India, the United States, Europe, Mexico and Brazil. And new PSAI segment operations have been added in China, Japan and Russia during the year ended March 31, 2020, with local sales and regulatory managers to cater to the local customer needs.

For our contract development and manufacturing services line of business, we have focused business development teams dedicated to our key geographies of North America (the United States and Canada), the European Union and Asia Pacific. These teams target large, medium and emerging innovator companies to build long-term business relationships focused on catering to their outsourcing needs.

Going forward, we expect our PSAI segment to show growth on account of our investments in newer technologies and platforms. We are also pursuing a partnership model to enable our customers to reach more markets faster and efficiently by leveraging our cost leadership and presence across the globe. Our PSAI Segment has been investing in digital solutions to revitalize our engagement and transparency with our customers. We consider this as a small step in the right direction to become partner of choice for our customers.

PSAI Manufacturing

The infrastructure for our PSAI segment consists of eight U.S. FDA-inspected plants (six in India, including one in a Special Economic Zone, one in Mexico, and one in Mirfield, United Kingdom) and two technology development centers (one in Hyderabad, India and one in Cambridge, United Kingdom).

India. All of our facilities in India are located in the states of Andhra Pradesh and Telangana. We have the flexibility to produce quantities that range from a few kilograms to several metric tons. The manufacturing process consumes a wide variety of raw materials that we obtain from sources that comply with the requirements of regulatory authorities in the markets to which we supply our products. We procure raw materials on the basis of our requirement planning cycles. We utilize a broad base of suppliers in order to minimize risk arising from dependence on a single supplier.

In November 2015, we received a warning letter from the U.S. FDA relating to cGMP deviations at our API manufacturing facilities at Miryalaguda, Telangana and Srikakulam, Andhra Pradesh. In June 2017, the U.S. FDA issued an EIR which indicated that the inspection of our API manufacturing facility at Miryalaguda was successfully closed. In May 2020, we received an EIR from the U.S. FDA, for our API manufacturing facility at Srikakulam, indicating closure of the audit and classifying the inspection of this facility as Voluntary Action Indicated (“VAI”).

Mexico. Our manufacturing plant in Cuernavaca, Mexico (the “Mexico facility”) was acquired from Roche during the year ended March 31, 2006. In addition to active pharmaceutical ingredients, naproxen and naproxen sodium and a range of intermediates, the Mexico facility manufactures steroids as active ingredients for use in human and veterinary pharmaceutical products.

United Kingdom. The small molecules business continues to supply complex chiral APIs to customers at a range of scales. This business is also able to provide cost effective contract development and manufacturing organization solutions to innovators developing new pharmaceutical products, tapping into the expertise of our parent company as required.

We have invested in this business to update equipment and implement modern data acquisition systems to meet today’s stringent regulatory requirements.

For our contract development and manufacturing services, we have well-resourced synthetic organic chemistry laboratories, medicinal chemistry analytical laboratories and kilo laboratories at our technology development centers at Hyderabad and Bengaluru in India. Our chemists and process engineers are experts in discovery, development and manufacturing services, from the pre-clinical stage to commercialization. To complete the full value chain in development services, we also provide formulation development services. We have facilities for pre-formulation and formulation development, analytical development, clinical trial supplies, pilot scale and product regulatory support. The inspection of our Miyapur facility in Hyderabad, India was completed by the U.S. FDA on September 21, 2017 with zero observations, and the U.S. FDA issued an EIR in December 2017. This facility also follows rigorous Safety and Information Security practices and is certified against ISO 27001:2013 standards for information security. Larger quantities of APIs can be manufactured from our API plants in India, the United Kingdom and Mexico. We also offer end to end project management support for effective deliveries.

Our contract development and manufacturing services are uniquely positioned in the market where it utilizes assets (both in terms of physical assets and technical know-how) of a vertically integrated pharmaceutical company and combines this with the service model which we have built over the years.

Raw Materials

Raw material expense forms the largest portion of our cost of revenues. Raw materials consist of fine chemicals, bulk chemicals, solvents, catalysts, and basic and advanced intermediates. The prices of these raw materials generally fluctuate in line with commodity cycles, demand supply situations and changes to government policies. We evaluate and manage our commodity price risk exposure through periodical supply contracts as well as agile and responsive sourcing procedures

Competition

The global API market can broadly be divided into regulated and less regulated markets. The less regulated markets offer low entry barriers in terms of regulatory requirements and intellectual property rights. The regulated markets, like the United States and Europe, have high entry barriers in terms of intellectual property rights and regulatory requirements, including facility approvals. As a result, there is a premium for quality and regulatory compliance along with relatively greater stability for both volumes and prices. As an API supplier, we compete with a number of manufacturers within and outside India, which vary in size. Our main competitors in this segment are Divis Laboratories Limited, Aurobindo Pharma Limited, Cipla Limited, Mylan Laboratories Limited, Sun Pharmaceutical Industries Limited and MSN Laboratories Limited, all based or operating in India. In addition, we experience competition from European businesses and Chinese manufacturers like Zhejiang Huahai, Tianyu, as well as from Teva Pharmaceuticals Industries Limited, based in Israel.

With respect to our contract development and manufacturing services, we believe that contract research and manufacturing is a significant opportunity for Indian pharmaceutical companies, based on their strengths of a skilled workforce and low-cost manufacturing infrastructure. Key competitors in India include Divis Laboratories Limited, Dishman Pharmaceuticals & Chemicals Limited, Synegene International Ltd. and Piramal Enterprises Ltd. Key competitors from outside India include Lonza Group, AMRI Inc., Patheon Inc., Catalent Inc., Cambrex Inc., and WuXi Apptec. We distinguish ourselves from Indian competitors by offering a wider range of services spanning the entire pharmaceutical value chain.

For competitors from outside India, we distinguish ourselves through cost effectiveness. Keeping on par with the advancements in technology and changing needs of the innovator and mid-sized pharmaceutical companies, we are positioning ourselves in niche technologies. With growth in contract research and manufacturing services likely to be driven by increased outsourcing by small and medium size pharmaceutical companies, particularly those focused on biotechnology and therapy, we expect India to emerge as an alliance and outsourcing destination of choice due to speed, skill and cost advantage.

Government regulations

All pharmaceutical companies that manufacture and market drugs, medical devices and cosmetics in India are subject to various national and state laws and regulations, which principally include the Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules 1945, the New Drugs and Clinical Trials, Rules, 2019, the Cosmetics Rules, 2020, the Medical Devices Rules 2017, the Drugs (Prices Control) Order, 2013, as well as various environmental laws and other government statutes and regulations. These regulations govern the manufacturing, testing, packaging, labeling, storing, recordkeeping, safety, approval, sale and distribution of pharmaceutical products.

In India, manufacturing licenses for drugs, cosmetics and medical devices are generally issued by state licensing authorities. Under the Drugs and Cosmetics Act, 1940, the state licensing authorities are empowered to issue manufacturing licenses for drugs if they are approved for marketing in India by the Drug Controller General of India (“DCGI”). Prior to granting licenses for any new drugs or combinations of new drugs, the DCGI clearance has to be obtained in accordance with the Drugs and Cosmetics Act, 1940.

We submit a DMF for active pharmaceutical ingredients to be commercialized in the United States. Any drug product for which an ANDA is being filed must have a DMF in place with respect to a particular supplier supplying the underlying API.

The manufacturing facilities are inspected by the U.S. FDA to assess compliance with cGMP. The manufacturing facilities and production procedures must meet U.S. FDA standards. For European markets, we submit a European DMF and, wherever applicable, obtain a certificate of suitability from European Directorate for the Quality of Medicines.

Proprietary Products Segment

Our Proprietary Products segment focuses on the research, development, and commercialization of differentiated formulations by building a pipeline of high value, globally relevant products in therapeutic areas of high unmet need and commercializing these pipeline products through partnerships to maximize value.

Our efforts primarily focus on repurposing or improving the clinical properties of already approved and well-characterized APIs for application in the targeted disease areas. We achieve this by utilizing internal resources as well as efficiently collaborating with leading technology and platform based companies and service providers, tapping into their expertise areas across different phases of the development process. We continue to progress towards building a diversified portfolio with a sustainable mix of branded proprietary formulations generated through research and development with significantly reduced fixed costs.

Our research and development efforts have a unique “medicines-to-molecules” approach to product development. In this approach, we identify areas of medical need and then leverage in an integrated manner the disciplines of biology, chemistry, drug delivery, clinical development, regulatory and commercial positioning to develop differentiated formulations.

Our research and development model is both in-house and virtual (i.e., operations are outsourced, subject to our supervision of strategic and project management functions), and follows these core principles:

- develop creative research and development investment models and partnerships to access external innovation focused on leveraging, rather than replicating, unique core competencies;
- select assets based on potential for early risk mitigation, both with respect to product development and commercialization; and
- leverage knowledge and presence in emerging markets (India and other developing countries) to maximize cost advantages.

Our principal research laboratory is based in Hyderabad, India. As of March 31, 2021, we employed a total of 67 scientists, including 10 scientists who hold Ph.D. degrees and three with a M.D. degree.

Pipeline Status

As of March 31, 2021, we had three late stage projects at different stages of development, ranging from products that have completed Phase 2 clinical trials to a product that is undergoing pivotal studies for registration. In addition, we have multiple other programs in the early stages of development (i.e., exploratory stage through Phase 2) in our pipeline.

The details of our late stage assets are as follows:

Compound	PPC-06 (Tepilamide Fumarate)	E7777	DFD-29 (Low dose minocycline)
Therapeutic Area	Dermatology	Hematology-Oncology	Dermatology
Indication	Treatment of plaque psoriasis in patients 18 years of age or older.	Treatment of Cutaneous T Cell Lymphoma.	Treatment of Papulopustular rosacea.
Significant developments during the period	Phase 3 study preparation.	Pivotal study ongoing and nearing completion.	Phase 3 study preparations.
Significant patents associated with the compound	A total of fourteen patents were granted, with estimated expiration of the last of such patents in 2035 in the U.S.A. There are also other patent applications pending in the U.S.A. and some other countries.	None.	Three patent applications have been filed with the USPTO ⁽¹⁾ (1 granted). There are also other patent applications pending in fourteen other countries including Europe, Japan, Brazil, Canada, China, India and Russia.
Current status/ expected NDA filing⁽²⁾	Phase 3 ready.	Approval enabling study is ongoing. Submission of a Biologics License Application to the U.S. FDA is planned in the quarter ended September 30, 2022.	Estimated NDA filing is December 2023.

(1) “USPTO” means the United States Patent and Trademark Office.

(2) The timelines for expected filing may change due to various factors, including outcome of Approval enabling/Phase 3 studies, completion of Integrated Summary of Safety/Integrated Summary of Effectiveness (“ISS/ISE”), outcome of stability data and internal reprioritization of portfolio.

Details regarding certain of other late stage pipeline assets are as follows:

- DFD-11 (XeglyzeTM): U.S. FDA approval was received on July 24, 2020.

Patents. Our Proprietary Products segment has created a strong patent portfolio, with 134 grants by the USPTO with a validity of 10+ years. Following is the patent applications filed/granted status as of March 31, 2021:

Category	USPTO ⁽¹⁾ (# Filed)	USPTO ⁽¹⁾ (# Granted)	PCT ⁽²⁾ (# Filed)	India (# Filed)	India (# Granted)
Anti-diabetic	85	17	62	117	45
Anti-cancer	18	11	14	45	15
Anti-bacterial	8	7	10	22	4
Anti-inflammation/cardiovascular	47	27	35	26	3
Anti-ulcerant	1	1	-	1	-
Miscellaneous	29	26	4	29	11
Differentiated formulations	70	45	28	71	5
Total	258	134	153	311	83

(1) “USPTO” means the United States Patent and Trademark Office.

(2) “PCT” means the Patent Cooperation Treaty, an international treaty that facilitates foreign patent filings for residents of member countries when obtaining patents in other member countries.

Competition

The pharmaceutical and biotechnology industries are highly competitive. We face intense competition from organizations such as large and small pharmaceutical companies and biotechnology companies. The major pharmaceutical organizations competing with us have greater capital resources, larger overall research and development staff and facilities, and considerably more experience in drug development. Biotechnology companies competing with us may have these advantages as well.

In addition to competition from collaborators and investors, these companies and institutions also compete with us in recruiting and retaining highly qualified scientific and management personnel.

Government regulations

Virtually all pharmaceutical and biologics products that we or our collaborative partners develop will require regulatory approval by governmental agencies prior to commercialization. The nature and extent to which these regulations apply varies depending on the nature of the products and also vary from country to country. In particular, human pharmaceutical products are subject to rigorous nonclinical and clinical testing and other approval procedures by the relevant regulatory agency. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country

In order to market a drug in the United States, we or our partners are subject to regulatory requirements governing human clinical trials, marketing approval and post-marketing activities for pharmaceutical products and biologics. Various federal, and in some cases state, statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record-keeping and marketing of these products. The process of obtaining these approvals and the subsequent compliance with applicable statutes and regulations is time consuming and requires substantial resources, and the approval outcome is uncertain.

Stages of Testing Development. The stages of testing required before a pharmaceutical product can be marketed in the United States are generally as follows:

Stage of Development	Description
Nonclinical	Animal studies and laboratory tests to evaluate the efficacy, pharmacokinetics and safety in animals. Demonstrate activity of a product candidate and identify its chemical and physical properties.
Phase 1	Clinical studies to test safety and pharmacokinetic profile of a drug in normal human subjects.
Phase 2	Exploratory clinical studies conducted in small group of patients to determine the proof concept, preliminary efficacy and safety, and finally to determine the dosage range of a drug.
Phase 3	Large scale confirmatory clinical studies conducted in large group of patients to provide sufficient data for statistical proof of efficacy and safety.

For ethical, scientific and legal reasons, animal studies are required in the discovery and safety evaluation of new medicines. Nonclinical tests assess the potential safety and efficacy of a product candidate in animal models. The results of these studies must be submitted to the U.S. FDA as part of an Investigational New Drug (“IND”) application before human testing may proceed.

U.S. law further requires that studies conducted to support approval for product marketing be “adequate and well controlled.” In general, this means that either a placebo or a product already approved for the treatment of the disease or condition under study must be used as a reference control. Studies must also be conducted in compliance with good clinical practice requirements, and adverse event and other reporting requirements must be followed.

The clinical trial process can take five to ten years or more to complete, and there can be no assurance that the data collected in compliance with good clinical practice regulations will demonstrate that the product is safe or effective, or, in the case of a biologic product, pure and potent, or will provide sufficient data to support U.S. FDA approval of the product. The U.S. FDA may place clinical trials on hold at any point in this process if, among other reasons, it concludes that clinical subjects are being exposed to an unacceptable health risk. Trials may also be terminated by Institutional Review Boards (“IRBs”) or Ethics Committees (“ECs”), which must review and approve all research involving human subjects. Side effects or adverse events that are reported during clinical trials can delay, impede, or prevent marketing authorization.

After completion of clinical trials of a new product, U.S. FDA NDA approval must be obtained. If the product is classified as a new pharmaceutical, we or our collaborator are required to file a NDA, and receive approval before commercial marketing of the drug. The testing and approval processes require substantial time and effort. NDAs submitted to the U.S. FDA can take several years to obtain approval and the U.S. FDA is not obligated to grant approval at all.

Even if U.S. FDA regulatory clearances are obtained, a marketed product is subject to continual review. If and when the U.S. FDA approves any of our or our collaborators' products under development, the manufacture and marketing of these products are subject to continuing regulation, including compliance with cGMP, adverse event reporting requirements and prohibitions on promoting a product for unapproved uses. Later discovery of previously unknown problems or failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions. Various federal and, in some cases, state statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of pharmaceutical products.

Commercialization

In January and February 2016, we received U.S. FDA approval of our New Drug Applications (each, a "NDA") for two products – our dermatology product SERNIVO[®] and our neurology product ZEMBRACE[®]. Both products were launched in the U.S. market during the year ended March 31, 2017. In May and November 2017, we received U.S. FDA approval for two dermatology products – DFD-10 (minocycline hydrochloride) and DFD-06, Impoyz[®] our brand of clobetasol propionate cream. Furthermore, in January 2019, we received U.S. FDA approval for TOSYMRA[®], our brand of sumatriptan intranasal spray (DFN-02).

In August 2017, we sold the future development, manufacturing and commercialization rights for DFD-06, a topical high potency steroid, to Encore Dermatology Inc. During the three months ended September 30, 2018, we sold our rights for Cloderm[®] (clocortolone pivalate) Cream 0.1% and its authorized generic to EPI Health, LLC, an affiliate of EPI Group, LLC.

In March 2019 we sold to Encore Dermatology Inc. our rights for SERNIVO[®] (betamethasone dipropionate) Spray 0.05% and assigned them our rights to market and distribute PROMISEB[®] topical cream and TRIANEX[®] 0.05% (triamcinolone acetonide ointment, USP) in the United States.

In June 2019, we sold to Upsher-Smith Laboratories, LLC, our U.S. and select territory rights for ZEMBRACE[®] SYMTOUCH[®] (sumatriptan injection) 3 mg and TOSYMRA[®] (sumatriptan nasal spray) 10 mg, (formerly referred to as "DFN-02").

In March 2021, we out-licensed to Ethypharm SAS select territory rights (in France, Germany, Italy, Spain and the United Kingdom) for ELYXYB[™] (formerly referred to as "DFN 15").

4.C. Organizational structure

Dr. Reddy's Laboratories Limited is the parent company in our group. Refer to Note 42 of our consolidated financial statements for a list of our subsidiaries and joint ventures.

4.D. Property, plant and equipment

Our principal executive offices are located in Hyderabad, Telangana, India. Our business operates through a number of subsidiaries having offices, research facilities and production sites throughout the world. The following table sets forth current information relating to our principal facilities:

SI No.	Name/Location	Approximate Area (Square feet)	Segments Which Primarily Use
Within India			
1	API Hyderabad Plant 1, Telangana, India	645,995	Global Generics and PSAI
2	API Hyderabad Plant 2, Telangana, India	781,379	Global Generics and PSAI
3	API Hyderabad Plant 3, Telangana, India	644,805	Global Generics and PSAI
4	API Nalgonda Plant, Telangana, India	3,397,680	Global Generics and PSAI
5	API Srikakulam Plant, Andhra Pradesh, India	4,027,688	Global Generics and PSAI
6	API Srikakulam Plant (SEZ), Andhra Pradesh, India	9,917,739	Global Generics and PSAI
7	Aurigene Pharmaceutical Services Limited, Hyderabad, Telangana, India	300,564	PSAI
8	Technology Development Centre Hyderabad 2, Telangana, India	68,825	Global Generics and PSAI
9	Integrated Product Development Center (Pilot Plant), Telangana, India	271,379	Global Generics
10	Formulations Hyderabad Plant 2, Telangana, India	3,207,826	Global Generics
11	Formulations Baddi Plant 1, Himachal Pradesh, India	728,234	Global Generics
12	Formulations Baddi Plant 2, Himachal Pradesh, India	381,342	Global Generics
13	Formulations Baddi Plant 3, Himachal Pradesh, India	70,220	Global Generics
14	Biologics Hyderabad, Telangana, India	1,242,767	Global Generics
15	Formulations Hyderabad Plant 3, Telangana, India	1,539,089	Global Generics
16	Formulations Srikakulam Plant 1 (SEZ), Andhra Pradesh, India	879,041	Global Generics
17	Formulations Srikakulam Plant 2 (SEZ), Andhra Pradesh, India	334,105	Global Generics
18	Formulations Srikakulam Plant 11, Andhra Pradesh, India	740,520	Global Generics
19	Formulations Visakhapatnam Plant 1 (SEZ), Andhra Pradesh, India	582,206	Global Generics
20	Formulations Visakhapatnam Plant 2 (SEZ), Andhra Pradesh, India	544,322	Global Generics
21	Aurigene Pharmaceutical Services Limited, Bengaluru, Karnataka, India	58,754	PSAI
22	Aurigene Discovery Technologies Limited, Bengaluru, Karnataka, India	630,462	Others
23	Integrated Product Development Center, Bengaluru, India	29,500	Global Generics
24	Integrated Product Development Center, Telangana, India	103,350	Global Generics, PSAI and Proprietary
Outside India			
25	API Cuernavaca Plant, Mexico	2,361,840	Global Generics and PSAI
26	API Mirfield Plant, United Kingdom	1,785,960	Global Generics and PSAI
27	API Middleburgh Plant, New York, United States	292,000	Global Generics

SI No.	Name/Location	Approximate Area (Square feet)	Segments Which Primarily Use
28	Technology Development Centre, Cambridge, United Kingdom	32,966	Global Generics and PSAI
29	Technology Development Centre, Leiden, the Netherlands	56,500	Global Generics and PSAI
30	Formulations Beverley Plant, East Yorkshire, United Kingdom ⁽¹⁾	81,000	Global Generics
31	Formulations Shreveport Plant, Louisiana, United States	2,349,251	Global Generics
32	Aurigene Discovery Technologies, Malaysia	5,672	Others

(1) Assets held for sale as of March 31, 2021.

We generally own our facilities. However, some of our sites (primarily office space) are leased. All properties identified above, including leased properties, are either used for manufacturing and packaging of pharmaceutical products or for research and development activities. In addition to the above, we have sales, marketing and administrative offices, some of which are owned and some others are leased properties.

Global Generics

During the year ended March 31, 2021, we established a facility for Blow-Fill-Seal technology (“BFS”) at “Formulations Vishakhapatnam Plant 2 (SEZ)”. We also completed acquisition of “Formulation Baddi Plant 3” from Wockhardt Limited.

During the year ended March 31, 2019, we expanded our biosimilars facility in Hyderabad, Telangana, India to meet growing demand in emerging markets. We also established a new injectable products manufacturing facility, “Formulations Srikakulam Plant 11”, located at Srikakulam, Andhra Pradesh, India. This facility helps us meet the increasing demand for such injectable products in some of our key markets.

During the year ended March 31, 2019, we obtained approvals from the U.S. FDA for products to be manufactured from a recently commissioned oral solid dosage form facility, “Formulations Srikakulam Plant 2 (SEZ)”, in a special economic zone located in Srikakulam, Andhra Pradesh, India. This plant, which began commercial operations from April 2019, manufactures products of our Global Generics segment.

Material plans to construct, expand and improve facilities

As of March 31, 2021, we had capital work-in-progress of Rs.9,778 million and capital commitments of Rs.9,841 million for expansion of our manufacturing and research facilities, primarily relating to facilities located in India, the United States and Mexico. Our current capital work-in-progress and capital commitments primarily consist of projects to enhance the capacity of our formulations injectable facility in Visakhapatnam. We currently intend to finance our additional expansion plans entirely through our operating cash flows and through cash and other investments. A majority of these projects are expected to be completed during the fiscal years ending March 31, 2022 and March 31, 2023.

Environmental laws and regulations

We are subject to significant national and state environmental laws and regulations which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations at the above facilities. Non-compliance with the applicable laws and regulations may subject us to penalties and may also result in the closure of our facilities.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

We are an integrated global pharmaceutical company committed to accelerating access to affordable and innovative medicines. We derive our revenues from the sale of finished dosage forms, active pharmaceutical ingredients and intermediates, development and manufacturing services provided to innovator pharmaceutical and biotechnology companies, and license fees from marketing authorizations for our products.

The Chief Operating Decision Maker (“CODM”) evaluates our 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. Our Co-Chairman and Managing Director was previously the CODM of our company. Pursuant to certain organizational changes, effective December 1, 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 our company.

Our reportable operating segments are as follows:

- Global Generics;
- Pharmaceutical Services and Active Ingredients;
- Proprietary Products; and
- Others.

Global Generics. This segment consists of our 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 our biologics business.

Pharmaceutical Services and Active Ingredients. This segment primarily consists of our 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 our contract research services business and our manufacture and sale of active pharmaceutical ingredients and steroids in accordance with the specific customer requirements.

Proprietary Products. This segment consists of our business that focuses on the research and development of differentiated formulations. The segment is expected to earn revenues arising out of monetization of such assets and subsequent royalties, if any.

Others. This segment consists of the operations of our 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 customized 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 our consolidated financial statements.

Critical Accounting Policies

Critical accounting policies are defined as those that in our view are the most important to the portrayal of our financial condition and results and that require the most exercise of management’s judgment. We consider the policies discussed under the following paragraphs to be critical for an understanding of our financial statements. The basis for preparation of our financial statements, significant accounting policies and application of these are discussed in detail in Notes 2, 3 and 4 to our consolidated financial statements.

Accounting estimates and judgments

While preparing financial statements in conformity with IFRS, we make certain estimates and assumptions that require difficult, subjective and complex judgments. These judgments affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses, disclosure of contingent liabilities at the statement of financial position date and the reported amount of income and expenses for the reporting period. Financial reporting results rely on our estimate of the effect of certain matters that are inherently uncertain.

Future events rarely develop exactly as forecast and the best estimates require adjustments, as actual results may differ from these estimates under different assumptions or conditions. We continually evaluate these estimates and assumptions based on the most recently available information.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments are as follows:

- Measurement of recoverable amounts of cash-generating units;
- Measurement of transaction price in a revenue transaction (sales returns, rebates and chargeback provisions);
- Evaluation of recoverability of deferred tax assets, and estimation of income tax payable and income tax expense in relation to uncertain tax positions; and
- Contingencies.

Accounting policy relating to Revenue from contract with customers

Our 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. We have generally concluded that we are the principal in our revenue arrangements.

Accounting policies relating to revenue are as follows:

Sale of goods

Revenue is recognized 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, we consider the terms of the contract with the customer and our customary business practices. The transaction price is the amount of consideration we are 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 recognized as revenue only to the extent that it is highly probable that a significant reversal will not occur. We estimate the amount of variable consideration using the expected value method.

Presented below are the points of recognition of revenue with respect to our sales of goods:

Particulars	Point of recognition of revenue
Sales of generic products in India	Upon delivery of products to distributors by our clearing and forwarding agents. Control over the generic products is transferred by us 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 our factories.
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 recognized once all such activities are completed.

Profit share revenues

From time to time, we enter into marketing arrangements with certain business partners for the sale of our products in certain markets. Under such arrangements, we sell our products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and are 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 recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized 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, we update the estimated transaction price (including updating our 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

Our revenues also 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, we account 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 we 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 recognized over the balance period in which we have pending performance obligations.

Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either upon achievement of such milestones or over the performance period, depending on the terms of the contract. If milestone payments are creditable against future royalty payments, then 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 recognized when the underlying sales have occurred.

Provision for chargeback, rebates, sales returns and discounts

In our North America Generics business, our gross revenues are significantly reduced by chargebacks, rebates, sales returns, discounts, shelf stock adjustments, Medicaid payments and similar “gross-to-net” adjustments. Each of such adjustments are discussed in detail below.

- *Chargebacks:* Chargebacks are issued to wholesalers for the difference between our invoice price to the wholesaler and the contract price through which the product is resold in the retail part of the supply chain. The information that we consider for establishing a chargeback accrual includes the historical average chargeback rate over a period of time, current contract prices with wholesalers and other customers, and estimated inventory holding by the wholesaler. With this methodology, we believe that the results are more realistic and closest to the potential chargeback claims that may be received in the future period relating to inventory on which a claim is yet to be received as at the end of the reporting period. In addition, as part of our book closure process, a chargeback validation is performed in which we track and reconcile the volume of inventory sold for which we should carry an appropriate provision for chargeback. We procure the inventory holding statements and data through an electronic data interface with our wholesalers (representing approximately 95% of the total value of chargebacks outstanding at every year end reporting date) as part of this reconciliation. On the basis of this volume reconciliation, chargeback accrual is validated. For the chargeback rate computation, we consider different contract prices for each product across our customer base. This chargeback rate is adjusted (if necessary) on a periodic basis for expected future price reductions.
- *Shelf Stock Adjustments:* Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by us, 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.
- *Rebates:* Rebates (direct and indirect) are generally provided to customers as an incentive to stock and sell our products. Rebate amounts are based on a customer’s purchases made during an applicable period. Rebates are paid to wholesalers, chain drug stores, health maintenance organizations or pharmacy buying groups under a contract with us. We determine our estimates of rebate accruals primarily based on the contracts entered into with our wholesalers and other direct customers and the information received from them for secondary sales made by them. For direct rebates, liability is accrued whenever we invoice to direct customers. For indirect rebates, the accruals are based on a representative weighted average percentage of the contracted rebate amount applied to inventory sold and delivered by us to wholesalers or other direct customers.

- *Refund Liability:* We account 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 our estimate of expected sales returns. We deal in various products. Accordingly, our estimate of sales returns is determined primarily by our historical experience. With respect to established products, we determine an estimate of sales returns provision primarily based on historical experience of the actual sales returns. Additionally, other factors that we consider in determining the estimate include 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 introduction of competitive new products, to the extent each of these factors impact our business and markets. We consider all of these factors and adjust the sales return provision to reflect our actual experience. With respect to new products introduced by us, those have historically been either extensions of an existing product line where we have historical experience or in a general therapeutic category where established products exist and are sold either by us or our competitors. We have not yet introduced products in a new therapeutic category where the sales returns experience of such products by us or our competitors (as we understand based on industry publications) is not known. The amount of sales returns for our newly launched products have not historically differed significantly from sales returns experience of the then current products marketed by us or our competitors (as we understand based on industry publications). Accordingly, we do not expect sales returns for new products to be significantly different from expected sales returns of current products. We evaluate sales returns of all our products at the end of each reporting period and record necessary adjustments, if any.
- *Medicaid:* We estimate the portion of our sales that may get dispensed to customers covered under Medicaid programs based on the proportion of units sold in the previous two quarters for which a Medicaid claim could be received as compared to the total number of units sold in the previous two quarters. The proportion is based on an analysis of the actual Medicaid claims received for the preceding four quarters. In addition, we also apply the same percentage on the derived estimated inventory sold and delivered by us to our wholesalers and other direct customers to arrive at the potential volume of products on which a Medicaid claim could be received. We use this approach because we believe that it corresponds to the approximate six month time period it takes for us to receive claims from the various Medicaid programs. After estimating the number of units on which a Medicaid claim is to be paid, we use the latest available Medicaid reimbursement rate per unit to calculate the Medicaid accrual. In the case of new products, accruals are done based on specific inputs from our marketing team or data from the publications of IQVIA.
- *Cash Discounts:* We offer cash discounts to our customers, on a selective basis and in line with industry practice, to encourage prompt payment. Accruals for such cash discounts do not involve any significant variables. These are accrued for at the time of invoicing and adjusted subsequently to reflect the actual experience.

We believe our estimation processes are reasonable methods of determining accruals for the “gross-to-net” adjustments. Chargeback accrual accounts for the highest element among the “gross-to-net” adjustments, and constituted approximately 82% of such “gross-to-net” adjustments for our North America Generics business for the year ended March 31, 2021. For the purpose of the following discussion, we are therefore restricting our explanations to this specific element. While chargeback accruals depend on multiple variables, the most pertinent variables are our estimates of inventories on which a chargeback claim is yet to be received and the unit price at which the chargeback will be processed. To determine the chargeback accrual applicable for a reporting period, we perform the following procedures to calculate these two variables:

- Estimated inventory*—Inventory volumes on which a chargeback claim that is expected to be received in the future are determined using the validation process and methodology described above (see “Chargebacks” above). When such a validation process is performed, we note that the difference represents an immaterial variation. Therefore, we believe that our estimation process in regard to this variable is reasonable.
- Unit pricing rate*—At any point in time, inventory volumes on which we carry our chargeback accrual represents approximately 1 to 1.3 month of sales volumes. Therefore, the sensitivity of price changes on our chargeback accrual only relates to such volumes. Assuming that the chargebacks were processed within such period, we analyzed the impact of changes of prices for the periods beginning April 1, 2020, 2019 and 2018, respectively, and ended March 31, 2021, 2020 and 2019, respectively, on our estimated inventory levels computed based on the methodology described above (see “Chargebacks” above). The impact on net sales on account of such price variation may not be significant.

A roll-forward for each major accrual for our North America Generics business is presented below for our fiscal years ended March 31, 2019, 2020 and 2021:

Particulars	Chargebacks	Rebates	Medicaid	Refund Liability ⁽³⁾
	<i>(All values in U.S.\$ millions)</i>			
Beginning Balance: April 1, 2018	170	161	12	28
Current provisions relating to sales during the year	1,415	461	18	29
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,457)	(530)	(19)	(27)
Ending Balance: March 31, 2019	128	92	11	30
Beginning Balance: April 1, 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)
Ending Balance: March 31, 2020	156	80	11	24
Beginning Balance: April 1, 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)
Ending Balance: March 31, 2021	202	78	13	19

* Currently, we do 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, we do 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 March 31, 2020 were higher compared to the year ended March 31, 2019, primarily as a result of higher sales volumes, which were partially off-set due to a lower pricing rates per unit for chargebacks. Such lower pricing rates were primarily on account of a reduction in the invoice price to wholesalers for certain of our products. The chargebacks payments for the year ended March 31, 2020 were lower compared to the year ended March 31, 2019, primarily as a result of higher pending chargebacks claims as of March 31, 2020 compared to March 31, 2019. The rebates provisions and payments for the year ended March 31, 2020 were each lower as compared to the year ended March 31, 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 our products, which were partially off-set by higher sales volumes during the year ended March 31, 2020 compared to the year ended March 31, 2019.

(2) Chargebacks provisions and payments for the year ended March 31, 2021 were each higher as compared to the year ended March 31, 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 our products. The rebates provisions and payments for the year ended March 31, 2021 were each lower as compared to the year ended March 31, 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 our 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 our products, which were partially off-set by higher sales volumes during the year ended March 31, 2021 as compared to the year ended March 31, 2020.

(3) Our overall refund liability as of March 31, 2021 relating to our North America Generics business was U.S.\$19 million, as compared to a liability of U.S.\$24 million as of March 31, 2020. This decrease in our liability was primarily attributable to a lower refund liability created for the year ended March 31, 2021 as compared to the year ended March 31, 2020. Such allowance change was primarily due to certain product mix changes and recent trends in actual sales returns, together with our 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 our 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 our German operations. The pattern of such refund liability is generally consistent with our gross sales. In Germany, the rebates to healthcare insurance providers mentioned above are contractually fixed in nature and do not involve significant estimations by us.

Services

Revenue from services rendered, which primarily relate to contract research, is recognized in the consolidated income statement as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognized 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 recognized when control transfers to the third party and our performance obligations are satisfied. Some of these arrangements include certain performance obligations by us. Revenue from such arrangements is recognized in the period in which we complete all of our performance obligations.

For other details on our significant accounting policies, please refer to Note 3 of our consolidated financial statements.

5.A. Operating results

Income Statement Data

	For the year ended March 31,			
	2021	2021	2020	2019
	(Rs. in millions, U.S.\$ in millions)			
	<i>Convenience translation into U.S.\$</i>			
Revenues	U.S.\$ 2,594	Rs. 189,722	Rs. 174,600	Rs. 153,851
Cost of revenues	1,185	86,645	80,591	70,421
Gross profit	1,409	103,077	94,009	83,430
Selling, general and administrative expenses	747	54,650	50,129	48,680
Research and development expenses	226	16,541	15,410	15,607
Impairment of non-current assets	117	8,588	16,767	210
Other income, net	(13)	(982)	(4,290)	(1,955)
Results from operating activities	332	24,280	15,993	20,888
Finance income, net	23	1,653	1,478	1,117
Share of profit of equity accounted investees, net of tax	7	480	561	438
Profit before tax	361	26,413	18,032	22,443
Tax expense/(benefit), net	125	9,175	(1,466)	3,648
Profit for the year	U.S.\$ 236	Rs. 17,238	Rs. 19,498	Rs. 18,795

The following table sets forth, for the periods indicated, financial data as percentages of total revenues and the increase (or decrease) by item as a percentage of the amount over the comparable period in the previous years.

	Percentage of Sales For the year ended March 31,			Percentage Increase/(Decrease)	
	2021	2020	2019	2020 to 2021	2019 to 2020
Revenues	100.0%	100.0%	100.0%	8.7%	13.5%
Gross profit	54.3%	53.8%	54.2%	9.6%	12.7%
Selling, general and administrative expenses	28.8%	28.7%	31.6%	9.0%	3.0%
Research and development expenses	8.7%	8.8%	10.1%	7.3%	(1.3)%
Impairment of non-current assets	4.5%	9.6%	0.1%	(48.8)%	7884.3%
Other income, net	(0.5)%	(2.5)%	(1.3)%	(77.1)%	119.4%
Results from operating activities	12.8%	9.2%	13.6%	51.8%	(23.4)%
Finance income, net	0.9%	0.8%	0.7%	11.8%	32.3%
Share of profit of equity accounted investees, net of tax	0.3%	0.3%	0.3%	(14.4)%	28.1%
Profit before tax	13.9%	10.3%	14.6%	46.5%	(19.7)%
Tax expense/(benefit), net	4.8%	(0.8)%	2.4%	(725.9)%	(140.2)%
Profit for the year	9.1%	11.2%	12.2%	(11.6)%	3.7%

The following table sets forth, for the periods indicated, our consolidated revenues by segment:

	For the year ended March 31,					
	2021		2020		2019	
	(Rs. in millions)					
	% of Segment Revenues		% of Segment Revenues		% of Segment Revenues	
	Revenues	revenue	Revenues	revenue	Revenues	revenue
Global Generics	Rs. 154,404	81%	Rs. 138,123	79%	Rs. 122,903	80%
PSAI	31,982	17%	25,747	15%	24,140	16%
Proprietary Products	523	0%	7,949	5%	4,750	3%
Others	2,813	2%	2,781	1%	2,058	1%
Total	Rs. 189,722	100%	Rs. 174,600	100%	Rs. 153,851	100%

Fiscal Year Ended March 31, 2021 compared to Fiscal Year Ended March 31, 2020

Revenues

Our overall consolidated revenues were Rs.189,722 million for the year ended March 31, 2021, an increase of 9% as compared to Rs.174,600 million for the year ended March 31, 2020. This revenue growth for the year ended March 31, 2021 was primarily due to: increased sales volumes of our existing products; new product launches across our businesses; and benefits due to the depreciation of the Indian rupee against the U.S. dollar. The foregoing was partially offset by price erosion, in our Global Generics segment's North America (the United States and Canada), Europe and certain other emerging markets. The revenues for the year ended March 31, 2020 included the proceeds from the sale of our U.S. and select territory rights for two of our brands of proprietary products.

The following table sets forth, for the periods indicated, our consolidated revenues by geography:

	For the year ended March 31,					
	2021		2020		2019	
	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *
	(Rs. in millions)					
Global Generics	Rs. 154,404	81%	Rs. 138,123	79%	Rs. 122,903	80%
North America (the United States and Canada)	70,494	46%	64,659	47%	59,957	49%
Europe	15,404	10%	11,707	8%	7,873	6%
India	33,419	22%	28,946	21%	26,179	21%
Russia	15,816	10%	16,900	12%	15,299	13%
Other countries of the former Soviet Union and Romania	7,427	5%	6,472	5%	5,242	4%
Others	11,844	7%	9,439	7%	8,353	7%
PSAI	31,982	17%	25,747	15%	24,140	16%
Proprietary Products and Others	3,336	2%	10,730	6%	6,808	4%
Total	189,722	100%	174,600	100%	153,851	100%

* Percentages mentioned against the segments are with reference to the total revenue of our company; and percentages mentioned against geographies represent the sales in the respective geography as a percentage of the total revenue from that segment.

For the year ended March 31, 2021, the average exchange rate of the U.S. dollar and the Euro appreciated by approximately 4.7% and 9.9%, respectively, and that of the Russian rouble depreciated by 8.3%, against the Indian rupee as compared to the year ended March 31, 2020. These changes in exchange rates on an overall basis increased our reported revenues.

Segment analysis

Global Generics

Revenues from our Global Generics segment were Rs.154,404 million for the year ended March 31, 2021, an increase of 12% as compared to Rs.138,123 million for the year ended March 31, 2020. The revenue increase was in all the four business geographies of this segment: North America (the United States and Canada), Europe, India, and "Emerging Markets" (which is comprised of Russia, other countries of the former Soviet Union, Romania and certain other countries from our "Rest of the World" markets, including South Africa, China, Brazil and Australia).

After taking into account the impact of exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, the foregoing increase in revenues of this segment was attributable to the following factors:

- an increase of approximately 6% resulting from a net increase in the sales volumes of existing products in this segment;
- an increase of approximately 9% resulting from new products launched during the year ended March 31, 2021; and

- the foregoing was partially offset by a decrease of approximately 6% resulting from the net impact of changes in sales prices of the products in this segment.

North America (the United States and Canada): Our Global Generics segment's revenues from North America (the United States and Canada) were Rs.70,494 million for the year ended March 31, 2021, an increase of 9% as compared to Rs.64,659 million for the year ended March 31, 2020. In U.S. dollar absolute currency terms (i.e., U.S. dollars without taking into account the effect of currency exchange rates), such revenues increased by 4% for the year ended March 31, 2021 as compared to the year ended March 31, 2020.

This revenues increase was largely attributable to the following:

- an increase in volumes for certain of our existing products such as buprenorphine and naloxone sublingual film;
- revenues from new products launched during the year ended March 31, 2021, such as ciprofloxacin and dexamethasone otic suspension, over-the-counter diclofenac sodium topical gel, sapropterin dihydrochloride tablets, colchicine tablets and abiraterone acetate tablets; and
- the foregoing was partially offset by reduced sales primarily due to price erosion from increased competition for certain products, such as buprenorphine and naloxone sublingual film, daptomycin injection, metoprolol ER tabs and palonosetron injection.

During the year ended March 31, 2021, we made 20 new ANDA filings and 1 new NDA filing under section 505(b)(2) of the Federal Food, Drug and Cosmetic Act in the United States with the U.S. FDA. As of March 31, 2021 our cumulative filings were 304, which includes 5 NDA filings under section 505(b)(2) and 299 ANDA filings. These 299 ANDA filings include 8 ANDAs that we acquired from Teva and an affiliate of Allergan plc. As of March 31, 2021, we had 95 filings pending approval with the U.S. FDA (92 ANDAs and 3 NDAs under 505(b)(2) route including 21 tentative approvals). Of the 92 ANDAs which are pending approval, 47 are Paragraph IV filings, and we believe that we are the first to file with respect to 23 of these filings.

Europe: Our Global Generics segment's revenues from Europe (which is comprised of Germany, the United Kingdom and other European countries such as Italy, Spain, France and Austria) were Rs.15,404 million for the year ended March 31, 2021, an increase of 32% as compared to Rs.11,707 million for the year ended March 31, 2020. This increase was primarily on account of higher sales volumes and sales from new product launches during the year ended March 31, 2021 which was partially offset by a reduction in sales due to price erosion in some of our existing products. Sales growth in Europe was also led by scale up of volumes in our newer markets of Europe, such as Italy, Spain and France.

India: Our Global Generics segment's revenues from India were Rs.33,419 million for the year ended March 31, 2021, an increase of 15% as compared to Rs.28,946 million for the year ended March 31, 2020. This growth was largely attributable to an increase in sales volumes and sales prices of our existing products, revenues from launches of new products and contributions from the portfolio of products acquired from Wockhardt Limited during the year ended March 31, 2021.

According to IQVIA in its Moving Annual Total report for the year ended March 31, 2021, our secondary sales in India grew by 3.1% during such period, as compared to the India pharmaceutical market's growth of 4.3% during such period. During the year ended March 31, 2021, we launched 20 new brands in India.

Emerging Markets: Our Global Generics segment's revenues from "Emerging Markets" (which is comprised of Russia, other countries of the former Soviet Union, Romania and certain other countries from our "Rest of the World" markets, including South Africa, China, Brazil and Australia) were Rs.35,087 million for the year ended March 31, 2021, an increase of 7% as compared to Rs.32,811 million for the year ended March 31, 2020. This revenue increase was led by growth in Ukraine, Kazakhstan, Uzbekistan and Romania, including certain tender sales, and scaling up in markets such as China, Vietnam, Myanmar and Jamaica.

Russia: Our Global Generics segment's revenues from Russia were Rs.15,816 million for the year ended March 31, 2021, a decrease of 6% as compared to Rs.16,900 million for the year ended March 31, 2020. In Russian rouble absolute currency terms (i.e., Russian roubles without taking into account the effect of currency exchange rates), such revenues increased by 1% for the year ended March 31, 2021 as compared to the year ended March 31, 2020. This revenue increase was largely attributable to an increase in the sales price and sales from new product launches during the year ended March 31, 2021, which was partially offset by a reduction in sales due to lower volumes in some of our existing products. Our over-the-counter ("OTC") division's revenues from Russia for the year ended March 31, 2021 were approximately 45% of our total revenues from Russia.

According to IQVIA, as per its report for the year ended March 31, 2021, our sales value (in Russian roubles) growth and volume growth from Russia for such period, as compared to the Russian pharmaceutical market sales value (in Russian roubles) growth and volume growth for such period, was as follows:

	Year ended March 31, 2021			
	Dr. Reddy's		Russian pharmaceutical market	
	Sales value	Volume	Sales value	Volume
Prescription (Rx)	-1.2%	-4.8%	2.3%	-2.1%
Over-the-counter (OTC)	-0.6%	-7.3%	4.3%	-6.6%
Total (Rx + OTC)	-0.9%	-5.7%	3.3%	-5.1%

As per the above referenced IQVIA report, our market shares in Russia for the years ended March 31, 2021 and 2020 were as follows:

	Year ended March 31,			
	Volume based		Value based	
	2021	2020	2021	2020
Prescription (Rx)	3.9%	3.9%	1.7%	1.8%
Over-the-counter (OTC)	1.1%	1.2%	1.6%	1.6%
Total (Rx + OTC)	2.1%	2.1%	1.7%	1.7%

Other countries of the former Soviet Union and Romania: Our Global Generics segment's revenues from other countries of the former Soviet Union and Romania were Rs.7,427 million for the year ended March 31, 2021, an increase of 15% as compared to Rs.6,472 million for the year ended March 31, 2020. This increase was attributable to increased revenues from higher sales volumes, increase in sales prices and revenues from new products launched during the year ended March 31, 2021.

"Rest of the World" Markets: We refer to all markets of this segment, other than North America (the United States and Canada), Europe, Russia and other countries of the former Soviet Union, Romania and India, as our "Rest of the World" markets. Our Global Generics segment's revenues from our "Rest of the World" markets were Rs.11,844 million for the year ended March 31, 2021, an increase of 25% as compared to Rs.9,439 million for the year ended March 31, 2020. The growth is largely attributable to increased sales volumes of our existing business and to new products launched during the year ended March 31, 2021. The foregoing was partially offset by decline in revenues due to price erosion in some of our existing products.

Pharmaceutical Services and Active Ingredients ("PSAI")

Our PSAI segment's revenues were Rs.31,982 million for the year ended March 31, 2021, an increase of 24% as compared to Rs.25,747 million for the year ended March 31, 2020. After taking into account the impact of exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, this increase was largely attributable to an increase in sales volumes and revenues from launches of new products, which was partially offset by a reduction in sales due to price erosion in some of our existing products.

During the year ended March 31, 2021, we filed 149 Drug Master Files ("DMFs") worldwide. Cumulatively, our total active worldwide DMFs as of March 31, 2021 were 1,172, including 223 active DMFs in the United States.

Proprietary Products

Revenues from our Proprietary Products segment were Rs.523 million for the year ended March 31, 2021, a decrease of 93% as compared to Rs.7,949 million for year ended March 31, 2020.

Our revenues for the year ended March 31, 2020 included Rs.7,486 million revenue from sale of the U.S. and select territory rights for our neurology product brands ZEMBRACE® SMYTOUCH® (sumatriptan injection 3mg) & TOSYMRA™ (sumatriptan nasal spray 10mg).

Gross Profit

Our total gross profit was Rs.103,077 million for the year ended March 31, 2021, representing 54.3% of our revenues for that period, as compared to Rs.94,009 million for the year ended March 31, 2020, representing 53.8% of our revenues for that period.

The following table sets forth, for the period indicated, our gross profit by segment:

	For the year ended March 31,					
	2021		2020		2019	
	(Rs. in millions)					
	% of Segment Revenue		% of Segment Revenue		% of Segment Revenue	
	Gross Profit		Gross Profit		Gross Profit	
Global Generics	91,111	59.0%	78,449	56.8%	71,924	58.5%
PSAI	9,426	29.5%	6,190	24.0%	6,128	25.4%
Proprietary Products	482	92.2%	7,744	97.4%	4,182	88.0%
Others	2,058	73.2%	1,626	58.5%	1,196	58.1%
Total	103,077	54.3%	94,009	53.8%	83,430	54.2%

The gross profit from our Global Generics segment increased to 59.0% for the year ended March 31, 2021, from 56.8% for the year ended March 31, 2020. This increase was on account of the net benefit from exchange rate fluctuations of multiple currencies against the Indian rupee, new product launches with higher gross margins, increases in the proportion of sales of certain products with higher gross margins and a lower increase in manufacturing overheads as compared to sales. This increase was partially offset by reductions on account of price erosion in certain of our products, primarily in the United States, Europe, Australia and Brazil, and also on account of lower export benefits (i.e., tax benefits applicable to exports).

The gross profits from our PSAI segment increased to 29.5% for the year ended March 31, 2021, from 24.0% for the year ended March 31, 2020. This increase was primarily on account of the net benefit from exchange rate fluctuations of multiple currencies against the Indian rupee and a lower increase in manufacturing overheads as compared to sales. This increase was partially offset by reductions on account of price erosion in certain of our products and lower export benefits.

Selling, general and administrative expenses

Our selling, general and administrative expenses were Rs.54,650 million for the year ended March 31, 2021, an increase of 9.0% as compared to Rs.50,129 million for the year ended March 31, 2020. After taking into account the impact of exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, this increase was largely attributable to the following:

- an increase of 4% on account of increased freight outward expenses;
- an increase of 3% on account of increased personnel costs, primarily on account of annual raises and an increase in personnel due to integration of the business acquired from Wockhardt Limited;
- an increase of 1% on account of increased legal fees;
- an increase of 4% on account of increased other expenses; and
- the foregoing was partially offset by a decrease of 3% on account of lower sales and marketing and travel expenses.

As a proportion of our total revenues, our selling, general and administrative expenses increased to 28.8% for the year ended March 31, 2021 from 28.7% for the year ended March 31, 2020.

Research and development expenses

Our research and development expenses were Rs.16,541 million for the year ended March 31, 2021, an increase of 7.3% as compared to Rs.15,410 million for the year ended March 31, 2020. This increase was primarily on account of higher developmental expenditures in our Global Generics business, including development of COVID related molecules.

As a proportion of our total revenues, our research and development expense was at 8.7% for the year ended March 31, 2021 as compared to 8.8% for the year ended March 31, 2020.

Impairment of non-current assets

Our impairment of non-current assets expense charge were Rs.8,588 million for year ended March 31, 2021 as compared to a charge of Rs.16,767 million for the year ended March 31, 2020. Please refer to Notes 12, 13 and 14 of our consolidated financial statements for an explanation on this charge.

Other income, net

Our net other income was Rs.982 million for the year ended March 31, 2021, a decrease of 77% as compared to net other income of Rs.4,290 million for the year ended March 31, 2020.

Our net other income for the year ended March 31, 2020 includes Rs.3,457 million received from Celgene pursuant to a settlement agreement. Such agreement settled any claim that we or our affiliates may have had for damages under section 8 of the Canadian Patented Medicines (Notice of Compliance) Regulations in regard to our ANDS for a generic version of REVLIMID brand capsules (lenalidomide) pending before Health Canada.

Finance income, net

Our net finance income was Rs.1,653 million for the year ended March 31, 2021, as compared to net finance income of Rs. 1,478 million for the year ended March 31, 2020. This increase in net finance income was largely attributable to:

- fair value changes and profit on sale of units of mutual funds of Rs.557 million for the year ended March 31, 2021, as compared to fair value changes and profit on sale of units of mutual funds of Rs.929 million for the year ended March 31, 2020;
- an increase in net foreign exchange gain of Rs.1,240 million for the year ended March 31, 2021, as compared to net foreign exchange gain of Rs. 639 million for the year ended March 31, 2020; and
- an increase in net interest expense of Rs.144 million for the year ended March 31, 2021, as compared to net interest expense of Rs.95 million for the year ended March 31, 2020.

Profit before tax

As a result of the above, our profit before taxes was Rs.26,413 million for the year ended March 31, 2021, an increase of 46% as compared to Rs.18,032 million for the year ended March 31, 2020.

Tax expense

Our consolidated weighted average tax rate was 35% for the year ended March 31, 2021, as compared to (8%) (benefit of 8%) for the year ended March 31, 2020.

Our effective tax rate for the year ended March 31, 2021 was higher as compared to the year ended March 31, 2020 primarily on account of:

- de-recognition of deferred tax asset during the year ended March 31, 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 within our group during the year ended March 31, 2020;
- weighted deduction on eligible research and development expenditure in Dr. Reddy’s Laboratories Limited, India for the year ended March 31, 2020; and
- income from the sale of capital assets during the year ended March 31, 2020, which was set off against the carried forward capital loss.

As a result, we had a tax expense of Rs.9,175 million for the year ended March 31, 2021, as compared to a net tax benefit of Rs.1,466 million for the year ended March 31, 2020.

Profit for the year

As a result of the above, our net profit was Rs.17,238 million for the year ended March 31, 2021, representing 9% of our total revenues for such year, as compared to Rs.19,498 million for the year ended March 31, 2020, representing 11% of our total revenues for such year.

Fiscal Year Ended March 31, 2020 compared to Fiscal Year Ended March 31, 2019

Refer to item 5.A. of our Annual Report on Form 20-F for the fiscal year ended March 31, 2020.

Fiscal Year Ended March 31, 2019 compared to Fiscal Year Ended March 31, 2018

Refer to item 5.A. of our Annual Report on Form 20-F for the fiscal year ended March 31, 2019.

5.B. Liquidity and capital resources

Liquidity

We have primarily financed our operations through cash flows generated from operations and a mix of long-term and short-term borrowings. Our principal liquidity and capital needs are for the purchase of property, plant and equipment, regular business operations and research and development.

Our principal sources of short-term liquidity are internally generated funds and short-term borrowings, which we believe are sufficient to meet our working capital requirements.

Summary of statements of cash flows

The following table summarizes our statements of cash flows for the years presented:

	For the year ended March 31,					
	2021		2020		2019	
	(Rs. in millions)					
Net cash from/(used in):						
Operating activities	Rs.	35,703	Rs.	29,841	Rs.	28,704
Investing activities		(22,660)		(4,923)		(7,727)
Financing activities		(298)		(25,159)		(21,326)
Net increase/(decrease) in cash and cash equivalents	Rs.	12,745	Rs.	(241)	Rs.	(349)

In addition to cash, inventory and accounts receivable, we had uncommitted lines of credit of Rs.38,766 million as of March 31, 2021, from our banks for working capital requirements. We draw upon these lines of credit based on our working capital requirements.

Cash Flow from Operating Activities

Year ended March 31, 2021 compared to year ended March 31, 2020

The result of operating activities was a net cash inflow of Rs.35,703 million for the year ended March 31, 2021, as compared to a net cash inflow of Rs.29,841 million for the year ended March 31, 2020.

The increase in net cash inflow of Rs.5,862 million was primarily due to a decrease in our working capital requirements and an increase in our earnings.

Our average days' sales outstanding ("DSO") as of March 31, 2021 and March 31, 2020 were 93 days and 100 days respectively. The decrease in our DSO between March 31, 2021 and 2020 was primarily on account of improved collections from customers in the United States and Europe.

Year ended March 31, 2020 compared to year ended March 31, 2019

The result of operating activities was a net cash inflow of Rs.29,841 million for the year ended March 31, 2020, as compared to a cash inflow of Rs.28,704 million for the year ended March 31, 2019.

The increase in net cash inflow of Rs.1,137 million was primarily due to an increase in our earnings, which was partially offset by an increase in our working capital requirements.

Our average days' sales outstanding ("DSO") as of March 31, 2020 and March 31, 2019 were 100 days and 90 days respectively. The increase in our DSO between March 31, 2020 and March 31, 2019 was primarily on account of changes in the mix of our receivables, due to an increase in the proportion of receivables from our customers with longer credit periods in the United States.

Cash Flow from Investing Activities

Year ended March 31, 2021 compared to year ended March 31, 2020

Our investing activities resulted in net cash outflows of Rs.22,660 million and Rs.4,923 million for the years ended March 31, 2021 and 2020, respectively, which was primarily on account of the following:

- the payment, in connection with our acquisition of certain business assets from Wockhardt Limited, of Rs.15,514 million for the year ended March 31, 2021 (refer to Note 6 of our consolidated financial statements for further details);
- the acquisition of property, plant and equipment, and other intangible assets, net of dispositions, of Rs.12,476 million for the year ended March 31, 2021, as compared to Rs.5,725 million for the year ended March 31, 2020; and
- net proceeds from other investments of Rs.4,110 million for the year ended March 31, 2021, as compared to net purchases of other investments of Rs.214 million for the year ended March 31, 2020.

Year ended March 31, 2020 compared to year ended March 31, 2019

Our investing activities resulted in net cash outflows of Rs.4,923 million and Rs.7,727 million for the years ended March 31, 2020 and 2019, respectively, which was primarily on account of the following:

- the acquisition of property, plant and equipment, and other intangible assets, net of dispositions, of Rs.5,725 million for the year ended March 31, 2020, as compared to Rs.6,226 million for the year ended March 31, 2019; and
- net purchases of investments of Rs.214 million for the year ended March 31, 2020, as compared to net purchases of other investments of Rs.2,282 million for the year ended March 31, 2019.

Cash Flow from Financing Activities

Year ended March 31, 2021 compared to year ended March 31, 2020

Our financing activities resulted in net cash outflows of Rs.298 million and Rs.25,159 million for the years ended March 31, 2021 and 2020, respectively which was primarily on account of the following:

- payments of dividends of Rs.4,147 million for the year ended March 31, 2021, as compared to payments of dividends (including dividend distribution taxes) of Rs.3,916 million for the year ended March 31, 2020;
- interest payments of Rs.1,321 million for the year ended March 31, 2021, as compared to interest payments of Rs.1,608 million for the year ended March 31, 2020;
- payments of the principal portion of lease liabilities of Rs.754 million for the year ended March 31, 2021, as compared to payments of the principal portion of lease liabilities of Rs.482 million for the year ended March 31, 2020;
- purchases of treasury shares of Rs.1,193 million for the year ended March 31, 2021, as compared to purchases of treasury shares of Rs.474 million for the year ended March 31, 2020; and
- net proceeds from short-term and long-term borrowings of Rs.6,848 million for the year ended March 31, 2021, as compared to net repayment of short-term and long-term borrowings of Rs.18,683 million for the year ended March 31, 2020.

Year ended March 31, 2020 compared to year ended March 31, 2019

Our financing activities resulted in net cash outflows of Rs.25,159 million and Rs.21,326 million for the years ended March 31, 2020 and 2019, respectively which was primarily on account of the following:

- payments of dividends (including dividend distribution taxes) of Rs.3,916 million for the year ended March 31, 2020, as compared to payments of dividends (including dividend distribution taxes) of Rs.4,002 million for the year ended March 31, 2019;
- interest payments of Rs.1,608 million for the year ended March 31, 2020, as compared to interest payments of Rs.1,607 million for the year ended March 31, 2019;
- payments of the principal portion of lease liabilities of Rs.482 million for the year ended March 31, 2020, as compared to payments of the principal portion of lease liabilities of Rs.56 million for the year ended March 31, 2019;
- purchases of treasury shares of Rs.474 million for the year ended March 31, 2020, as compared to purchases of treasury shares of Rs.535 million for the year ended March 31, 2019; and
- net repayment of short-term and long-term borrowings of Rs.18,683 million for the year ended March 31, 2020, as compared to net repayment of short-term and long-term borrowings of Rs.15,126 million for the year ended March 31, 2019.

Principal obligations

The following table summarizes our principal debt obligations (excluding obligations under leases) outstanding as of March 31, 2021:

Principal debt obligations	Payments due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
	(Rs. in millions)			
Short-term borrowings	Rs. 23,136	Rs. 23,136	Rs. -	Rs. -
Long-term borrowings	3,800	-	3,800	-
Total obligations	Rs. 26,936	Rs. 23,136	Rs. 3,800	Rs. -

Annual rate of interest

The following table provides details of annual rates of interest for our principal debt obligations (excluding obligations under leases) outstanding as of March 31, 2021:

Debt	Amounts in millions	Currency ⁽¹⁾	Interest Rate ⁽²⁾
Pre-shipment credit	Rs. 10,300	INR	3 Months T-bill + 30 bps
		INR	5.75%
Other working capital borrowings	12,836	U.S.\$	(2.2)% to (1.8)%
		RUB	3.00% to 3.40% and 5.55%
		MXN	TIE + 1.20%
		INR	4.00%
		BRL	4.00%
		UAH	4.75%
Long-term borrowings	3,800	INR	6.77%

(1) “INR” means Indian rupees, “U.S.\$” means United States Dollars, “RUB” means Russian roubles, “MXN” means Mexican pesos, “UAH” means Ukrainian hryvnia, and “BRL” means Brazilian reals.

(2) “TIE” means the Equilibrium Inter-banking Interest Rate (Tasa de Interés Interbancaria de Equilibrio) and “T-bill” means India Treasury Bill.

The maturities of short-term borrowings and other working capital borrowings from banks vary from 6 to 12 months. Our objective in determining the borrowing maturity is to ensure a balance between flexibility, cost and continuing availability of funds.

Subject to obtaining certain regulatory approvals, there are no legal or economic restrictions on the transfer of funds between us and our subsidiaries or for the transfer of funds in the form of cash dividends, loans or advances. However, transfers of funds from Venezuela are subject to certain exchange control regulations. Consistent with our risk management policy, we use interest rate swaps to mitigate the risk of changes in interest rates.

Cash and cash equivalents are primarily held in Indian rupees, U.S. dollars, U.K. pounds sterling, Euros, Kazakhstan tenges, Brazilian reals and Swiss francs.

As of March 31, 2021 and 2020, we had committed to spend Rs.9,841 million and Rs.4,888 million, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchases. These commitments will be funded through the cash flows generated from operations as well as cash flows from our borrowings.

5.C. Research and development, patents and licenses, etc.

Research and Development

Our research and development activities can be classified into several categories, which run parallel to the activities in our principal areas of operations:

- *Global Generics*, where our research and development activities are directed at the development of product formulations, process validation, bioequivalence testing and other data needed to prepare a growing list of drugs that are equivalent to numerous brand name products for sale in the highly regulated markets of the United States and Europe as well as emerging markets. Global Generics also includes our biologics business, where research and development activities are directed at the development of biologics products for the emerging as well as highly regulated markets. Our biologics research and development facility caters to the highest development standards, including cGMP, Good Laboratory Practices and bio-safety level IIA.
- *Pharmaceutical Services and Active Ingredients*, where our research and development activities concentrate on development of chemical processes for the synthesis of API for use in our Global Generics segment and for sales in the emerging and developed markets to third parties. Our research and development activities also support our custom pharmaceutical line of business, where we continue to leverage the strength of our process chemistry and finished dosage development expertise to target innovator as well as emerging pharmaceutical companies. The research and development is directed toward providing services to support the entire pharmaceutical value chain, from discovery all the way to the market.
- *Proprietary Products*, where we focus on the research, development, and commercialization of differentiated formulations.

In the years ended March 31, 2021, 2020 and 2019, we expended Rs.16,541 million, Rs.15,410 million and Rs.15,607 million, respectively, on research and development activities. This increase was primarily on account of higher developmental expenditures in our Global Generics business, including development of COVID related molecules. Each of these business segments has its own research and development and patent policies, and has numerous products in various stages of development. For further information on these policies and these products, see “Item 4. Information on the Company—Item 4.B Business overview.”

Patents, Trademarks and Licenses

We have filed and been issued numerous patents in our principal areas of operations: Global Generics, Pharmaceutical Services and Active Ingredients and Proprietary Products. We expect to continue to file patent applications seeking to protect our innovations and novel processes in several countries, including the United States. Any existing or future patents issued to or licensed by us may not provide us with any competitive advantages for our products or may even be challenged, invalidated or circumvented by our competitors. In addition, such patent rights may not prevent our competitors from developing, using or commercializing products that are similar or functionally equivalent to our products. As of March 31, 2021, we have more than 1,550 trademarks filed with the Registrar of Trademarks in India which are either registered or are pending registration. We have also filed registration applications for non-U.S. trademarks in other countries in which we do business. We market several products under licenses in several countries where we operate.

5.D. Trend Information

In early 2020, COVID-19 spread to many countries in the world and the outbreak was declared a pandemic by the World Health Organization in March 2020. During the year ended March 31, 2021, we experienced certain disruptions relating to this pandemic (including work-from-home policies and other social distancing policies to reduce the risks to the health and safety of employees) and may continue to experience further disruptions that could severely impact our business. See “Item 3D.—Risk Factors— A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, and the resulting restrictive measures and economic impacts may materially and adversely impact our business and results of our operations.” The COVID-19 situation continues to evolve and is taking differing courses across the multitude of geographies that our company operates in. Our headquarters and a significant proportion of our operations are based out of India, which has in recent months experienced a trend of rising COVID-19 infection rates. The full extent, consequences, and duration of the COVID-19 pandemic and the resulting impact on our business, financial condition and results of operations or the global economy as a whole cannot be predicted on the date of this Annual Report. We will continue to evaluate the impact that the COVID-19 pandemic could have on our business, financial condition and results of operations during the year ending March 31, 2022.

Also, please see “Item 5: Operating and Financial Review and Prospects” and “Item 4. Information on the Company” for additional trend information.

5.E. Off-balance sheet arrangements

None.

5.F. Tabular Disclosure of Contractual Obligations

The following summarizes our contractual obligations as of March 31, 2021 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

<i>Contractual Obligations</i>	Payments due by period (Rs. in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Property, plant and equipment purchase obligations ⁽¹⁾	9,841	9,841	-	-	-
Short-term debt obligations	23,136	23,136	-	-	-
Long-term debt obligations (excluding obligations under leases)	3,800	-	3,800	-	-
Estimated interest payable on long-term debt ⁽²⁾	515	257	258	-	-
Obligations under leases (including interest)	3,879	1,042	1,763	930	144
Post-retirement benefits obligations ⁽³⁾	3,330	480	801	714	1,335
Total contractual obligations	Rs. 44,501	Rs. 34,756	Rs. 6,622	Rs. 1,644	Rs. 1,479

(1) Amounts presented are net of capital advances paid in respect of such purchases and are expected to be funded from internally generated funds.

(2) Disclosure of estimated interest payments for future periods is only with respect to our long-term debt obligations, as the projected interest payments with respect to our short-term borrowings and other obligations cannot be reasonably estimated because they are subject to fluctuation in actual utilization of borrowings depending on our daily funding requirements. The estimated interest costs are based on March 31, 2021 applicable benchmark rates and are subject to fluctuation in the future.

(3) Post-retirement benefits obligations in the “More than 5 years” column are estimated for a maximum of 10 years.

We have committed to make potential future milestone and royalty payments to third parties under various agreements. Such payments are contingent upon the achievement of certain regulatory milestones and sales targets. Due to the uncertainty of the timing of these payments, they are not included in the above table.

5.G. Safe harbor

See page 2 under heading “Forward-Looking and Cautionary Statement”.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6. A. Directors and senior management

The list of our directors and executive officers and their respective age and position as of March 31, 2021 was as follows:

Directors Name ⁽¹⁾	Age (in yrs.)	Position
Mr. K. Satish Reddy ⁽²⁾⁽³⁾	53	Chairman
Mr. G.V. Prasad ⁽²⁾⁽⁴⁾	60	Co-Chairman and Managing Director
Ms. Kalpana Morparia	72	Director
Dr. Bruce L.A. Carter	77	Director
Mr. Sridar Iyengar	73	Director
Mr. Bharat Narotam Doshi ⁽⁵⁾	71	Director
Mr. Prasad R. Menon	75	Director
Mr. Leo Puri	60	Director
Ms. Shikha Sharma	62	Director
Mr. Allan Oberman	63	Director

(1) Except for Mr. K. Satish Reddy and Mr. G.V. Prasad, all of the directors are independent directors under the corporate governance rules of the New York Stock Exchange.

(2) Full-time director.

(3) Brother-in-law of Mr. G.V. Prasad.

(4) Brother-in-law of Mr. K. Satish Reddy.

(5) Term ended on May 10, 2021, as a director.

Executive Officers

Our policy is to classify our officers as “executive officers” if they have membership on our Management Council. Our Management Council consists of various business and functional heads and is our senior management. As of March 31, 2021, the Management Council consisted of:

Name and Designation	Education/Degrees Held	Age	Experience in years	Date of commencement of employment	Particulars of last employment
Mr. K. Satish Reddy ⁽¹⁾ Chairman	B. Tech., M.S. (Medicinal Chemistry)	53	29	January 18, 1993	Director, Globe Organics Limited
Mr. G.V. Prasad ⁽²⁾ Co-Chairman and Managing Director	B. E. (Chem. Eng.), M.S. (Indl. Admn.)	60	37	June 30, 1990	Promoter Director, Benzex Labs Private Limited
Mr. Erez Israeli Chief Executive Officer	Graduate Bar Ilan University MBA in Finance and Marketing Bar Ilan University	54	27	April 2, 2018	Executive Officer Enzymotec
Mr. Parag Agarwal ⁽³⁾ Chief Financial Officer	Chartered Accountant (CA), Company Secretary (CS)	54	33	November 2, 2020	CFO-Health, Reckitt Benckiser PLC
Mr. Saumen Chakraborty ⁽⁴⁾ Advisor	B.Sc. (H), MBA (IIM)	60	37	July 2, 2001	Vice President, Tecumseh Products India Private Limited
Mr. M.V. Ramana Chief Executive Officer - Branded Markets (India and Emerging Countries)	MBA	53	29	October 15, 1992	-
Mr. Ganadhish Kamat ⁽⁵⁾ Global Head of Quality	Master of Pharmacy and Diploma in Business Management	59	35	April 18, 2016	Executive Vice President – Corporate Quality, Lupin Limited
Dr. Anil Namboodiripad Global Head of Proprietary Products	Ph.D. Physiology and Molecular Biophysics	55	24	September 17, 2007	Associate Director – Bristol Myers Squibb
Ms. Archana Bhaskar Chief Human Resource Officer	MBA (IIM)	54	31	June 15, 2017	Human Resources head (Global commercial business) Royal Dutch Shell
Mr. Sanjay Sharma Global Head of Manufacturing	B. Tech (IIT), Business Leader’s program (IIM) and General Management program (IIM)	53	30	August 1, 2017	Integrated Supply Chain Operations (Coca Cola) for India and South Asia
Mr. Sauri Gudlavalleti Global Head of Integrated Product Development Organization	B Tech, Masters in Mechanics and MBA	43	17	March 16, 2015	Associate Partner, Mckinsey & Company
Mr. P. Yugandhar, Global Head of Supply Chain	MBA	50	27	February 21, 2001	Manager, Eli Lilly Ranbaxy Limited
Dr. Raymond de Vre ⁽⁶⁾ Global Head of Biologics	Masters and Ph.D. in Applied Physics and Masters in Engineering	53	25	July 30, 2012	Partner, McKinsey & Company

Name and Designation	Education/Degrees Held	Age	Experience in years	Date of commencement of employment	Particulars of last employment
Mr. Deepak Sapra Global Head of PSAI	B.E., PGDM, MBA	46	21	January 23, 2003	Asst. Divisional Engineer, Indian Railways
Mr. Marc Kikuchi Chief Executive Officer -North America Generics	MBA, BA (Molecular and Cell Biology)	52	27	February 1, 2019	CEO, Americas for Zydus Pharmaceuticals, Inc.
Mr. Patrick Aghanian Chief Executive Officer - European Generics	MBA, BA	56	33	October 7, 2019	Global Head of Zentiva
Mr. Mukesh Rathi ⁽⁷⁾ Chief Digital and Information Officer	Industrial Engineer (IIT), MBA (IIM)	46	22	April 30, 2012	Hewlett Packard (now DxC), Bangalore

- (1) Brother-in-law of Mr. G.V. Prasad.
- (2) Brother-in-law of Mr. K. Satish Reddy.
- (3) Management Council member effective November 2, 2020 and Chief Financial Officer effective December 1, 2020.
- (4) Effective December 1, 2020 prior to that he was President and Chief Financial Officer.
- (5) Retired with effect from March 31, 2021.
- (6) Resigned with effect from March 31, 2021.
- (7) Management Council member effective December 1, 2020.

There was no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any director or executive officer referred to above was selected as a director or member of our Management Council.

Biographies – Directors

Mr. K. Satish Reddy is the Chairman of our Board of Directors. Prior to May 2014, he held the offices of Vice Chairman and Managing Director. He has a Master of Science degree in Medicinal Chemistry from Purdue University, Indiana in the United States of America and a Bachelor of Technology degree in Chemical Engineering from Osmania University, Hyderabad. He is the Chairman of the Board of Governors of NIPER, Hyderabad and the Chairman of the Confederation of Indian Industry (CII), Southern Council. He also chairs the Life Sciences Skill Development Council under The National Skill Development Corporation (“NSDC”), an organization, working in partnership with various stakeholders groups, to serve and address the skill shortfalls in the Life Sciences Sectors across India. He was a member of the Drugs Technical Advisory Board of India, the Chairman of the Andhra Pradesh Chapter of the Confederation of Indian Industries (“CII”) and head of its National Committee on Pharmaceuticals. He is the President of the Indian Pharmaceutical Alliance, a premier industry association of leading research-based Indian companies. In addition to positions held in our subsidiaries, he is also a Director on the Board of Greenpark Hotels and Resorts Limited, Dr. Reddy’s Holdings Limited, Stamlo Industries Limited, Araku Originals Private Limited, Dr. Reddy’s Institute of Life Sciences, Cipro Estates Private Limited, KAR Therapeutics & Estates Private Limited, Quin Estates Private Limited, Satish Reddy Estates Private Limited, Dr. Reddy’s Trust Services Private Limited, KAR Holdings (Singapore) Private Limited, Singapore and KAREUS Therapeutics (Singapore) Private Limited, Singapore.

Mr. G.V. Prasad is a member of our Board of Directors and serves as our Co-Chairman and Managing Director. Prior to May 2014, he held the titles of Chairman and Chief Executive Officer. He was the Managing Director of Cheminor Drugs Limited prior to its merger with Dr. Reddy’s Laboratories. He has a Bachelor of Engineering degree in Chemical Engineering from Illinois Institute of Technology, Chicago in the United States of America, and an M.S. in Industrial Administration from Purdue University, Indiana in United States of America. Mr. Prasad was listed among the Top 50 CEOs that India ever had by Outlook magazine in 2017 and was recognized as one the top 5 Most Valuable CEOs of India by Business World in 2016. He was also listed in the prestigious ‘Medicine Maker 2018 Power List’ of most inspirational professionals shaping the future of drug development, and has been named India Business Leader of the year by CNBC Asia, in 2015. In addition to positions held in our subsidiaries, he is a Director on the Board of Greenpark Hotels and Resorts Limited, Dr. Reddy’s Holdings Limited, Stamlo Industries Limited, Dr. Reddy’s Institute of Life Sciences and Dr. Reddy’s Trust Services Private Limited. Mr. Prasad is active on the boards of public and private institutions such as the Indian School of Business (“ISB”) and the International Foundation for Research and Education.

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

Dr. Bruce L.A. Carter has been a member of our Board of Directors since 2008. Dr. Carter was the Chairman of the Board and the former Chief Executive Officer of ZymoGenetics, Inc. in Seattle, Washington, in the United States of America. He has also served as the Corporate Executive Vice President and Chief Scientific Officer for Novo Nordisk A/S, the former parent company of ZymoGenetics. From 1982 to 1986, he served various positions at G.D. Searle & Co. Ltd., including Head of Molecular Genetics. He was a Lecturer of Trinity College, University of Dublin from 1975 to 1982. Dr. Carter received a B.Sc. with Honors in Botany from the University of Nottingham, England, and a Ph.D. in Microbiology from Queen Elizabeth College, University of London. Dr. Carter is Chairman on the Board of Enanta Pharmaceutical Inc. and a director on the Boards of TB Alliance and Mirati Therapeutics Inc., in the United States of America, and our wholly-owned subsidiaries Aurigene Discovery Technologies Limited, in India, and Dr. Reddy's Laboratories Inc., in the United States of America.

Mr. Sridar Iyengar has been a member of our Board of Directors since 2011. Mr. Iyengar is an independent mentor investor in early stage startup companies. For more than 37 years, he has worked in the United Kingdom, the United States and India with a large number of companies, advising them on strategy and other issues. Earlier, he was a senior partner with KPMG in the United States and the United Kingdom and served for 3 years as the Chairman and CEO of KPMG's operations in India. Mr. Iyengar holds a Bachelor of Commerce (Hons.) degree from Calcutta University and he is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Iyengar is Chairman on the Board of ICICI Venture Funds Management Company Limited and a Director on the Boards of Mahindra Holidays and Resorts India Limited, Aster DM Healthcare Limited, in India, AverQ Inc., in the United States of America, Holiday Club Resorts OY, in Finland, and our wholly owned subsidiary Dr. Reddy's Laboratories S.A., in Switzerland.

Mr. Bharat N. Doshi has been a member of our Board of Directors since 2016. Mr. Doshi is a former Executive Director and Group Chief Financial Officer of Mahindra & Mahindra Limited. He was also the Chairman of Mahindra & Mahindra Financial Services Limited since April 2008, and he stepped down from this position on his nomination as Director, for a period of 4 years, on the Central Board of Directors of the Reserve Bank of India in March 2016. He is the Chairman of the Board of Mahindra Intertrade Limited, a Director on the Board of Mahindra Holdings Limited, a member of the board of governors of each of the Mahindra United World College of India, the Mahindra Foundation (U.S.A), and the Mahindra Foundation (U.K). He is also one of the trustees of Mahindra Foundation, K. C. Mahindra Education Trust and Lalit Doshi Memorial Foundation. He also serves on the Advisory Board of Excellence Enablers, an organization committed to promoting corporate governance in India. He is also a member of the Global Leadership Council of LeapFrog Investments. Mr. Doshi is a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and holds a Master's degree in Law from Mumbai University, India. He is an alumnus of Harvard Business School (PMD) and Fellow of the Salzburg Seminar on 'Asian Economies: Regional and Global Relationships'. His term as a member of our Board of Directors ended on May 10, 2021.

Mr. Prasad R. Menon has been a member of our Board of Directors since 2017. Mr. Menon is a former Managing Director of Tata Chemicals Limited and Tata Power Company Limited. He has over 42 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry. Prior to joining Tata, he was Director Technical of Nagarjuna Fertilisers and Chemicals Limited. Mr. Menon is a Director on the Board of Singapore Tourism Board and Sanmar Group Advisory Board. He holds a chemical engineering degree from the Indian Institute of Technology ("IIT"), Kharagpur.

Mr. Leo Puri has been a member of our Board of Directors since October 2018. Mr. Puri was the Managing Director of UTI Asset Management Co. Ltd. from August 2013 to August 2018. In his career of more than 30 years, Mr. Puri has previously worked as Director with McKinsey & Company and as Managing Director with Warburg Pincus. Mr. Puri has worked in the U.K., the United States and Asia. Since 1994, he has primarily worked in India. At McKinsey, he has advised leading financial institutions, conglomerates and investment institutions in strategy and operational issues. He has contributed to the development of knowledge and public policy through advice to regulators and government officials. At Warburg Pincus, he was responsible for leading and managing investments across industries in India. He also contributed to financial services investments in the international portfolio as a member of the global partnership. Mr. Puri has held non-executive board positions at Infosys, Bennett Coleman & Co., Max New York Life and Max Bupa Health Insurance. He is also a director on the Board of Hindustan Unilever Limited. Mr. Puri has a Master's degree in P.P.E. from University of Oxford, and a Master's degree in Law from University of Cambridge.

Ms. Shikha Sharma has been a member of our Board of Directors since January 2019. Ms. Sharma was the Managing Director and CEO of Axis Bank, India's third largest private sector bank from June 2009 until December 2018. As a leader adept at managing change, she led the Bank on a transformation journey from being primarily a corporate lender to a bank with a strong retail deposit franchise and a balanced lending book. Ms. Sharma has more than three decades of experience in the financial sector, having begun her career with ICICI Bank Ltd in 1980. During her tenure with the ICICI group, she was instrumental in setting up ICICI Securities. As Managing Director and CEO of ICICI Prudential Life Insurance Company Ltd., she led that company to become the No. 1 private sector life insurance company in India. She was a member of the Reserve Bank of India ("RBI") Technical Advisory Committee, the RBI's panel on Financial Inclusion, and the RBI's Committee on Comprehensive Financial Services for Small Businesses and Low-Income Household. She has chaired CII's National Committee on Banking 2015-2017. Ms. Sharma holds an MBA from the Indian Institute of Management, Ahmedabad, B.A. (Hons.) in Economics and a Post Graduate Diploma in Software Technology from National Centre for Software Technology (NCST), Mumbai. Ms. Sharma is also an independent director on the Boards of Ambuja Cements Ltd., Mahindra and Mahindra Ltd, Tech Mahindra Ltd and Tata Consumer Products Ltd (Formerly known as Tata Global Beverages Ltd.). She is a member of the Board of Governors of the Indian Institute of Management ("IIM") Lucknow, a member of the Advisory Board of Bridgespan and an advisor to several companies in India.

Mr. Allan Oberman has been a member of our Board of Directors since March 2019. Mr. Oberman served as the Chief Executive Officer of Concordia International Corp. from November 2016 until May 2018. In his career of more than 37 years he also served as CEO of Sagent Pharmaceuticals Inc., and as President and CEO of Teva Americas Generics, a subsidiary of Teva Pharmaceutical Industries Ltd. Prior to that, Mr. Oberman served as President of Teva EMIA, where from 2010 to 2012 he was responsible for Eastern Europe, Middle East, Israel and Africa. From 2008 to 2010, he served as the Chief Operating Officer of the Teva International Group, and from 2000 to 2008, he served as the President and CEO of Teva Canada (formerly Novopharm Ltd.) From 1996 to 2000, Mr. Oberman was the President of Best Foods Canada Inc. Mr. Oberman was also Vice Chairman of the Association for Accessible Medicines, and Chairman of the Canadian Generic Pharmaceutical Association. He served on the Associate Board of the Canadian Association of Chain Drug Stores, and was a member of the Board of Directors of the Baycrest Centre Foundation, the Electronic Commerce Council, and the Food and Consumer Products Association of Canada. He holds a MBA from the Schulich School of Business, York University, Toronto and a BA from Western University, London. Mr. Oberman is also Chairman of the Board of RNA Disease Diagnostics, Inc., USA, and a Board Advisor to Havn Life Sciences, Inc., Canada, and Telecure Technologies, Inc., Canada.

Biographies - Executive Officers

Mr. Erez Israeli is the Chief Executive Officer effective as of August 1, 2019 and prior to that he was Chief Operating Officer and the Global Head of Generics and PSAI business. He has over 27 years of experience in the pharmaceutical industry. Mr. Israeli is an accomplished leader with a proven track record of achievement. Prior to joining us, Mr. Israeli was President and Chief Executive Officer of Enzymotec. Prior to that, he spent 23 years working at Teva Pharmaceutical Industries Limited ("Teva"), where he held several leadership positions in the API and pharmaceutical (Generics, Specialty and OTC) businesses. He was also the Head of the Global Quality function for Teva, and has held Board positions at subsidiaries of Teva. He graduated from Bar Ilan University in Israel, majoring in art, economics and business administration, and received a MBA in Finance and Marketing from Bar Ilan University.

Mr. Parag Agarwal is the Chief Financial Officer effective as of December 1, 2020. Mr. Agarwal joined our company in 2020 from Reckitt Benckiser PLC, where he was CFO-Health, based in London. In a career spanning over 33 years, he has held several leadership positions, contributing significantly to the financial performance of his organizations. With over 10 years of working experience in several countries outside India, he brings deep global experience in leading business and financial strategy, transforming finance function, as well as in mergers and acquisitions strategy and execution. He has expertise in driving performance management of investments, financial result delivery and driving operating margin improvement through revenue and cost optimization across the value chain. Mr. Agarwal has held leadership positions in diverse cultural contexts and has driven large-scale change management programs in ambiguous and dynamic environments. Prior to his 10 plus year stint at Reckitt Benckiser PLC, he was associated with organizations such as Unilever, GSK Consumer Healthcare and Genpact. Mr. Agarwal is a Chartered Accountant and a Company Secretary.

Mr. Saumen Chakraborty is an advisor effective as of December 1, 2020. Prior to his retirement, he was the President and Chief Financial Officer (“CFO”) of our company. Mr. Chakraborty has over thirty-six years of experience in both the strategic as well as the operational aspects of management, and has played a significant role in the evolution of our company as a global pharmaceutical company. Mr. Chakraborty joined us in 2001. Over the years, he has headed multiple global functions including Human Resources (“HR”), Corporate & Global Generics Operations, Quality, and Information Technology. During this period, Saumen championed several best-in-class initiatives and global best practices that contributed to the transformation of our company into one of the most respected employers in India and also a “Great Place to Work”. Previously, Mr. Chakraborty has worked with companies such as CMC, C-DOT, Eicher and Tecumseh, and his experience spans Manufacturing, Sourcing, Customer Service, Quality and Consulting. Significant achievements by Saumen in his role as our CFO include: leading the organization’s secondary ADS (American Depository Shares) issuance on the NYSE; one of the fastest issues of bonus shares in India; the formulation of active Treasury and M&A strategies; and the revamping of the Board of Directors reporting processes. On the technology and business process front, he has driven key initiatives such as the complete implementation of the my SAP Business Suite, the Theory of Constraints (“TOC”) based approach to product development, manufacturing and supply chain effectiveness, and achieving execution excellence through the simplification of end-to-end business processes. Mr. Chakraborty has consistently won accolades at various industry and business fora. In 2016, he was declared the Best CFO in the Large Enterprise, Healthy Balance Sheet Management category at the Businessworld-YES Bank Best CFO Awards, and was also recognized as CFO of the Year by International Market Assessment (“IMA”). In 2014 he was declared "India’s Best CFO with Exemplary All Round Performance" in the "5th Annual Business Today – YES Bank BEST CFO Awards", while in 2007 he received CNBC TV-18’s ‘Best Performing CFO in the Healthcare Sector’ award. Mr. Chakraborty has also won recognition at the Global Awards of Excellence in Quality Management & Leadership from the World Quality Congress, and the Deccan Herald Avenues Awards for HR Excellence. ITM Business School featured him in their list of India’s Greatest HR Professionals. He has also received the “Indira Super Achiever Award” from the Indira Group of Institutes, the Chairman’s Excellence Award from Dr. Reddy’s, and the Exceptional Contributor award from both C-DOT and CMC. Saumen graduated as the valedictorian of his class, with a degree in Physics from Visva - Bharati University, and has a degree in Management from the Indian Institute of Management, Ahmedabad. His passion statement in life is to strive for excellence in everything with honesty, commitment, courage and character.

Mr. M.V. Ramana is the CEO - Branded Markets (India and Emerging Countries) effective as of April, 2018. In this role, he leads a multicultural team of 20+ nationalities in 25+ countries. He joined us on October 15, 1992 as a Management Trainee in the International Marketing division of our Branded Formulations business. In his 29 year tenure, he has handled various critical assignments including setting up the businesses in several countries across Asia, Latin America, Africa and the Middle East. Mr. Ramana is also a frequent speaker at various international forums in the pharmaceutical and generics industry. He holds a MBA degree from Osmania University, Hyderabad, India and has completed the ISB-Kellogg management development program.

Mr. Ganadhis Kamat was the Global Head of Quality until he retired on March 31, 2021. He joined us in April 2016 and in this role he was responsible for Global Quality. He had close to 36 years of rich experience in the pharmaceutical industry. During his long career, Mr. Kamat had worked in leadership roles in different organizations such as Sandoz, Intas Pharma and Ranbaxy. Prior to joining us, Mr. Kamat was with Lupin as Executive Vice President – Corporate Quality. He is a member of the International Society for Pharmaceutical Engineering (“ISPE”) and Parenteral Drug Association (“PDA”). He holds a Master of Pharmacy degree from Mumbai University and a Diploma in Business Management from Goa University.

Dr. Anil Namboodiripad is the Global Head of Proprietary Products, Promius Pharma. Promius Pharma is our wholly owned subsidiary that is responsible for the commercialization of branded products in the United States. He joined us in 2007 and in this role he is responsible for our Proprietary Products business. He has been one of the main architects of our Proprietary Products business since July 2008, when systematic efforts towards differentiated formulations were first undertaken. In earlier roles, he was responsible for leading external research and development and strategic marketing which included establishing research collaborations and “mini incubators” with various external industry partners and academic bodies. Over the years, his role has grown considerably with the inclusion of Proprietary Products drug development, regulatory affairs and the dermatology commercial effort under his leadership. Prior to joining our company, he spent a number of years at Abbott Laboratories (now Abbvie) and at Bristol-Myers Squibb in various roles of increasing responsibility including strategic planning, corporate development and global commercial operations. He started his career as a management consultant with Booz & Co. in New York (formerly Booz Allen Hamilton), where he served clients on several high level business critical issues within financial services and healthcare. He holds a Ph.D. in Physiology and Molecular Biophysics from the University of Texas.

Ms. Archana Bhaskar is the Chief Human Resources Officer (“CHRO”). She joined our company in June 2017. She has over 31 years of experience across various industries, geographies and companies. She has held senior management roles with Royal Dutch Shell, Singapore where she headed Human Resources for the Global Commercial businesses and with Unilever, where she held positions of European and global responsibility, as well as large Indian corporations with whom she consulted in professionalizing Human Resources policies and practices. She graduated from Lady Shriram College, Delhi University, majoring in Psychology and Mathematics and holds a degree in Management from the Indian Institute of Management, Bengaluru.

Mr. Sanjay Sharma is the Global Head of Manufacturing. He joined us in August 2017. He has over 30 years of experience across various industries such as Coca-Cola and United Breweries handling diverse set of roles spanning across Supply Chain, Manufacturing and Sales in both emerging and developed markets. He joined us from Hindustan Coca-Cola where he led their Integrated Supply Chain Operations for India and South Asia. His experience includes running one of the largest sales profit centers for Coca-Cola, India and heading National Technical Operations for United Breweries in South Africa. He graduated from the Indian Institute of Technology (“IIT”) Delhi with a degree in Chemical Engineering, completed a one year Business Leader’s program from the Indian Institute of Management (“IIM”) Calcutta and a General Management program from IIM Ahmedabad.

Mr. Sauri Gudlavalleti is the Global Head of Integrated Product Development Organization (“IPDO”). He joined our company in 2015 to head global portfolio, project management and external partnerships in IPDO. He has diverse experience spanning the automotive, energy, technology and pharmaceutical sectors. Prior to joining our company, he was a Management Consultant at McKinsey & Co., India, specializing in Product Development and Operations Transformation. Before that, he has worked at Qualcomm in California developing Micro-Electro-Mechanical Systems, and at General Electric Global Research in New York developing Fuel Cells and Hydrogen production systems. He has 8 U.S. patents to his name, and has published in several peer reviewed technical journals. Mr. Gudlavalleti holds a Bachelor’s degree in Mechanical Engineering from the Indian Institute of Technology, Madras, and a Master’s degree in Mechanics of Materials from Massachusetts Institute of Technology. He also holds an MBA from the Indian Institute of Management, Ahmedabad.

Mr. P. Yugandhar is the Global Head of Supply Chain. He has assumed overall responsibility for the Supply Chain function at our company. He joined us in 2001 as our Manager Supply Chain and has since held positions of increasing responsibility, including Head of Demand Planning, Mexico Integration, and Head of Europe Supply Chain and Technology. In the last five years, he has contributed significantly in integrating our Supply Chain globally across Formulations, active pharmaceutical ingredients (“API”), Custom Pharmaceutical Services (“CPS”), external manufacturing and new product launches. Prior to joining our company, Mr. Yugandhar had successful stints in Eli Lilly Ranbaxy, Pharmacia & Upjohn, Max Pharma, Dabur and Hawkins. Mr. Yugandhar holds a Management degree (Master of Management Studies) from BITS, Pilani.

Dr. Raymond De Vré was the Global Head of Biologics until he decided to move from our company and resigned effective March 31, 2021. Dr. De Vré joined our company in 2012 as head of Commercial for the Biologics division, being based in the Swiss office of our company. In this role, he was instrumental in building new partnerships and alliances across the world towards further accelerating access to our company’s biosimilars. Over time, he had increasing responsibilities within Biologics, including Commercial, IP, Regulatory, Strategy, Business Development, Portfolio as well as Manufacturing. Prior to joining our company, Dr. De Vré was a partner with the management consulting firm McKinsey and Company. Dr. De Vré worked for 15 years at McKinsey and Company, serving mostly the Generics, Specialty Chemicals, and Biotech industries across the globe, including the United States, Western Europe and India. Dr. De Vré holds a Master’s and Ph.D. degree in Applied Physics from Stanford University, U.S.A and a Master’s degree in Engineering from the Université Libre de Brussels, Belgium. He resigned from the company with effect from March 31, 2021.

Mr. Deepak Sapra is the Global Head of Pharmaceutical Services and Active Ingredients (“PSAI”). Mr. Sapra joined our company in 2003 from Indian Institute of Management (“IIM”) Bangalore campus and has worked in various roles in Marketing, Sales, Business Development and Portfolio covering most major markets across the world. He has led important projects on several key organizational initiatives around market opening and building new businesses. He has also worked as the business unit head for the Custom Pharma Services (“CPS”) business and helped contribute significantly towards making it a profitable, sustainable and long-term business. Mr. Sapra’s education is in engineering and management. Prior to joining our company, he also worked in the Indian Railway Services. He has been a Fulbright fellow and a Chevening scholar. His first book was published in 2018. He is also the co-founder of a charitable trust that works for people with disabilities in eastern India.

Mr. Marc Kikuchi serves as Chief Executive Officer, North America Generics, and is based in the Princeton, New Jersey, office. He is responsible for leading the North America business and serves as a member of the Board of Dr. Reddy’s Laboratories, Inc. Mr. Kikuchi is an accomplished CEO, senior supply chain management and business development executive. He has more than 20 years’ experience in the Pharmaceutical Industry with extensive knowledge and understanding of Generics. Prior to joining our company, Mr. Kikuchi served as CEO, Americas for Zydus Pharmaceuticals, Inc. He has also held professional leadership roles of increasing responsibility with AmerisourceBergen Corporation, Medrad Inc., PRTM, Johnson & Johnson and Incyte Pharmaceuticals. Mr. Kikuchi earned his Master of Business Administration from Carnegie Mellon University with concentration in Strategy, Marketing, and Operations Management. He has a B.A. in Molecular and Cell Biology with Biochemistry emphasis from the University of California at Berkeley.

Mr. Patrick Aghanian serves as Chief Executive Officer, European Generics. Mr. Aghanian joined our company in 2019 from Zentiva in Prague/Czech Republic. Before becoming Head of Zentiva in 2017, he worked for multinational pharmaceutical companies such as Sanofi, GSK and Novartis, where he held various leadership roles in Eurasia, Middle-East and Europe. Patrick earned his Master of Business Administration (MBA) from the UCLA Anderson School of Management/University of California, Los Angeles and holds a Bachelor of Arts from the University of California, Los Angeles.

Mr. Mukesh Rathi serves as Chief Digital and Information Officer. He has global responsibility for Digital Transformation, Process Excellence and Information Technology Management for the organization. Mr. Rathi joined our company in 2012. He has more than 22 years of experience in various roles such as Business Process Consulting, Digital Strategy and leading large transformation programs across the organization. Prior to joining our company, he had many years of consulting experience working with Fast-Moving Consumer Goods, Automotive and Industrial Manufacturing companies. He is a Industrial Engineer from the Indian Institute of Technology (“IIT”), Kharagpur and holds a MBA from the Indian Institute of Management (“IIM”), Lucknow.

6.B. Compensation

Directors’ compensation

Full-Time Directors: The compensation of our Chairman of the Board and our Co-Chairman and Managing Director (who we refer to as our “full-time directors”) is divided into salary, commission and benefits. They are not eligible to participate in our stock option plans. The Nomination, Governance and Compensation Committee of the Board of Directors initially recommends the compensation for full-time directors. If the Board of Directors (the “Board”) approves the recommendation, it is then submitted to the shareholders for approval at the general shareholders meeting along with the proposal for their appointment or re-appointment.

The Chairman of our Board and our Co-Chairman and Managing Director are each entitled to receive a maximum commission of up to 0.75% of our net profit (as defined under the Indian Companies Act, 2013) for the fiscal year. The Nomination, Governance and Compensation Committee, which is entirely composed of independent directors, recommends the commission for the Chairman of our Board and our Co-Chairman and Managing Director within the limits of 0.75% each, of our net profits (as defined under the Indian Companies Act, 2013) for each fiscal year.

Non-Full Time Directors: In the year ended March 31, 2021, none of our non-full time directors were paid any sum as attendance fees. Non-full time directors are eligible to receive a commission on our net profit (as defined under the Indian Companies Act) for each fiscal year. Our shareholders have approved a maximum commission of up to 1% of the net profits (as defined under the Indian Companies Act, 2013) for each fiscal year for all non-full time directors in a year. The Board determines the entitlement of each of the non-full time directors to commission within the overall limit. The non-full time directors were not granted stock options under the Dr. Reddy’s Employees Stock Option Scheme, 2002, the Dr. Reddy’s Employees ADR Stock Option Scheme, 2007 or the Dr. Reddy’s Employees Stock Option Scheme, 2018 in the year ended March 31, 2021.

For the year ended March 31, 2021, the directors were entitled to the following amounts as compensation:

Name of Directors	(Amounts Rs. in millions)			
	Commission	Salary	Perquisites	Total
Mr. K. Satish Reddy	80.00	21.02	4.33	105.35
Mr. G.V. Prasad	130.00	21.63	4.49	156.12
Ms. Kalpana Morparia	10.97	-	-	10.97
Dr. Bruce L.A. Carter	10.97	-	-	10.97
Mr. Sridar Iyengar	11.70	-	-	11.70
Mr. Bharat N. Doshi	12.43	-	-	12.43
Mr. Prasad R. Menon	12.79	-	-	12.79
Mr. Leo Puri	10.60	-	-	10.60
Ms. Shikha Sharma	10.97	-	-	10.97
Mr. Allan Oberman	10.60	-	-	10.60

Executive officers’ compensation

The initial compensation to all our executive officers is determined through appointment letters issued at the time of employment. The appointment letter provides the initial amount of salary and benefits the executive officer will receive as well as a confidentiality provision and a non-compete provision applicable during the course of the executive officer’s employment with us. We provide salary, certain perquisites, retirement benefits, stock options and variable pay to our executive officers. The Nomination, Governance and Compensation Committee of the Board reviews the compensation of executive officers on a periodic basis.

All of our employees at the managerial and staff levels are eligible to participate in a variable pay program, which consists of performance bonuses based on the performance of their function or business unit, and a profit sharing plan through which part of our profits can be shared with our employees. Our variable pay program is aimed at rewarding the individual based on performance of such individual, their business unit/function and our company as a whole, with significantly higher rewards for superior performances.

We also have three employee stock option schemes: the Dr. Reddy's Employees Stock Option Scheme, 2002, the Dr. Reddy's Employees ADR Stock Option Scheme, 2007 and the Dr. Reddy's Employees Stock Option Scheme, 2018. The stock option schemes are applicable to all of our employees including directors and employees and directors of our subsidiaries.

The stock option schemes are not applicable to promoter directors, promoter employees, non-full time directors (independent directors) and persons holding 2% or more of our outstanding share capital. The Nomination, Governance and Compensation Committee of the Board of Directors awards options pursuant to the stock option schemes based on the employee's performance appraisal. Some employees have also been granted options upon joining us.

Compensation for executive officers who are full time directors is summarized in the table under "Directors' compensation" above.

The following table presents the annual compensation paid or payable to other executive officers for services rendered to us for the year ended March 31, 2021 and stock options issued to all of our other executive officers during the year ended March 31, 2021:

Compensation for Executive Officers

Name	Compensation ⁽¹⁾ (2) (Rs. in millions)	FMV Value		Par Value	
		Exercise Price	No. of options ⁽³⁾	Exercise Price	No. of options ⁽³⁾
Mr. Erez Israeli ⁽⁴⁾	119.96	Rs. 3,679	65,740	Rs. 5	12,140
Mr. Parag Agarwal ⁽⁵⁾	15.16	-	-	-	-
Mr. Saumen Chakraborty	70.75	3,679	6,060	5	1,120
Mr. M.V. Ramana	64.77	3,679	4,660	5	5,760
Mr. Ganadhish Kamat	50.12	3,679	1,940	5	3,080
Dr. Anil Namboodiripad ⁽⁴⁾	33.68	3,679	4,200	5	7,980
Ms. Archana Bhaskar	50.15	3,679	3,760	5	4,660
Mr. Sanjay Sharma	43.65	3,679	3,340	5	4,140
Mr. Sauri Gudlavalleti	32.68	3,679	2,200	5	3,420
Mr. P. Yugandhar	34.64	3,679	2,560	5	3,480
Dr. Raymond de Vre	53.11	3,679	4,080	5	7,220
Mr. Deepak Sapra	35.13	3,679	2,140	5	3,400
Mr. Marc Kikuchi ⁽⁴⁾	75.93	3,679	13,840	5	2,560
Mr. Patrick Aghanian ⁽⁴⁾	76.80	3,679	2,480	5	460
Mr. Mukesh Rathi ⁽⁶⁾	29.28	3,679	2,320	5	2,480

(1) These compensation amounts do not include share based payment expense arising from stock options. However, the number of options granted during the year are mentioned separately in the above table.

(2) These compensation amounts include superannuation benefits and provident fund benefits. The executive officers are also covered under our Gratuity and Compensated Absences Plans along with the other employees. Proportionate amounts of the cost for gratuity and compensated absences accrued under the plans have not been separately computed or included in the above disclosure, as the amount payable to the officer is inherently variable and our annual contributions to funds established to furnish such payments are lump sums based on actuarial projections for the fund as a whole. Refer to Note 29 of our consolidated financial statements for further details on the foregoing benefits.

(3) The options vest on various dates beginning in the year ended March 31, 2022 and ending in the year ended March 31, 2025 subject to the employee being in continued service on the date of vesting. The options expire after five years from the date of vesting. The options are granted under the Dr. Reddy's Employees Stock Option Scheme, 2002, the Dr. Reddy's Employees ADR Stock Option Scheme, 2007 and the Dr. Reddy's Employees Stock Option Scheme, 2018. For each of the foregoing options, one equity share or ADR (as applicable) will be issued upon its exercise.

(4) These grants were in the form of options to acquire our ADRs.

(5) With effect from November 2, 2020.

(6) Management council member with effect from December 1, 2020. However compensation considered above is for full year ended March 31, 2021.

6.C. Board practices

Our Articles of Association require us to have a minimum of three and a maximum of fifteen directors. As of March 31, 2021, we had ten directors on our Board, of which eight were non-full time independent directors.

The Companies Act, 2013 and our Articles of Association require that at least two-thirds of our directors be subject to re-election by our shareholders in rotation and that, at every annual general meeting, one-third of the directors who are subject to re-election must retire from the Board. However, if eligible for re-election, they may be re-elected by our shareholders at the annual general meeting.

Due to India's adoption of the Companies Act, 2013, effective as of April 1, 2014, and amended from time to time, non-full time independent directors are no longer required to retire from the Board by rotation. As a result, at annual general meetings held after April 1, 2014, our non-full time independent directors are excluded from the calculation of the two-thirds directors who are subject to re-election by our shareholders in rotation.

Our non-full time independent directors hold office for a term of up to five consecutive years from the date of initial appointment under the provisions of the Companies Act, 2013. Each such non-full time independent director shall be eligible for re-appointment for a second term of up to five consecutive years if determined in a special resolution passed by our shareholders.

The terms of each of our directors and their expected expiration dates are provided in the table below:

Name	Expiration of Current Term of Office	Term of Office	Period of Service
Mr. G.V. Prasad ^{(1) (3)}	January 29, 2026	5 years	35 years
Mr. K. Satish Reddy ⁽¹⁾	September 30, 2022	5 years	28 years
Ms. Kalpana Morparia ⁽²⁾	July 30, 2024	5 years	14 years
Dr. Bruce L.A. Carter ⁽²⁾	July 30, 2022	3 years	13 years
Mr. Sridar Iyengar ⁽²⁾	July 30, 2023	4 years	10 years
Mr. Bharat N. Doshi ⁽²⁾	May 10, 2021	5 years	5 years
Mr. Prasad R. Menon ⁽²⁾	October 29, 2022	5 years	3.5 years
Mr. Leo Puri ⁽²⁾	October 24, 2023	5 years	2.5 years
Ms. Shikha Sharma ⁽²⁾	January 30, 2024	5 years	2.2 years
Mr. Allan Oberman ⁽²⁾	March 25, 2024	5 years	2.1 years

(1) Full time director.

(2) Non-full time independent director.

(3) Reappointed as full time director designated as co-chairman and managing director for a further period of five years effective January 30, 2021 by our shareholders at their Annual General Meeting held on July 30, 2020.

The directors are not eligible for any termination benefit on the termination of their tenure with us. Our full time directors are subject to retirement by rotation. As a result, Mr. G.V. Prasad shall retire by rotation, and the proposal to reappoint him is being placed before our shareholders at our annual general meeting scheduled in July 2021.

Committees of the Board

Committees constituted by the Board focus on specific areas and take decisions within the authority delegated to them.

The Committees also make specific recommendations to the Board on various matters from time-to-time. All decisions and recommendations of the Committees are placed before the Board for information, review and/or approval. We had seven Board-level Committees as of March 31, 2021:

- Audit Committee.
- Nomination, Governance and Compensation Committee.
- Science, Technology and Operations Committee.
- Risk Management Committee.
- Stakeholders' Relationship Committee.
- Banking and Authorization Committee (formerly known as the Management Committee).
- Corporate Social Responsibility Committee.

We have adopted charters for our Audit Committee, Nomination, Governance and Compensation Committee, Science, Technology and Operations Committee, Risk Management Committee, Stakeholders' Relationship Committee and Corporate Social Responsibility Committee, formalizing the applicable committee's procedures and duties. Each of these charters is available on our website at <http://www.drreddys.com/investors/governance/committees-of-the-board/>

Audit Committee.

Our management is primarily responsible for our internal controls and financial reporting process. Our independent registered public accounting firm is responsible for performing independent audits of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing reports based on such audits. The Board of Directors has entrusted the Audit Committee to supervise these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial controls and reporting.

The Audit Committee consisted of the following four non-full time, independent directors as of March 31, 2021:

- Mr. Sridar Iyengar (Chairman);
- Ms. Kalpana Morparia;
- Mr. Bharat Narotam Doshi; and
- Ms. Shikha Sharma

Mr. Bharat Narotam Doshi ceased to be a member of the Committee effective as of May 11, 2021.

Our Company Secretary is the Secretary of the Audit Committee. This Committee met seven times during the year ended March 31, 2021. Our independent registered public accounting firm was generally present at all Audit Committee meetings during the year.

The primary responsibilities of the Audit Committee are inter alia to:

- Supervise our financial reporting process;
- Review our quarterly and annual financial results, along with related public disclosures and filings, before providing them to the Board;
- Review the adequacy of our internal controls, including the plan, scope and performance of our internal audit function;
- Discuss with management our major policies with respect to risk assessment and risk management.
- Hold discussions with external auditors on the nature, scope and process of audits and any views that they have about our 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 cost auditors;
- Review the independence of auditors;
- Ensure that adequate safeguards have been taken for legal compliance both for us and for our subsidiaries;
- Review the financial statements of our subsidiary companies, in particular investments made by them;
- Review and approve related party transactions;
- Review the functioning of whistle blower mechanism;
- Review the implementation of applicable provisions of the Sarbanes-Oxley Act, 2002;
- Scrutinize our inter-company loans and investments;
- Examine the valuation of our undertakings or assets, wherever it is necessary;
- Evaluate internal financial controls; and
- Review suspected fraud, if any, committed against our company.

Nomination, Governance and Compensation Committee.

The primary functions of the Nomination, Governance and Compensation Committee are inter alia to:

- Examine the structure, composition and functioning of the Board, and recommend changes, as necessary, to improve the Board's effectiveness;
- Formulate policies on remuneration of Directors, key managerial personnel and other employees, and on Board diversity;
- Formulate criteria for evaluation of Independent Directors and the Board;
- Assess our policies and processes in key areas of corporate governance, other than those explicitly assigned to other Board Committees, with a view to ensuring that we are at the forefront of good governance practices; and
- Regularly examine ways to strengthen our organizational health, by improving the 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, reviews the resulting compensation awards, and makes appropriate proposals for Board approval. In particular, it recommends all forms of compensation to be granted to our Directors, executive officers and key managerial personnel.

The Nomination, Governance and Compensation Committee also administers our Employee Stock Option Schemes.

The Nomination, Governance and Compensation Committee consisted of the following non-full time, independent directors as of March 31, 2021:

- Mr. Prasad R. Menon (Chairman);
- Mr. Bharat Narotam Doshi; and
- Ms. Kalpana Morparia.

Mr. Allan Oberman was appointed as a member of the Committee effective as of April 1, 2021 and Mr. Bharat Narotam Doshi ceased to be a member of the Committee effective as of May 11, 2021.

The corporate officer heading our Human Resources function serves as the Secretary of the Committee. The Nomination, Governance and Compensation Committee met three times during the year ended March 31, 2021.

Science, Technology and Operations Committee.

The primary functions of the Science, Technology and Operations Committee are inter alia to:

- Advise our Board and management on scientific, medical and technical matters and operations involving our development and discovery programs (generic and proprietary), including major internal projects, business development opportunities, interaction with academic and other outside research organizations;
- Assist our Board and management in creating valuable intellectual property;
- Review the status of non-infringement patent challenges; and
- Assist our Board and management in building and nurturing science in our organization in line with our business strategy.

The Science, Technology and Operations Committee consisted of the following non-full time, independent directors as of March 31, 2021:

- Dr. Bruce L.A. Carter (Chairman);
- Mr. Leo Puri;
- Mr. Prasad R. Menon; and
- Mr. Allan Oberman.

The corporate officers heading our Integrated Product Development Operations, Proprietary Products and Biologics functions serve as the Secretary of the Committee with regard to their respective businesses. The Science, Technology and Operations Committee met four times during the year ended March 31, 2021.

Risk Management Committee.

The primary functions of the Risk Management Committee are inter alia to:

- Discuss with senior management our enterprise risk management and provide oversight as may be needed;

- Ensure that it is apprised of our more significant risks, including certain country risks and cyber security risks, along with the risk mitigation steps implemented to ensure effective enterprise risk management; and
- Review risk disclosure statements in any public documents or disclosures, where applicable.

The Risk Management Committee consisted of the following non-full time, independent directors as of March 31, 2021:

- Ms. Shikha Sharma (Chairperson);
- Dr. Bruce L.A. Carter;
- Mr. Leo Puri;
- Mr. Sridar Iyengar; and
- Mr. Allan Oberman

Mr. Allan Oberman ceased to be a member of the Committee effective as of April 1, 2021.

Our Chief Financial Officer is the Secretary of the Risk Management Committee. This Committee met three times during the year ended March 31, 2021.

Corporate Social Responsibility (“CSR”) Committee.

The primary functions of the Corporate Social Responsibility Committee are inter alia to:

- Formulate, review and recommend to the Board a corporate social responsibility policy indicating the activities to be undertaken by us as specified in Schedule VII of the Companies Act, 2013.
- Recommend the amount of expenditures to be incurred in connection with our corporate social responsibility initiatives;
- Provide guidance on our corporate social responsibility initiatives and monitor their progress;
- Monitor implementation and adherence to our corporate social responsibility policy from time to time;
- Recommend the annual action plan delineating the corporate social responsibility projects or programs; and
- Appoint an independent agency or firm to carry out the impact assessment study, if any.

The Corporate Social Responsibility Committee consisted of the following directors as of March 31, 2021:

- Mr. Bharat Narotam Doshi (Chairman);
- Mr. G.V. Prasad; and
- Mr. K. Satish Reddy.

Mr. Prasad R Menon was appointed as a member and Chairman of the Committee effective as of April 12, 2021. Mr. Bharat Narotam Doshi ceased to be the Chairman and a member of the Committee effective as of April 12, 2021 and May 11, 2021, respectively.

Our corporate officer heading our Corporate Social Responsibility function serves as the Secretary of the Corporate Social Responsibility Committee. This Committee met four times during the year ended March 31, 2021.

Stakeholders Relationship Committee.

The primary functions of the Stakeholders’ Relationship Committee are inter alia to:

- Review of investor complaints and how they were redressed;
- Review of queries received from investors;
- Review of work done by our share transfer agent; and
- Review of corporate actions related to our security holders.

The Stakeholders Relationship Committee consisted of the following directors as of March 31, 2021:

- Ms. Kalpana Morparia (Chairperson);
- Mr. Bharat Narotam Doshi;

- Mr. G.V. Prasad; and
- Mr. K. Satish Reddy.

Mr. Bharat Narotam Doshi ceased to be a member of the Committee effective as of May 11, 2021.

Our Company Secretary is the Secretary of the Stakeholders' Relationship Committee. This Committee met four times during the year ended March 31, 2021.

6.D. Employees

The following table sets forth the number of our employees as of March 31, 2021, 2020 and 2019.

	As of March 31, 2021				
	India	North America	Europe	Rest of World	Total
Manufacturing ⁽¹⁾	9,447	187	189	374	10,197
Sales and marketing ⁽²⁾	7,705	62	79	1,399	9,245
Research and development ⁽³⁾	1,691	15	98	60	1,864
Others ⁽⁴⁾	1,033	86	82	232	1,433
Total	19,876	350	448	2,065	22,739

	As of March 31, 2020				
	India	North America	Europe	Rest of World	Total
Manufacturing ⁽¹⁾	9,561	212	192	347	10,312
Sales and marketing ⁽²⁾	5,945	69	75	1,371	7,460
Research and development ⁽³⁾	2,277	21	100	51	2,449
Others ⁽⁴⁾	1,042	86	59	242	1,429
Total	18,825	388	426	2,011	21,650

	As of March 31, 2019				
	India	North America	Europe	Rest of World	Total
Manufacturing ⁽¹⁾	10,106	216	186	332	10,840
Sales and marketing ⁽²⁾	6,039	178	62	1,337	7,616
Research and development ⁽³⁾	2,052	31	90	41	2,214
Others ⁽⁴⁾	938	89	53	216	1,296
Total	19,135	514	391	1,926	21,966

(1) Includes quality, technical services and warehouse.

(2) Includes business development.

(3) Includes employees engaged in contract research services provided to other companies.

(4) Includes shared services, corporate business development and the intellectual property management team.

We did not experience any significant work stoppages in the years ended March 31, 2021, 2020 and 2019, and we consider our relationship with our employees and labor unions to be good. Approximately 3.4% of our employees belonged to labor unions as of March 31, 2021.

6.E. Share ownership

The following table sets forth, as of March 31, 2021 for each of our directors and executive officers, the total number of our equity shares, ADRs and options owned by them:

Name	No. of Shares Held ⁽¹⁾⁽²⁾	% of Outstanding Capital	FMV Value						Par Value	
			Exercise Price	No. of options held ⁽⁵⁾	Exercise Price	No. of options held ⁽⁵⁾	Exercise Price	No. of options held ⁽⁵⁾	Exercise Price	No. of options held ⁽⁵⁾
Mr. G.V. Prasad ⁽³⁾	-	-	-	-	-	-	-	-	-	-
Mr. K. Satish Reddy ⁽³⁾	898,432	0.54	-	-	-	-	-	-	-	-
Ms. Kalpana Morparia ⁽³⁾	10,800	0.01	-	-	-	-	-	-	-	-
Dr. Bruce L.A. Carter ⁽³⁾⁽⁴⁾	7,800	0.00	-	-	-	-	-	-	-	-
Mr. Prasad R. Menon ⁽³⁾	-	-	-	-	-	-	-	-	-	-
Mr. Sridar Iyengar ⁽³⁾	-	-	-	-	-	-	-	-	-	-
Mr. Bharat N. Doshi ⁽³⁾	1,000	0.00	-	-	-	-	-	-	-	-
Mr. Leo Puri ⁽³⁾	-	-	-	-	-	-	-	-	-	-
Ms. Shikha Sharma ⁽³⁾	-	-	-	-	-	-	-	-	-	-
Mr. Allan Oberman ⁽³⁾	-	-	-	-	-	-	-	-	-	-
Mr. Erez Israeli ⁽⁴⁾	-	-	1,982	102,960	2,814	44,900	3,679	65,740	5	34,650
Mr. Parag Agarwal	-	-	-	-	-	-	-	-	-	-
Mr. Saumen Chakraborty	25,125	0.02	2,607	10,900	2,814	7,300	3,679	6,060	5	9,020
Mr. M.V. Ramana	22,742	0.01	2,607	4,200	2,814	4,200	3,679	4,660	5	12,440
Mr. Ganadhish Kamat	4,073	0.00	2,607	3,150	2,814	1,575	3,679	1,940	5	4,705
Dr. Anil Nambodiripad ⁽⁴⁾	15,140	0.01	-	-	-	-	3,679	4,200	5	13,418
Ms. Archana Bhaskar	7,536	0.00	2,607	3,400	2,814	3,375	3,679	3,760	5	7,385
Mr. Sanjay Sharma	-	-	2,607	5,900	2,814	4,000	3,679	3,340	5	5,740
Mr. Sauri Gudlavalleti	2,197	0.00	2,607	3,900	2,814	3,200	3,679	2,200	5	5,667
Mr. P. Yugandhar	1,000	0.00	2,607	2,300	2,814	2,400	3,679	2,560	5	5,366
Mr. Raymond de Vre	14,881	0.01	2,607	3,650	2,814	1,150	3,679	0	5	0
Mr. Deepak Sapra	4,462	0.00	2,607	3,900	2,814	3,200	3,679	2,140	5	6,286
Mr. Marc Kikuchi ⁽⁴⁾	6,375	0.00	-	-	2,814	2,600	3,679	13,840	5	21,685
Mr. Patrick Aghanian ⁽⁴⁾	-	-	-	-	-	-	3,679	2,480	5	4,280
Mr. Mukesh Rathi	7,189	0.00	2,607	1,950	2,814	2,175	3,679	2,320	5	3,894

(1) Shares held in their individual name only. Includes shares held indirectly through ADRs.

(2) All shares have voting rights.

(3) Not eligible for grant of stock options.

(4) These grants were in the form of options to acquire ADRs.

(5) The options vest on various dates between the year ending March 31, 2022 and the year ending March 31, 2025. The options expire after five years from the date of vesting. Each of the options results in the issuance of one equity share or ADR, as applicable, upon its exercise.

Employee Stock Incentive Plans

We have adopted a number of stock option incentive plans covering either our ordinary shares or our ADRs, and we are currently operating under the Dr. Reddy's Employees Stock Option Scheme, 2002 (the "DRL 2002 Plan"), the Dr. Reddy's Employees ADR Stock Option Scheme, 2007 (the "DRL 2007 Plan") and the Dr. Reddy's Employees Stock Option Scheme, 2018 (the "DRL 2018 Plan"). Each such option granted had an expiration date of five years from the vesting date.

During the year ended March 31, 2021, options to purchase ordinary shares and ADRs were awarded to various of our executive officers and other employees under the DRL 2002 Plan, the DRL 2007 Plan and the DRL 2018 Plan were as follows:

Plan	Number of options granted	Exercise Price (Rs.)
DRL 2002 Plan [#]	49,444	5
DRL 2002 Plan [*]	42,648	5
DRL 2007 Plan [*]	7,500	5
DRL 2007 Plan ^{**}	5,144	5
DRL 2007 Plan [#]	39,672	5
DRL 2007 Plan [#]	96,080	3,679
DRL 2018 Plan [#]	150,740	3,679
Total	391,228	

25% vesting each year, starting after one year from the grant date.

* 100% vesting at the end of third year from the grant date.

** 100% vesting after one year from the grant date.

The Dr. Reddy's Employees ESOS Trust was formed to support the DRL 2018 Plan by acquiring, including through secondary market acquisitions, equity shares which are issued to eligible employees upon exercise of stock options thereunder. During the year ended March 31, 2021, we have implemented cashless exercises of stock options under this plan. From the plan's inception through March 31, 2021, we have granted an aggregate of 556,340 options, with a fair market value exercise price, under the DRL 2018 Plan. During such period, the Dr. Reddy's Employees ESOS Trust has purchased an aggregate of 661,601 shares, at an average rate of Rs.3,328.18, for the purpose of issuing the shares to such employees upon exercise of these options under the DRL 2018 plan.

For the years ended March 31, 2021 and 2020, Rs.584 million and Rs.521 million, respectively, have been recorded as employee share-based payment expense under all of our employee stock incentive plans. As of March 31, 2021 and 2020, there was Rs.612 million and Rs.515 million, respectively of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 1.95 years and 1.93 years, respectively. For further information regarding our options and stock option incentive plans, see Note 29 to our consolidated financial statements.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major shareholders

All of our equity shares have the same voting rights. As of March 31, 2021, a total of 26.74% of our equity shares were held by the following parties:

- Mr. K. Satish Reddy (Chairman of the Board);
- Mrs. K. Samrajyam Reddy, mother of Mr. K. Satish Reddy, Mr. G. Sharathchandra Reddy, son of Mr. G.V. Prasad, and Mrs. G. Anuradha, wife of Mr. G.V. Prasad (hereafter collectively referred as the "Family Members");
- G.V. Prasad HUF, which is affiliated with Mr. G.V. Prasad (Co-Chairman and Managing Director); and
- Dr. Reddy's Holdings Limited (formerly known as Dr. Reddy's Holdings Private Limited), a company in which the APS Trust owns 83.11% of the equity and the remainder is held by Mr. G.V. Prasad HUF, Mr. K. Satish Reddy (individually and through an affiliated HUF) and the Family Members. Mr. G.V. Prasad, Mr. K. Satish Reddy, Mrs. G. Anuradha, Mrs. Deepti Reddy and their bloodline descendants are the beneficiaries of the APS Trust. Mr. G.V. Prasad, Mr. K. Satish Reddy, Mrs. G. Anuradha and Mrs. Deepti Reddy are the sole members of the Board of Directors of Dr. Reddy's Holdings Limited. Mr. G.V. Prasad and Mr. K. Satish Reddy are the sole trustees of the APS trust.

The following table sets forth information regarding the beneficial ownership of our shares by the foregoing persons as of March 31, 2021:

Name	Equity Shares Beneficially Owned ⁽¹⁾	
	Number of Shares	Percentage of Shares
Dr. Reddy's Holdings Limited ⁽²⁾	41,325,300	24.85%
G.V. Prasad HUF ⁽³⁾	1,117,940	0.67%
Mr. K. Satish Reddy ⁽²⁾	898,432	0.54%
Family Members	1,119,456	0.67%
Subtotal	44,461,128	26.74%
Others/public float	121,840,103	73.26%
Total number of shares outstanding	166,301,231	100.00%

(1) Beneficial ownership is determined in accordance with rules of the U.S. Securities and Exchange Commission, which provides that shares are beneficially owned by any person who has voting or investment power with respect to the shares. All information with respect to the beneficial ownership of any principal shareholder has been furnished by that shareholder and, unless otherwise indicated below, we believe that persons named in the table have sole voting and sole investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable.

(2) The APS Trust owns approximately 83.11% of the equity of Dr. Reddy's Holdings Limited, and thus may be deemed to beneficially own all of the equity shares directly held by Dr. Reddy's Holdings Limited. Mr. G.V. Prasad and Mr. K. Satish Reddy are the sole trustees of the APS Trust. Accordingly, each of Mr. G.V. Prasad and Mr. K. Satish Reddy may be deemed to beneficially own all of the equity shares directly held by Dr. Reddy's Holdings Limited. Each of Mr. G.V. Prasad and Mr. K. Satish Reddy disclaims such beneficial ownership pursuant to Rule 13d-4 of the Securities Exchange Act of 1934.

In addition, the Deed of Family Settlement of the APS Trust provides for the parties thereto to exercise all rights, including voting rights, with respect to their personally held equity shares in accordance with the directions of the board of trustees of the APS Trust. As a result, each of Mr. K. Satish Reddy and Mr. G.V. Prasad may be deemed to beneficially own all of the equity shares directly held by each other or by any of the other parties to such Deed of Family Settlement. Based on the Amendment No. 3 to Schedule 13D filed with the U.S. Securities and Exchange Commission on October 18, 2017, such equity shares held by other parties to the Deed of Family Settlement consisted of, in each case as of October 4, 2017, an aggregate of 1,115,360 equity shares directly held by Mrs. K. Samrajyam (mother of Mr. K. Satish Reddy) and 1,496 equity shares directly held by Mrs. G. Anuradha (wife of Mr. G.V. Prasad). Each of Mr. G.V. Prasad and Mr. K. Satish Reddy disclaims all such beneficial ownership pursuant to Rule 13d-4 of the Securities Exchange Act of 1934.

Note that our Board of Directors and shareholders have approved the merger of Dr. Reddy's Holdings Limited into Dr. Reddy's Laboratories Limited, as more particularly described in Note 35 to our consolidated financial statements.

(3) On March 26, 2021 the shares held by Mr. G.V. Prasad was transferred to a G.V. Prasad HUF.

As otherwise stated above and to the best of our knowledge, we are not owned or controlled directly or indirectly by any government or by any other corporation or by any other natural or legal persons. We are not aware of any arrangement, the consummation of which may at a subsequent date result in a change in our control.

The following shareholders held more than 5% of our equity shares as of:

Name	March 31, 2021		March 31, 2020		March 31, 2019	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Holdings Limited ⁽¹⁾	41,325,300	24.85%	41,325,300	24.87%	41,325,300	24.88%
Life Insurance Corporation of India and Associates	1,110,352	0.67%	8,468,983	5.10%	6,486,864	3.91%
Mitsubishi -UFJ Financial Group, Stewart and their associates (formerly First State Investments Management (UK) Limited, Commonwealth Bank of Australia and their associates) ⁽²⁾	7,769,465	4.67%	7,540,098	4.54%	11,838,598	7.13%

- (1) Each of the APS Trust, Mr. G.V. Prasad and Mr. K. Satish Reddy may be deemed to beneficially own all of the equity shares directly held by Dr. Reddy's Holdings Limited, as described in footnote (2) to the table on the preceding page.
- (2) In addition to the equity shares disclosed in the above table, Mitsubishi-UFJ Financial Group, Stewart and their associates held an additional 169,171 ADSs of our company as of March 31, 2021, bringing their total percentage of equity shares held to 4.77%.

As of March 31, 2021, we had 166,301,231 outstanding equity shares. As of March 31, 2021, there were 228,001 record holders of our equity shares listed and traded on the Indian stock exchanges. Our American Depositary Shares ("ADSs"), as evidenced by American Depositary Receipts (or "ADRs"), are listed on the New York Stock Exchange. Our ADSs are also listed on NSE IFSC Limited. One ADS represents one equity share of Rs.5 par value per share. As of March 31, 2021, 12.21% of our issued and outstanding equity shares were owned through ADSs, as evidenced by ADRs. On March 31, 2021 we had approximately 63 registered holders and 15,257 beneficial holders of record of our ADSs, as evidenced by ADRs, in the United States.

7.B. Related party transactions

Refer to Note 30 of our consolidated financial statements.

7.C. Interests of experts and counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. Consolidated statements and other financial information

The following financial statements and auditors' report appear under Item 18 of this Annual Report on Form 20-F and are incorporated herein by reference:

- Report of Independent Registered Public Accounting Firms
- Consolidated statements of financial position as of March 31, 2021 and 2020
- Consolidated income statements for the years ended March 31, 2021, 2020 and 2019
- Consolidated statements of comprehensive income for the years ended March 31, 2021, 2020 and 2019
- Consolidated statements of changes in equity for the years ended March 31, 2021, 2020 and 2019
- Consolidated statements of cash flows for the years ended March 31, 2021, 2020 and 2019
- Notes to the consolidated financial statements

Our financial statements included in this Annual Report on Form 20-F have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial statements included herein are for our three most recent fiscal years.

Amount of Export Sales

For the year ended March 31, 2021, our export revenues (i.e., revenues from all geographies other than India) were Rs.153,470 million, and accounted for 81% of our total revenues.

Legal Proceedings

Refer to Note 33 of our consolidated financial statements.

Dividend Policy

In the years ended March 31, 2019, 2020 and 2021, we paid cash dividends of Rs.20 per equity share, Rs.25 per equity share and Rs.25 per equity share, respectively. Every year our Board of Directors recommends the amount of dividends to be paid to shareholders, if any, based upon conditions then existing, including our earnings, financial condition, capital requirements and other factors. At our Board of Directors' meeting held on May 14, 2021, the Board of Directors proposed a dividend per share of Rs.25 and aggregating to Rs.4,158 million, all of which is subject to the approval of our shareholders.

Holders of our ADSs are entitled to receive dividends payable on equity shares represented by such ADSs. Cash dividends on equity shares represented by our ADSs are paid to the depositary in Indian rupees and are converted by the depositary into U.S. dollars and distributed, net of depositary fees, taxes, if any, and expenses, to the holders of such ADSs.

8.B. Significant changes

Refer to Note 41 to our consolidated financial statements.

ITEM 9. THE OFFER AND LISTING

9.A. Offer and listing details

See Item 9.C “Markets” below. See also Exhibit 2.2 (“Description of the Securities”) to this Annual Report on Form 20-F.

9.B. Plan of distribution

Not applicable.

9.C. Markets

Markets on Which Our Shares Trade

Our equity shares are traded on the BSE Limited (formerly known as the Bombay Stock Exchange Limited) (“BSE”) and National Stock Exchange of India Limited (“NSE”), (collectively, the “Indian Stock Exchanges”) under the ticker symbols “500124” and “DRREDDY”, respectively. Our American Depositary Shares (or “ADSs”), as evidenced by American Depositary Receipts (or “ADRs”), are traded in the United States on the New York Stock Exchange (“NYSE”) under the ticker symbol “RDY” and on NSE IFSC Limited under the ticker symbol “DRREDDY”. Each ADS represents one equity share. Our ADSs, as evidenced by ADRs, began trading on the NYSE and NSE IFSC Limited on April 11, 2001 and December 9, 2020, respectively.

9.D. Selling shareholders

Not applicable.

9.E. Dilution

Not applicable.

9.F. Expenses of the issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. Share capital

Not applicable.

10.B. Memorandum and articles of association

Dr. Reddy’s Laboratories Limited was incorporated under the Indian Companies Act, 1956. We are registered with the Registrar of Companies, Hyderabad, Telangana, India, with Company Identification No. L85195AP1984PLC004507. Our company’s registration number changed to L85195TG1984PLC004507 effective as of June 2, 2014.

Our registered office is located at 8-2-337, Road No. 3, Banjara Hills, Hyderabad, Telangana 500 034, India and the telephone number of our registered office is +91-40-49002900. The summary of our Articles of Association and Memorandum of Association that is included in our registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission (the “SEC”) on April 11, 2001, together with copies of the Articles of Association and Memorandum of Association that are included in our registration statement on Form F-1, are incorporated herein by reference.

The Memorandum and Articles of Association were amended at the 17th Annual General Meeting held on September 24, 2001, 18th Annual General Meeting held on August 26, 2002, the 20th Annual General Meeting held on July 28, 2004 and the 22nd Annual General Meeting held on July 28, 2006. A full description of these amendments was given in the Form 20-F filed with the SEC on September 30, 2003, September 30, 2004 and October 2, 2006, which description is incorporated herein by reference. The Memorandum and Articles of Association were amended at the 22nd Annual General Meeting held on July 28, 2006 to increase the authorized share capital in connection with the stock split effected in the form of a stock dividend that occurred on August 30, 2006.

The Memorandum and Articles of Association were further amended in accordance with the terms of an Order of the High Court of Judicature, Andhra Pradesh, dated June 12, 2009 to effect an increase in our company's authorized share capital pursuant to the amalgamation of Perlecan Pharma Private Limited into our company. In a related order dated June 12, 2009, the High Court concluded that there was no need to have a shareholders' meeting in order to affect such amendment.

The Memorandum and Articles of Association were further amended in accordance with the terms of an Order of the High Court of Judicature, Andhra Pradesh, dated July 19, 2010 to provide for the capitalization or utilization of undistributed profit or retained earnings or security premium account or any other reserve or fund of ours with the approval of our shareholders in connection with our bonus debentures.

The Memorandum and Articles of Association were amended by adopting a new set of Articles of Association which replaced and superseded in its entirety our then existing Articles of Association. This was primarily done to align the Articles of Association with the new Companies Act, 2013 and the rules thereunder. This amendment was approved by our shareholders on September 17, 2015. The new Articles of Association were furnished to the SEC on a Form 6-K on September 25, 2015.

For a further discussion of the Memorandum and Articles of Association, see Exhibit 2.2 ("Description of the Securities") to this Annual Report on Form 20-F.

10.C. Material contracts

In February 2020, we entered into 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 total consideration of Rs.18,500 million. The BTA was amended by three letter agreements dated April 28, 2020, June 9, 2020 and June 9, 2021.

As of March 31, 2020, the acquisition of this Business Undertaking (as defined below) 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 March 31, 2020.

On June 10, 2020, we completed this acquisition. The fair value of consideration transferred was Rs.16,115 million.

The acquired 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 transferred to us, 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.

The BTA and related amendments have been attached as Exhibits 4.2.1 to 4.2.4 to this report on Form 20-F. Each such document has been included to provide you with information regarding its terms. Except for its status as a contractual document that establishes and governs the legal relations among the parties thereto with respect to the asset sale thereunder, we do not intend for its text to be a source of factual, business or operational information about us. Such agreement contains representations, warranties and covenants that are qualified and limited, including by information in the schedules that the parties delivered in connection with the execution of such documents. Representations and warranties may be used as a tool to allocate risks between the respective parties to such documents, including where the parties do not have complete knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to different standards of materiality applicable to the contracting parties, which may differ from what may be viewed as material to stockholders. These representations and warranties may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this report on Form 20-F. You should not rely on its representations, warranties or covenants as characterizations of the actual state of facts or condition of us or any of our affiliates.

Other than the foregoing, and other contracts entered into in the ordinary course of business, there are no material contracts to which we or any of our direct and indirect subsidiaries is a party for the two years immediately preceding the date of this report on Form 20-F.

10.D. Exchange controls

Foreign investment in Indian securities, whether in the form of foreign direct investment or in the form of portfolio investment, is governed by the Foreign Exchange Management Act, 1999, as amended ("FEMA"), and the rules, regulations and notifications issued thereunder. Set forth below is a summary of the restrictions on transfers applicable to both foreign direct investments and portfolio investments, including the requirements under Indian law applicable to the issuance and transfer of ADSs.

Foreign Direct Investment

FEMA empowers the Reserve Bank of India (the “RBI”) to frame regulations to prohibit, restrict or regulate the transfer or issuance of any security by a person resident outside India. These regulations were published as the Foreign Exchange Management (Transfer or Issue of Security by a Person resident Outside India) Regulations, 2017. The Central Government superseded these regulations on October 17, 2019 through its notification of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

As per these regulations, foreign direct investments can be made in India, other than in certain prohibited sectors, through the “automatic route” or, if the sectors or activities are not permitted under the automatic route, then under the “government route”. If the automatic route applies, then the non-resident investor or the Indian company does not require any approval from Government of India for the investment. If the government route applies, then prior approval of the Government of India is required. Proposals for foreign investment under the government route, are considered by the respective administrative ministry or department.

These regulations also contain provisions regarding sector specific guidelines for foreign direct investment and the levels of permitted equity participation. The total foreign investment shall not exceed the sectoral or statutory cap limit indicated for each sector. In sectors or activities for which no sectoral or statutory cap limit is indicated or not prohibited under these regulations, foreign investment is permitted up to 100% under the automatic route, subject to applicable laws/regulations, security and other conditions.

In May 1994, the Government of India announced that purchases by foreign investors of ADSs, as evidenced by ADRs, and foreign currency convertible bonds of Indian companies would be treated as foreign direct investment in the equity issued by Indian companies for such offerings. Therefore, offerings that involve the issuance of equity that results in Foreign Direct Investors holding more than the stipulated percentage of direct foreign investments (which depends on the category of industry) would require approval from the Foreign Investment Promotion Board.

For investments in the pharmaceutical sector, the Foreign Direct Investment limit is 100%. However, unlike Foreign Direct Investments in new pharmaceutical projects (sometimes called “greenfield” investments), Foreign Direct Investments in existing Indian pharmaceutical companies (sometimes called “brownfield” investments) are nonetheless subject to approval by the Foreign Investment Promotion Board in excess of 74% (which can incorporate conditions for its approval at the time of grant). Thus, foreign ownership of in excess of 74% of our equity shares would be allowed but would require certain approvals.

The Ministry of Finance abolished the Foreign Investment Promotion Board in May 2017 and the processing of applications for Foreign Direct Investment and approval of the Government thereon under the Policy and FEMA, was transferred to be handled by the concerned Ministries/Departments in consultation with the Department for Promotion of Industry and Internal Trade.

Portfolio Investment Scheme

Under Indian law, persons or entities residing outside of India cannot acquire securities of an Indian company listed on a stock exchange (“Portfolio Investments”) unless such non-residents are (a) persons of Indian nationality or origin residing outside of India (also known as Non-Resident Indians or “NRIs”) or (b) registered Foreign Institutional Investors (“FIIs”) or Foreign Portfolio Investors (“FPIs”).

Portfolio Investments by NRIs

A variety of methods for investing in shares of Indian companies are available to NRIs. These methods allow NRIs to make Portfolio Investments in existing shares and other securities of Indian companies on a basis not generally available to other foreign investors.

Portfolio Investments by FIIs

In September 1992, the Government of India issued guidelines that enable FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all of the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the Securities and Exchange Board of India (“SEBI”), and a general permission from the RBI to engage in transactions regulated under the Foreign Exchange Management Act. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors Regulations) 1995. When it receives the initial registration, the FII also obtains general permission from the RBI to engage in transactions regulated under the Foreign Exchange Management Act. Together, the initial registration and the RBI’s general permission enable the registered FII to: (i) buy (subject to the ownership restrictions discussed below) and sell unrestricted securities issued by Indian companies; (ii) realize capital gains on investments made through the initial amount invested in India; (iii) participate in rights offerings for shares; (iv) appoint a domestic custodian for custody of investments held; and (v) repatriate the capital, capital gains, dividends, interest income and any other compensation received pursuant to rights offerings of shares.

Portfolio Investments by FPIs

The regime permitting Portfolio Investments by FIIs was previously governed by the SEBI (Foreign Portfolio Investors) Regulations, 2014 (the “2014 FPI Regulations”). Further with a view to ease investments by FPIs, the 2014 FPI Regulations were amended through the SEBI (Foreign Portfolio Investors) Regulations, 2019, which was notified on September 23, 2019 (the “2019 FPI Regulations” and, together with the 2014 FPI Regulations, the “FPI Regulations”).

A person which has been registered as a FPI under chapter II of the 2019 FPI Regulations may purchase or sell capital instruments of an Indian company on a recognized stock exchange in India as well as purchase shares and convertible debentures offered to the public under the FPI Regulations.

A FPI is defined as any investment made by a person resident outside India in capital instruments where such investment is (a) less than 10% of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company or (b) less than 10% of the paid up value of each series of capital instruments of a listed Indian company. FPIs are subject to ownership limits in Portfolio Investments, as further described below, and only certain categories of FPIs may invest or deal in exchange traded derivative contracts approved by SEBI from time to time. FPIs are required to be registered with the designated depository participant on behalf of SEBI subject to compliance with “Know Your Customer” rules.

The 2019 FPI Regulations have categorized FPIs based on regulatory status and country of residence — that is, whether the entity is from a Financial Action Task Force (“FATF”) member country. The operating guidelines have provided guidance on re-categorization of FPIs. While Category-I FPIs under the 2014 FPI Regulations would remain the same, the former Category-II FPIs have been re-characterized under the 2019 FPI Regulations as Category-I or –II, depending upon their eligibility.

A FPI may purchase or sell capital instruments of an Indian company on a recognized stock exchange in India as well as purchase shares and convertible debentures offered to the public under the FPI Regulations.

Further, a FPI may sell shares or convertible debentures so acquired (i) in an open offer in accordance with the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; or (ii) in an open offer in accordance with the Securities Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; or (iii) through buyback of shares by a listed Indian company in accordance with the Securities Exchange Board of India (Buy-back of Securities) Regulations, 2018. A FPI may also acquire shares or convertible debentures (i) in any bid for, or acquisition of securities in response to an offer for disinvestment of shares made by the central government or any state government of India; or (ii) in any transaction in securities pursuant to an agreement entered into with merchant banker in the process of market making or subscribing to unsubscribed portion of the issue in accordance with SEBI (ICDR) Regulations, 2018.

Ownership restrictions

The SEBI and the RBI regulations restrict portfolio investments in Indian companies by FIIs, NRIs and FPIs, all of which we refer to as “foreign portfolio investors.” Under current Indian law, FPIs may in the aggregate hold not more than 24.0% of the equity shares of an Indian company, and NRIs in the aggregate may hold not more than 10.0% of the shares of a publicly traded Indian company through portfolio investments.

The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (the “NDI Rules”) has brought about a substantial change in the Schedule II to the NDI Rules, stating that effective as of April 1, 2020, the aggregate limit would be the sectoral cap applicable to such Indian company. An Indian company may, with the approval by resolution of its board of directors and by special resolution of its members: (i) decrease the aggregate limit before March 31, 2020 to a lower threshold of 24%, 49% or 74%, as it deems fit, or (ii) increase the aggregate limit to 49% or 74%, or the sectoral cap or statutory ceiling, as it deems fit. However, once the aggregate limit is increased, the limit cannot be reduced later. Our shareholders on September 24, 2001 had passed a resolution enhancing the limits of portfolio investment by FIIs in the aggregate to 49% and NRIs in the aggregate may hold not more than 10.0% of our equity shares through portfolio investments. However pursuant to the applicability of the NDI rules, the sectoral cap applicable to our company is 74%. Holders of ADSs are not subject to the rules governing FPIs unless they convert their ADSs into equity shares.

If a FPI’s investments exceed the prescribed limits, the FPI will have the option to divest its excess holdings within 5 trading days, failing which the entire investment in the company will be considered a Foreign Direct Investment (“FDI”). If the investment falls under a category where FDI is prohibited, the aggregate FPI limit is capped at 24%.

No single FPI may hold more than 10.0% of the shares of an Indian company and no single NRI may hold more than 5.0% of the shares of an Indian company. If multiple entities have at least 50% overlap in their ownership (direct or ultimate beneficial owners), then such entities shall be treated as part of the same group and the above percentage of FPI investment limit shall apply to the entire group as if they were a single FPI.

As of March 31, 2021, FIIs and FPIs collectively held 29.03% of our equity shares and NRIs held 1.00% of our equity shares.

In September 2011, the Securities and Exchange Board of India (“SEBI”) enacted the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the “2011 Takeover Code”), which replaces the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The 2011 Takeover Code was thereafter amended from time to time.

Under the 2011 Takeover Code, upon acquisition of shares or voting rights in a publicly listed Indian company (the “target company”) such that the aggregate shareholding of the acquirer (meaning a person who directly or indirectly, acquires or agrees to acquire shares or voting rights in the target company, or acquires or agrees to acquire control over the target company, either alone or together with any persons acting in concert), is 5% or more of the shares of the target company, the acquirer is required to, within two working days of such acquisition, disclose the aggregate shareholding and voting rights in the target company to the target company and to the stock exchanges in which the shares of the target company are listed.

Furthermore, an acquirer who, together with persons acting in concert with such acquirer, holds shares or voting rights entitling them to 5% or more of the shares or voting rights in a target company must disclose every sale or acquisition of shares representing 2% or more of the shares or voting rights of the target company to the target company and to the stock exchanges in which the shares of the target company are listed within two working days of such acquisition or sale or receipt of intimation of allotment of such shares.

Every acquirer, who together with persons acting in concert with such acquirer, holds shares or voting rights entitling such acquirer to exercise 25% or more of the voting rights in a target company, has to disclose to the target company and to stock exchanges in which the shares of the target company are listed, their aggregate shareholding and voting rights as of the thirty-first day of March, in such target company within seven working days from the end of the fiscal year of that company.

The acquisition of shares or voting rights that entitles the acquirer to exercise 25% or more of the voting rights in or control over the target company triggers a requirement for the acquirer to make an open offer to acquire additional shares representing at least 26% of the total shares of the target company for an offer price determined as per the provisions of the 2011 Takeover Code. The acquirer is required to make a public announcement for an open offer on the date on which it is agreed to acquire such shares or voting rights. Such open offer shall only be for such number of shares as is required to adhere to the maximum permitted non-public shareholding.

Since we are a listed company in India, the provisions of the 2011 Takeover Code will apply to us and to any person acquiring our ADSs, equity shares or voting rights in our company.

Pursuant to the 2011 Takeover Code, we must report to the Indian stock exchanges on which our equity shares are listed, any disclosures made to us under 2011 Takeover Code.

Holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Deposit Agreement entered into by such holders, our company and the depository of our ADRs.

Subsequent transfer of shares

A person resident outside India holding the shares or debentures of an Indian company may transfer the equity instruments held by him, in compliance with the conditions specified in the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (“NDI Rules”), as follows:

- (i) A person resident outside India who is not a NRI, an overseas citizen of India or a former Overseas Corporate Body (“OCB”), may transfer by way of sale or gift, the equity instruments held by him to any person resident outside India;
- (ii) A NRI may transfer by way of sale or gift, the equity instruments held by that person to another NRI or to any person resident outside India; or
- (iii) A person resident outside India holding the equity instruments of an Indian company in accordance with the NDI Rules, (a) may transfer such equity instrument to a person resident in India by way of sale or gift; or (b) may sell such equity instrument on a recognized Stock Exchange in India through a registered broker.

In enacting the NDI Rules, the Central Government superseded the Foreign Exchange Management (Transfer or Issue of Securities by a person Resident Outside India) Regulations, 2017.

The NDI Rules give the readers a consolidated view of the transfer or issue of securities by a person resident outside India and also clarifies several aspects of FDI. These regulations aim towards further simplification and provide greater clarity on differentiation between FDI and FPI.

ADS guidelines

Shares of Indian companies represented by ADSs may be approved for issuance to foreign investors by the Government of India under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 (the “1993 Scheme”), as modified from time to time, promulgated by the Government of India. The 1993 Scheme is in addition but without prejudice to the other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the 1993 Scheme also affords to holders of the ADSs the benefits of Section 115AC of the Income Tax Act, 1961 for purpose of the application of Indian tax laws. In March 2001, the RBI issued a notification permitting, subject to certain conditions, two-way fungibility of ADSs. This notification provides that ADSs converted into Indian shares can be converted back into ADSs, subject to compliance with certain requirements and the limits of sectorial caps.

The Ministry of Finance, Government of India, enacted The Depository Receipts Scheme, 2014 (the “Depository Receipts Scheme”) effective as of December 15, 2014. In order to facilitate the issuance of depository receipts by Indian companies outside India, the Depository Receipts Scheme repeals the former provisions dealing with depository receipts in the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993. The Depository Receipts Scheme now governs the issue or transfer of permissible securities to a foreign depository by eligible persons and defines the rights and duties of a foreign depository and obligations of a domestic custodian.

There are certain relaxations provided under the Depository Receipts Scheme subject to prior approval of the Ministry of Finance. For example, a registered broker is permitted to purchase shares of an Indian company on behalf of a person resident outside of India for the purpose of converting those shares into ADSs. However, such conversion is subject to compliance with the provisions of the Depository Receipts Scheme and the periodic guidelines issued by the regulatory authorities. Therefore depository receipts converted into Indian shares may be converted back into depository receipts, subject to certain limits of sectorial caps.

Under the Depository Receipts Scheme, a foreign depository may take instructions from depository receipts holders to exercise the voting rights with respect to the underlying equity securities. Additionally, a domestic custodian has been defined to include a custodian of securities, an Indian depository, a depository participant or a bank having permission from SEBI to provide services as custodian.

Further, the Depository Receipts Scheme provides that the aggregate of permissible securities which may be issued or transferred to foreign depositories for issue of depository receipts, along with permissible securities already held by persons resident outside India, shall not exceed the limit on foreign holding of such permissible securities under the Foreign Exchange Management Act, 1999.

The SEBI introduced a framework for the issuance of Depository Receipts (“DRs”) by companies listed on stock exchanges in India and for the “permissible securities” underlying any such DR issuance (“DR Framework”), pursuant to its circular dated October 10, 2019. Further, the SEBI issued circulars dated November 28, 2019 and December 18, 2020, on the framework for the issuance of DRs and amended the scope and process for permissible holder of DRs, respectively. The requirements for issuance of DRs set out in the DR Framework are in addition to the requirements under the Companies Act, 2013 and rules thereunder, the 2014 Scheme and the foreign exchange regulations. The key aspects provided under the DR Framework are:

- Eligible Issuer – Only a company incorporated in India and listed on a recognized stock exchange in India is allowed to issue the underlying securities for issuance of DRs, which must be permissible securities (as discussed below), and only their holders may transfer such underlying securities.
- Permissible Holders – Indian residents and NRIs are not allowed to be permissible holders or beneficial owners of DRs. However, this restriction is not applicable in case the DRs are issued to NRIs pursuant to any share-based employee benefit scheme(s), that are implemented by the listed company in line with the SEBI (Share Based Employee Benefits) Regulations, 2014, or any bonus issue or any rights issue of shares.
- Obligations of Listed Company – The listed company must comply with applicable laws and regulations and ensure that only permissible securities are issued as the underlying securities for any DR issuance. Further, the listed company must issue such permissible securities only to the permissible holders. The listed company shall be responsible for identification of any holder (like NRI), who are issued DRs in terms of any share-based employee benefit scheme(s). Further, the listed company must provide the information of NRI DR holders to the designated depository in India, for the purpose of monitoring foreign investment limits.

- **Minimum Public Shareholding** – In the case of issuance of new DRs, the listed company shall ensure that the limit on foreign holding of permissible securities as prescribed under applicable FEMA regulations is not exceeded and shall comply with the minimum public shareholding norms in India, after excluding the permissible securities held by the depository.
- **Minimum Price** - The minimum price for the issuance or transfer of permissible securities is the price applicable to the corresponding mode of issue (i.e., public offer, preferential allotment or qualified institutions placement) to domestic investors in India under applicable laws.

The jurisdictions where DRs may be issued and exchanges where DRs may be listed pursuant to the DR Framework were set forth in a circular dated November 28, 2019. While the DR framework for listed entities has been operationalized, further amendments and requirements may be notified from time to time.

Under the DR Framework, “permissible securities” means equity shares and debt securities, which are in a dematerialized form and rank *pari passu* with the securities issued and listed on a recognized stock exchange. Previously, under the 2014 Depository Receipts Scheme, companies were only required to comply with eligibility requirements pertaining to prohibition from accessing capital markets or dealing in securities.

The Department of Economic Affairs, Ministry of Finance made amendments to certain provisions of the Securities Contracts (Regulation) Rules, 1957 pursuant to Securities Contracts (Regulation) (Amendment) Rules, 2015, on February 25, 2015. An amended, the “public shareholding” for our equity shares held by the public includes shares underlying depository receipts if the holder of such depository receipts has the right to issue voting instruction and such depository receipts are listed on an international stock exchange in accordance with the Depository Receipts Scheme.

Fungibility of ADSs

A registered broker in India can purchase shares of an Indian company that issued ADSs, on behalf of a person residing outside India, for the purposes of converting the shares into ADSs.

The Depository Receipts Scheme states that the aggregate of permissible securities which may be issued or transferred to foreign depositories for issue of depository receipts, along with permissible securities already held by persons resident outside India, shall not exceed the limit on foreign holding of such permissible securities under the Foreign Exchange Management Act, 1999.

Transfer of ADSs

A person resident outside India may transfer ADSs held in an Indian company to another person resident outside India without any permission. A person resident in India is not permitted to hold ADSs of an Indian company, except in connection with the exercise of stock options.

Shareholders resident outside India who intend to sell or otherwise transfer equity shares within India should seek the advice of Indian counsel to understand the requirements applicable at that time.

10.E. Taxation

Indian Taxation

General. The following summary is based on the law and practice of the Income-tax Act, 1961 (the “Income-tax Act”), including the special tax regime contained in Sections 115AC and 115ACA of the Income-tax Act read with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 (collectively, the “Income-tax Act Scheme”), as amended on January 19, 2000. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Sections 115AC and 115ACA may be amended or changed by future amendments to the Income-tax Act.

We believe this information is materially complete as of the date hereof. However, this summary is not intended to constitute an authoritative analysis of the individual tax consequences to non-resident holders or employees under Indian law for the acquisition, ownership and sale of ADSs and equity shares.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT TAX ADVISORS WITH RESPECT TO TAXATION IN INDIA OR THEIR RESPECTIVE LOCATIONS ON ACQUISITION, OWNERSHIP OR DISPOSING OF EQUITY SHARES OR ADSS.

Residence. For purposes of the Income-tax Act, an individual is considered to be a resident of India during any fiscal year (i.e., April 1 to March 31) if he or she is in India in that year for:

- a period or periods of at least 182 days; or
- at least 60 days and, within the four preceding fiscal years has been in India for a period or periods amounting to at least 365 days.

The period of 60 days referred to above shall be 182 days in case of a citizen of India or a Person of Indian Origin living outside India for the purpose of employment outside India who is visiting India.

The Finance Act 2020 amended section 6 of the Income-tax Act. Pursuant to the amended provision, an individual shall be treated as a resident in India in a given fiscal year if such individual (i) is a citizen or person of Indian origin, (ii) has total income, other than income from foreign sources, exceeding fifteen lakh rupees (Rs.1,500,000) during such fiscal year, and (iii) stays in India for 120 days or more during such fiscal year (rather than 182 days or more as stated above).

It also amended Section 6 of the Income-tax Act to deem an Indian citizen to be a resident of India if such individual (i) is not liable to tax in any country or territory by reason of his or her domicile, residence or similar criteria, and (ii) has total income, other than income from foreign sources, that exceeds fifteen lakh rupees (Rs.1,500,000).

Any Indian citizen or person of Indian origin becoming a resident of India in view of the above two amendments under the Finance Act 2020, will be treated as "not ordinarily resident". "Income from foreign sources" means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India).

Pursuant to the amended provision of section 6 under the Finance Act 2016, a company is deemed to be a resident in India in any previous year, if (i) it is a company formed under the laws of India; or (ii) its place of effective management, in that year, is in India. For such purposes, "place of effective management" means a place where key management and commercial decisions that are necessary for the conduct of business of an entity as a whole are in substance made.

Individuals and companies that are not residents of India are treated as non-residents for purposes of the Income-tax Act.

Taxation of Distributions.

The Finance Act, 2020 made section 115-O and 115R of the Income-tax Act inoperative after April 1, 2020. Pursuant to this amendment, taxation of dividends declared by domestic company and income distributed by mutual funds that are equity oriented funds has been shifted from domestic companies/mutual funds to shareholders/unit holders. In essence, effective as of April 1, 2020, dividend distribution tax has been abolished and such dividend received will be taxable in the hands of shareholder/unit holder at their respective slab rates.

Consequently, section 10(34) and section 10(35) of the Income-tax Act, which provide exemption from taxation to shareholders/unit holders on dividend received from domestic company/mutual funds, became inoperative effective as of April 1, 2020. Also, section 115BBDA of the Income-tax Act, which provides for taxation of dividends received by specified assesses in excess of Rs.1,000,000, became inoperative effective as of April 1, 2020.

As the Finance Act, 2020 has shifted taxation of dividends from the distributor of dividends to the recipient, companies are under an obligation to withhold taxes at specified rates while making dividend payments to shareholders.

Any distributions of additional ADSs or equity shares by way of bonus shares (i.e., stock dividends) to resident or non- resident holders will not be subject to Indian tax.

Taxation of Capital Gains. The following is a brief summary of capital gains taxation of non-resident holders and resident employees relating to the sale of ADSs and equity shares received upon redemption of ADSs. The relevant provisions are contained mainly in sections 10(36), 10(38), 45, 47(viia), 111A, 115AC and 115ACA, of the Income-tax Act, in conjunction with the Income- tax Scheme. *You should consult your own tax advisor concerning the tax consequences of your particular situation.*

A non-resident investor transferring our ADS or equity shares outside India to a non-resident investor will not be liable for income taxes arising from capital gains on such ADS or equity shares under the provisions of the Income-tax Act in certain circumstances. Equity shares (including equity shares issuable on the conversion of the ADSs) held by the non-resident investor for a period of more than 12 months are treated as long-term capital assets. If the equity shares are held for a period of less than 12 months from the date of conversion of the ADSs, the capital gains arising on the sale thereof is to be treated as short-term capital gains.

Capital gains are taxed as follows:

- gains from a sale of ADSs outside India by a non-resident to another non-resident are not taxable in India;
- long-term capital gains realized by a resident and an employee from the transfer of the ADSs will be subject to tax at the rate of 10%, plus the applicable surcharges and the education cess; short-term capital gains on such a transfer will be taxed at graduated rates with a maximum of 30%, plus the applicable surcharges and the education cess;
- long-term capital gains realized by a non-resident upon the sale of equity shares obtained from the conversion of ADSs are subject to tax at a rate of 10%, excluding the applicable surcharges and the Education Cess; and short-term capital gains on such a transfer will be taxed at the rate of tax applicable to the seller; and
- long-term capital gain realized by a non-resident upon the sale of equity shares obtained from the conversion of ADSs is exempt from tax. However, effective as of April 1, 2018, long-term capital gains on sales of equity shares in excess of Rs.100,000 are subject to tax at a rate of 10% without indexation. However, gains incurred on or prior to January 31, 2018 will be grandfathered. Consequently, the current exemption under Section 10(38) of the Income-tax Act has been withdrawn and short-term capital gain is taxed at 15%, excluding the applicable surcharges and the Education Cess, if the sale of such equity shares is settled on a recognized stock exchange and the applicable securities transaction tax (“STT”) is paid on such sale.

As per the Finance Act, 2015, the rate of surcharge for Indian companies having total taxable income exceeding Rs.10,000,000 but not exceeding Rs.100,000,000 is 7% and in the case of Indian companies whose total taxable income is greater than Rs.100,000,000, the applicable surcharge is 12%. For foreign companies, the rate of surcharge is 2% if the total taxable income exceeds Rs.10,000,000 but does not exceed Rs.100,000,000 and it is 5% if the total taxable income of the foreign company exceeds Rs.100,000,000.

The Finance Act, 2016 has increased the surcharge for individuals having income exceeding Rs.10,000,000 from 12% to 15%.

As per the Finance (No.2) Act, 2019, the rate of surcharge for every individual or HUF or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, will be calculated as follows:

- At the rate of 10% of such tax, if the total income is exceeding Rs.5,000,000 but not exceeding Rs.10,000,000;
- At the rate of 15% of such tax, if the total income is exceeding Rs.10,000,000 but not exceeding Rs.20,000,000;
- At the rate of 25% of such tax, if the total income is exceeding Rs.20,000,000 but not exceeding Rs.50,000,000; and
- At the rate of 37% of such tax, if the total income is exceeding Rs.50,000,000.

As per the Taxation laws (Amendment) Ordinance, 2019, the surcharge of 25%/37% introduced by the Finance (No.2) Act, 2019 shall not apply to capital gains arising on the sale of equity shares in a company or units of an equity oriented fund referred to in section 111A or 112A of the Income-tax Act. The enhanced surcharge of 25%/37% shall also not apply to the income of foreign institutional investors (FIIs) from securities referred to in section 115AD of the Income-tax Act.

These amendments are applicable for assessments from the financial year beginning from April 1, 2019 and onwards.

Further as per finance Act, 2020, surcharge on dividend income shall not exceed 15%. This amendment is applicable from the financial year beginning from April 1, 2020 and onwards.

The Finance Act, 2018 replaced the Education Cess, which imposed a 2% income tax, and the Secondary and Higher Education Cess, which imposed a 1% income tax, with a new Health and Education Cess, which imposes a 4% income tax.

The Finance Act, 2020, inserted a new provision which provides an option to an individual or HUF to opt for a simplified regime with lower tax rates. However, a taxpayer opting for this simplified tax regime will not be eligible for specified deductions/exemptions.

This option may be exercised in the prescribed manner by an individual or HUF having business income on or before the due date specified under Section 139(1) for furnishing the return of income for the year ended March 31, 2020 and such option, once exercised, shall apply to subsequent assessment years. In the case of an individual or HUF having no business income, this option may be exercised along with the income tax return required to be furnished under Section 139(1) every year.

All assesseees, including individuals, whose advance tax payable is Rs.10,000 or more during the year are required to pay advance tax in four installments as follows:

Due Date of Installment	Amount Payable
On or before June 15	Not less than 15% of such advance tax.
On or before September 15	Not less than 45% of such advance tax, as reduced by the amounts (if any) paid in earlier installments.
On or before December 15	Not less than 75% of such advance tax, as reduced by the amounts (if any) paid in earlier installments.
On or before March 15	The whole amount of such advance tax, as reduced by the amounts (if any) paid in earlier installments.

As per Section 10(38) of the Income-tax Act, long-term capital gains arising from the transfer of equity shares on or after October 1, 2004 in a company completed through a recognized stock exchange in India and on which sale the STT has been paid are exempt from Indian tax. The Finance Act, 2017 amended section 10(38) to provide that exemption under this section for capital gains arising upon the transfer of equity shares acquired on or after October 1, 2004 shall not be available if STT is not chargeable on the acquisition of such equity shares, unless the acquisition of equity shares falls within the scope of certain STT payment exceptions specified by the Central Government in a notification. The Finance Act, 2018, withdrew the exemption under Section 10(38) effective as of April 1, 2018.

As per Section 111A of the Income-tax Act, short-term capital gains arising from the transfer of equity shares on or after October 1, 2004 in a company completed through a recognized stock exchange in India are subject to tax at a rate of 15%, plus the applicable surcharges and the education cess.

As per the Finance Act, 2004, as modified by the Finance Act, 2008 and the Finance Act, 2013, in a sale and purchase of securities entered into through a recognized stock exchange, a Securities Transaction Tax ("STT") may be imposed upon one or both of the parties as follows:

- With respect to a sale and purchase of equity shares (i) both the buyer and seller are required to pay a STT at the rate of 0.1% of the transaction value of the securities, if the transaction is a delivery based transaction (i.e., the transaction involves actual delivery or transfer of shares); or (ii) the seller of the shares is required to pay a STT at the rate of 0.025% of the transaction value of the securities, if the transaction is a non-delivery based transaction (i.e., the transaction is settled without taking delivery of the shares).
- With respect to a sale and purchase of an option with respect to securities (i) upon the sale of the option, the seller is required to pay a STT at the rate of 0.05% of the option premium; and (ii) upon exercise of the option, the buyer is required to pay a STT at the rate of 0.125% of the settlement price.
- With respect to a sale and purchase of futures with respect to securities, the seller is required to pay a STT at the rate of 0.01% of the transaction value.

The applicable provisions of the Income Tax Act, in the case of non-residents, may offset the above taxes, except the STT. The capital gains tax is computed by applying the appropriate tax rates to the difference between the sale price and the purchase price of the equity shares or ADSs. Under the Income-tax Scheme, the purchase price of equity shares in an Indian listed company received in exchange for ADSs will be the market price of the underlying shares on the date that the Depository gives notice to the custodian of the delivery of the equity shares in exchange for the corresponding ADSs, or the "stepped up" basis purchase price. The market price will be the price of the equity shares prevailing on the Stock Exchange, Bombay or the National Stock Exchange.

There is no corresponding provision under the Income-tax Act in relation to the "stepped up" basis for the purchase price of equity shares. However, the tax department in India has not denied this benefit. In the event that the tax department denies this benefit, the original purchase price of ADSs would be considered the purchase price for computing the capital gains tax.

According to the Income-tax Scheme, a non-resident holder's holding period for the purposes of determining the applicable Indian capital gains tax rate relating to equity shares received in exchange for ADSs commences on the date of the notice of the redemption by the Depository to the custodian. However, the Income-tax Scheme does not address this issue in the case of resident employees, and it is therefore unclear as to when the holding period for the purposes of determining capital gains tax commences for such a resident employee.

It is unclear as to whether section 115AC of the Income Tax Act and the rest of the Income-tax Scheme are applicable to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon redemption of the ADSs.

It is unclear as to whether capital gains derived from the sale of subscription rights or other rights by a non-resident holder not entitled to an exemption under a tax treaty will be subject to Indian capital gains tax. If such subscription rights or other rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such subscription rights or other rights will be subject to Indian taxation. The capital gains realized on the sale of such subscription rights or other rights, which will generally be in the nature of short-term capital gains, will be subject to tax (i) at variable rates with a maximum rate of 40%, excluding the prevailing surcharge and education cess, in the case of a foreign company and (ii) at the rate of 30% excluding the prevailing surcharge and education cess in the case of resident employees.

Withholding Tax on Capital Gains. Any gain realized by a non-resident or resident employee on the sale of equity shares is subject to Indian capital gains tax, which, in the case of a non-resident is to be withheld at the source by the buyer. However, as per the provisions of Section 196D(2) of the Income-tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to FIIs (as defined in Section 115AD of the Act) on the transfer of securities (as defined in Section 115AD of the Act).

Buy-back of Securities. The Finance Act, 2013 inserted section 115QA to the Income-tax Act, which provides that unlisted companies are subject to tax on the buy-back of their securities. However, section 10(34A) of the Finance Act 2013 exempts shareholders from the gain, if any, arising from such transaction. The Finance Act (No.2), 2019, further amends this section to include such tax on the buyback of listed company shares. However, as per Taxation laws (Amendment) ordinance, 2019 which was subsequently enacted to The Taxation Laws (Amendment) Act, 2019 provisions of sec 115QA will not be applicable to Indian Companies which have already made a public announcement for the buy-back of listed shares before July 5, 2019 in accordance with the provisions of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 made under the Securities and Exchange Board of India Act, 1992, as amended from time to time. Further, section 10(34A) of the Income-tax Act was consequently amended to exempt income received by the shareholders on buyback of listed shares as well.

The Government of India promulgated the Taxation laws (Amendment) ordinance, 2019, which was subsequently enacted to The Taxation Laws (Amendment) Act, 2019. As per the amendment, existing domestic companies have an option to pay tax at a concessional rate of 22% with applicable surcharge and health and education cess. However, the reduced tax rates come with consequential surrender of specified deductions/incentives. This option needs to be exercised before filing the income tax return and, once exercised, such option cannot be withdrawn for the same or subsequent years. For companies opting for this lower rate of tax regime, the minimum alternate tax (MAT) provisions would not be applicable. Companies that do not opt for the concessional tax rates will continue to be subject to MAT liability under section 115JB. The former rate of MAT of 18.5% (plus surcharge and health and education cess) was reduced to 15% (plus surcharge and health and education cess). These amendments are applicable from the financial year beginning from April 1, 2020 and onwards.

Stamp Duty and Transfer Tax. Upon issuance of the equity shares underlying our ADSs, we are required to pay a stamp duty of Rs.10 per share certificate evidencing such underlying equity shares. A transfer of ADSs is not subject to Indian stamp duty. A sale of equity shares in physical form by a non-resident holder is also subject to Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date, although customarily such duty is borne by the transferee. Shares must be traded in dematerialized form. Effective as of July 1, 2020, the issuance or transfer of shares in dematerialized form is also subject to stamp duty of 0.005% or 0.015%, respectively.

Wealth Tax. Currently, there is no wealth tax.

Gift Tax and Estate Duty. Currently, there are no gift taxes or estate duties. These taxes and duties could be restored in future. Non-resident holders are advised to consult their own tax advisors regarding this issue.

Goods and Service Tax. Brokerage fees or commissions paid to stockbrokers in connection with the sale or purchase of shares is subject to a Goods and Service Tax ("GST") of 18%. The stockbroker is responsible for collecting the GST from the shareholder and paying it to the relevant authority. Effective July 1, 2017, the Goods and Service Tax Act, 2017 was implemented across India and GST is applicable on such fees or commissions at the rate of 18%. In the former service tax regime, the service tax rate was 15% inclusive of all cess.

Material United States Federal Income and Estate Tax Consequences

The following is intended only as a descriptive summary of the material U.S. federal income and estate tax consequences that may be relevant with respect to the acquisition, ownership and disposition of our equity shares or ADSs and is for general information only and does not purport to be a complete analysis or listing of all potential tax effects relevant to the ownership or disposition of our equity shares or ADSs. This summary addresses the U.S. federal income and estate tax considerations of holders that are U.S. holders. "U.S. holders" are beneficial holders of our equity shares or ADSs who are (i) citizens or residents of the United States, (ii) corporations (or other entities treated as corporations for U.S. federal tax purposes) created in or organized in the United States or under the laws of the United States or any state thereof or any political subdivision thereof or therein, (iii) estates, the income of which is subject to U.S. federal income taxation regardless of its source, and (iv) trusts having a valid election to be treated as U.S. persons in effect under U.S. Treasury Regulations or for which a U.S. court exercises primary supervision and a U.S. person has the authority to control all substantial decisions.

This summary is limited to U.S. holders who will hold our equity shares or ADSs as capital assets (generally, property held for investment). In addition, this summary is limited to U.S. holders who are not residents in India for purposes of the Convention between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income (the “Treaty”). If a partnership, including any entity treated as a partnership for U.S. federal income tax purposes, holds our equity shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding our equity shares or ADSs should consult his, her or its own tax advisor regarding the tax treatment of an investment in our equity shares or ADSs.

This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, insurance companies, certain financial institutions, regulated investment companies, real estate investment trusts, broker dealers, traders in securities that elect to use the mark-to-market method of accounting, United States expatriates, persons liable for alternative minimum tax, persons holding our equity shares or ADSs through partnerships or other pass-through entities, persons that have a “functional currency” other than the U.S. dollars, tax-exempt entities, persons that will hold our equity shares or ADSs as a position in a “straddle” or as part of a “hedging” or “conversion” transaction for tax purposes and/or corporate holders of 10% or more, by voting power or value, of the shares of our company. This summary is based on the U.S. Internal Revenue Code of 1986, as amended and as in effect on the date of this Annual Report on Form 20-F and on United States Treasury Regulations in effect or, in some cases, proposed, as of the date of this Annual Report on Form 20-F, as well as judicial and administrative interpretations thereof available on or before such date, and is based in part on the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing is subject to change, which change could apply retroactively, or the Internal Revenue Service may interpret existing authorities differently, and a court may sustain such an interpretation, any of which could affect the tax consequences described below. This summary does not address the U.S. federal tax laws other than income or estate tax, and does not address U.S. state or local or non-U.S. tax laws.

EACH INVESTOR OR PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF OUR EQUITY SHARES OR ADSs.

Ownership of ADSs. For U.S. federal income tax purposes, holders of our ADSs will generally be treated as the holders of equity shares represented by such ADSs.

Dividends. Subject to the passive foreign investment company rules described below, except for our equity shares or ADSs, if any, distributed pro rata to all of our shareholders, including holders of our ADSs, the gross amount of any distributions of cash or property with respect to our equity shares or ADSs (before reduction for any Indian withholding taxes) will generally be included in income by a U.S. holder as foreign source dividend income at the time of receipt, which in the case of a U.S. holder of ADSs generally should be the date of receipt by the Depositary, to the extent such distributions are made from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders in respect of dividends received from other United States corporations. To the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles) such excess will be treated first as a tax-free return of capital to the extent of the U.S. holder’s tax basis in our equity shares or ADSs, and thereafter as capital gain.

With respect to certain non-corporate U.S. holders, subject to certain limitations, including certain limitations based on taxable income and filing status, qualifying dividends paid to non-corporate U.S. holders, including individuals, may be eligible for a reduced rate of taxation if we are deemed to be a “qualified foreign corporation” for United States federal income tax purposes and certain holding period requirements are met (including the requirement that the non-corporate U.S. holder holds the ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date). A qualified foreign corporation includes a foreign corporation if (1) its shares (or, according to legislative history, its ADSs) are readily tradable on an established securities market in the United States or (2) it is eligible for the benefits under a comprehensive income tax treaty with the United States. In addition, a corporation is not a qualified foreign corporation if it is a passive foreign investment company (as discussed below) for either its taxable year in which the dividend is paid or the preceding taxable year. Our ADSs are traded on the New York Stock Exchange, an established securities market in the United States as identified by Internal Revenue Service guidance. Due to the absence of specific statutory provisions addressing ADSs, however, there can be no assurance that we are a qualified foreign corporation solely as a result of our listing on the New York Stock Exchange. Nonetheless, we may be eligible for benefits under the Treaty. Each U.S. holder should consult his, her or its own tax advisor regarding the treatment of such dividends and such holder’s eligibility for a reduced rate of taxation.

Qualifying dividends will generally be taxed at a maximum income tax rate of 15% except for U.S. holders with incomes exceeding \$445,850 or, in the case of taxpayers filing joint tax returns, with incomes exceeding \$501,600 which will be subject to tax at the rate of 20% on such qualifying dividends. Further, qualifying dividends received by U.S. holders with incomes less than \$40,400 or, in the case of taxpayers filing joint returns, \$80,800 will be subject to tax at the rate of 0% on such qualifying dividends. Each U.S. holder should consult its own tax advisor regarding the treatment of dividends and such holder’s eligibility for a reduced rate of taxation.

Subject to certain conditions and limitations, any Indian withholding tax imposed upon distributions paid to a U.S. holder with respect to our equity shares or ADSs should be eligible for credit against the U.S. holder's federal income tax liability. Alternatively, a U.S. holder may claim a deduction for such amount, but only for a year in which a U.S. holder does not claim a credit with respect to any foreign income taxes. The overall limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, distributions on our equity shares or ADSs generally will be foreign source income, for purposes of computing the United States foreign tax credit allowable to a U.S. holder. The rules governing the foreign tax credit are very complex and each U.S. holder should consult his, her or its own tax advisors regarding the availability of the foreign tax credit under such holder's own particular circumstances.

If dividends are paid in Indian rupees, the amount of the dividend distribution included in the income of a U.S. holder will be in the U.S. dollar value of the payments made in Indian rupees, determined utilizing the spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is included in the income of the U.S. holder. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the dividend date to the date such payment is converted into U.S. dollars will be treated as U.S. source ordinary income or loss. You are urged to consult your tax advisors regarding the taxation of currency gain or loss.

EACH U.S. HOLDER SHOULD CONSULT HIS, HER OR ITS OWNS TAX ADVISOR REGARDING THE TREATMENT OF DIVIDENDS AND SUCH HOLDER'S ELIGIBILITY FOR REDUCED RATE OF TAXATION UNDER THE LAW IN EFFECT FOR THE YEAR OF THE DIVIDEND.

Sale or exchange of our equity shares or ADSs. Subject to the passive foreign investment company rules described below, a U.S. holder generally will recognize gain or loss on the sale or exchange of our equity shares or ADSs equal to the difference between the amount realized on such sale or exchange and the U.S. holder's adjusted tax basis in such equity shares or ADSs, as the case may be. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if such equity shares or ADSs, as the case may be, were held for more than one year (currently long-term capital gains are taxed at a maximum rate of 20%). Gain or loss, if any, recognized by a U.S. holder generally will be treated as U.S. source passive category income or loss for U.S. foreign tax credit purposes. In the case of capital losses, a U.S. holder is eligible to claim a capital loss deduction subject to significant limitations. If a U.S. holder is unable to claim these losses on its, his or her U.S. Federal Tax Return, the U.S. holder may be eligible to carryover the amount of the unused capital loss to future years, subject to additional limitations provided under U.S. tax regulations. Capital gains realized by a U.S. holder upon the sale of our equity shares (but not ADSs) may be subject to certain tax in India. See "Taxation-Indian Taxation-Taxation of Capital Gains" Set forth above in this Annual Report. Due to limitations on foreign tax credits, however, a U.S. holder may not be able to utilize any such taxes as a credit against the U.S. holder's federal income tax liability.

Estate taxes. An individual U.S. holder who is a citizen or resident of the United States for U.S. federal estate tax purposes will have the value of our equity shares or ADSs held by such holder included in his or her gross estate for U.S. federal estate tax purposes. An individual holder who actually pays Indian estate tax with respect to our equity shares will, however, be entitled to credit the amount of such tax against his or her U.S. federal estate tax liability, subject to a number of conditions and limitations.

Additional Tax on Investment Income. U.S. holders that are individuals, estates or trusts and whose income exceeds certain thresholds (the lesser of the U.S. holder's net investment income or modified adjusted gross income, to that extent such amount in a taxable year exceeds \$200,000.00 or, in the case of taxpayers filing joint tax returns, \$250,000.00) will be subject to a 3.8% Medicare contribution tax on certain net investment income, including, among other things, dividends on, and capital gains from the sale or other taxable disposition of, our equity shares or ADSs, subject to certain limitations and exceptions.

Backup withholding tax and information reporting requirements. Any dividends paid on, or proceeds from a sale of, our equity shares or ADSs to or by a U.S. holder may be subject to U.S. information reporting, and a backup withholding tax (currently at a rate of 24%) may apply unless the holder establishes that he, she or it is an exempt recipient or provides a U.S. taxpayer identification number and certifies under penalty of perjury that such number is correct and that such holder is not subject to backup withholding and otherwise complies with any applicable backup withholding requirements.

Any amount withheld under the backup withholding rules will be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service. Certain U.S. holders are required to report information with respect to their investment in our equity shares or ADSs not held through a custodial account with a U.S. financial institution on Internal Revenue Service Form 8938, which must be attached to the U.S. holder's annual income tax return. Investors who fail to report required information could become subject to substantial penalties. In addition, a U.S. holder should consider the possible obligation to file online a FinCEN Form 114 – Foreign Bank and Financial Accounts Report as a result of holding ordinary shares or ADSs. Each U.S. holder should consult his, her or its tax advisor concerning its obligation to file Internal Revenue Service Form 8938 and/or FinCEN Form 114.

Passive foreign investment company. A non-U.S. corporation will be classified as a passive foreign investment company for U.S. Federal income tax purposes if either:

- 75% or more of its gross income for the taxable year is passive income; or
- on average for the taxable year, 50% or more of the total value of its assets produce or are held for the production of passive income (as of the end of each quarter of its taxable year).

We do not believe that we satisfy either of the tests for passive foreign investment company status for the fiscal year ended March 31, 2021. Because this determination is made on an annual basis and depends on a variety of factors (including the value of our ADS), no assurance can be given that we will not be considered a passive foreign investment company in future taxable years. If we were to be a passive foreign investment company for any taxable year, dividends would not be eligible for the preferential tax treatment applicable to qualified dividends income but would instead be taxable at rates applicable to ordinary income.

Further, if we were to be a passive foreign investment company for any taxable year, U.S. holders would be required to:

- pay an interest charge together with tax calculated at ordinary income rates on “excess distributions” (as the term is defined in relevant provisions of the U.S. tax laws) and on any gain on a sale or other disposition of our equity shares or ADSs;
- if an election is made to be a “qualified electing fund” (as the term is defined in relevant provisions of the U.S. tax laws), include in their taxable income their pro rata share of undistributed amounts of our income; or
- if the equity shares are “marketable” and a mark-to-market election is made, to mark-to-market the equity shares each taxable year and recognize ordinary gain and, to the extent of prior ordinary gain, recognize ordinary loss for the increase or decrease in market value for such taxable year.

If we are treated as a passive foreign investment company, we do not plan to provide information necessary for the U.S. holder to make a “qualified electing fund” election.

In addition, certain information reporting obligations (i.e., filing Internal Revenue Service Form 8621) may apply to U.S holders if we are determined to be a passive foreign investment company.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP, ACQUISITION OR DISPOSITION OF OUR EQUITY SHARES OR ADSs. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE TAX CONSEQUENCES TO YOU BASED ON YOUR PARTICULAR SITUATION.

10.F. Dividends and paying agents

Not applicable.

10.G. Statements by experts

Not applicable.

10.H. Documents on display

This annual report on Form 20-F and other information filed or to be filed by us with or furnished by us to the SEC can be accessed via the SEC’s website at www.sec.gov. Certain (but not all) of such materials are also available on our website at <https://www.drreddys.com>, as soon as reasonably practicable after having been electronically filed or furnished to the SEC. Information contained in our website, www.drreddys.com, is not part of this annual report on Form 20-F and no portion of such information is incorporated herein or any other materials filed with or furnished to the SEC.

Additionally, documents referred to in this Form 20-F may be inspected at our corporate office, which is located at 8-2-337, Road No. 3, Banjara Hills, Hyderabad, Telangana, 500 034, India.

10.I. Subsidiary information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables. We are exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of our investments. Thus, our exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

Our Board of Directors and its Audit Committee are responsible for overseeing our risk assessment and management policies. Our major market risks of foreign exchange, interest rate and counter-party risk are managed centrally by our group treasury department, which evaluates and exercises independent control over the entire process of market risk management.

We have a written treasury policy, and we do regular reconciliations of our positions with our counter-parties. In addition, internal audits of the treasury function are performed at regular intervals.

Components of Market Risk

Foreign Exchange Risk

Our foreign exchange risk arises from our foreign operations, foreign currency revenues and expenses (primarily in U.S. dollars, Russian roubles, U.K. pounds sterling and Euros) and foreign currency borrowings (in U.S. dollars, Russian roubles, Ukrainian hryvnia, Mexican pesos and Brazilian reals). A significant portion of our revenues are in these foreign currencies, while a significant portion of our costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, our 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, we use 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 our highly probable forecast transactions and recognized assets and liabilities. We do not use derivative financial instruments for trading or speculative purposes.

We had the following derivative financial instruments to hedge the foreign exchange rate risk as of March 31, 2021:

Category	Instrument	Currency ⁽¹⁾	Cross Currency ⁽¹⁾	Amounts (in millions)	Buy/Sell
Hedges of recognized 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	U.S.\$	INR	U.S.\$ 353	Sell
	Forward contract	U.S.\$	MXN	U.S.\$ 10	Buy
	Forward contract	U.S.\$	UAH	U.S.\$ 14	Buy
	Forward contract	ZAR	INR	ZAR 111	Sell
	Forward contract	U.S.\$	RUB	U.S.\$ 2	Buy
	Forward contract	U.S.\$	RON	U.S.\$ 12	Buy
	Forward contract	U.S.\$	AUD	U.S.\$ 3	Buy
	Forward contract	GBP	U.S.\$	GBP 48	Buy
	Forward contract	EUR	GBP	EUR 1	Sell
	Forward contract	EUR	U.S.\$	EUR 16	Buy
	Forward contract	CHF	U.S.\$	CHF200	Buy
	Forward contract	U.S.\$	KZT	U.S.\$ 4	Buy
	Forward contract	U.S.\$	CLP	U.S.\$ 3	Buy
	Forward contract	U.S.\$	COP	U.S.\$ 4	Buy
	Forward contract	U.S.\$	BRL	U.S.\$ 4	Buy
Forward contract	U.S.\$	KZT	U.S.\$ 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	U.S.\$	INR	U.S.\$ 645	Sell - Risk Reversal
	Forward contract	ZAR	INR	ZAR 148	Sell

(1) “INR” means Indian rupees, “U.S.\$” means United States dollars, “RON” means Romanian new leu, “GBP” means U.K. pounds sterling, “AUD” means Australian dollars, “CHF” means Swiss francs, “ZAR” means South African rands, “BRL” means Brazilian reals, “CLP” means Chilean pesos, “COP” means Colombian pesos, “KZT” means Kazakhstan tenges, “MXN” means Mexican pesos, “EUR” means Euros, “UAH” means Ukrainian hryvnias and “RUB” means Russian roubles.

In respect of our 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 an approximately Rs.4,824/(4,195) million increase/(decrease) in our hedging reserve and an approximately Rs.2,658/(2,658) million increase/(decrease) in our net profit from such contracts as of March 31, 2021.

For a detailed analysis of our foreign exchange risk, please refer to Notes 31 and 32 in our consolidated financial statements.

Commodity Rate Risk

Our exposure to market risk with respect to commodity prices primarily arises from our 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 our raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in our active pharmaceutical ingredients business are generally more volatile. Costs of raw materials forms the largest portion of our cost of revenues. We evaluate and manage our commodity price risk exposure through our operating procedures and sourcing policies. As of March 31, 2021, we have not entered into any material derivative contracts to hedge our exposure to fluctuations in commodity prices.

Interest Rate Risk

As of March 31, 2021, we had loans with floating interest rates as follows: Rs.8,800 million of loans carrying a floating interest rate of the 3 Months India Treasury Bill plus 30 bps and Rs.1,896 million of loans carrying a floating interest rate of TIIE+1.20%.

These loans expose us to risks of changes in interest rates. Our 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.

Interest Rate Profile.

The interest rate profile of our short-term borrowings from banks is as follows:

	As of March 31,			
	2021		2020	
	Currency ⁽¹⁾	Interest Rate ⁽²⁾	Currency ⁽¹⁾	Interest Rate ⁽²⁾
Pre-shipment credit	INR	3 Months T-bill + 30 bps	INR	1 Month T-bill + 60 bps
	INR	5.75%	-	-
	-	-	U.S.\$	1 Month LIBOR + 12.5 to 16 bps
Other working capital borrowings	U.S.\$	(2.2)% to (1.8)%	U.S.\$	1 Month/3 Months LIBOR + 55 to 78 bps
	RUB	3.00% to 3.40% and 5.55%	RUB	7.05%
	MXN	TIIE + 1.20%	MXN	TIIE + 1.25%
	INR	4.00%	INR	7.75%
	BRL	4.00%	BRL	7.25%
	UAH	4.75%	-	-
	-	-	ZAR	1 Month JIBAR+120 bps

The interest rate profile of our long-term borrowings (other than obligations under leases) is as follows:

	As of March 31,			
	2021		2020	
	Currency ⁽¹⁾	Interest Rate ⁽²⁾	Currency ⁽¹⁾	Interest Rate ⁽²⁾
Foreign currency borrowings	-	-	U.S.\$	1 Month LIBOR + 82.7 bps
Non-convertible debentures	INR	6.77%	-	-

(1) “INR” means Indian rupees, “U.S.\$” means United States Dollars, “RUB” means Russian roubles, “MXN” means Mexican pesos, “UAH” means Ukrainian hryvnia, “BRL” means Brazilian reals, “EUR” means Euros and “ZAR” means South African rand.

(2) “LIBOR” means the London Inter-bank Offered Rate, “TIIE” means the Equilibrium Inter-banking Interest Rate (Tasa de Interés Interbancaria de Equilibrio), “JIBAR” means the Johannesburg Interbank Average Rate and “T-bill” means India Treasury Bill.

Maturity profile.

The aggregate maturities of interest-bearing long-term borrowings (other than obligations under leases), based on contractual maturities, as of March 31, 2021 are as follows:

Maturing in the year ending March 31,	(All amounts in Rs. millions)	
2024	Rs.	3,800
	Rs.	3,800

Counter-party risk encompasses settlement risk on derivative contracts and credit risk on cash and term deposits (i.e., certificates of deposit). Exposure to these risks is closely monitored and kept within predetermined parameters. Our group treasury department does not expect any losses from non-performance by these counter-parties.

For the year ended March 31, 2021, every 10% increase or decrease in the floating interest rate component (i.e., India Treasury Bill and TIEE) applicable to our loans and borrowings would affect our net profit by Rs.37 million.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities.

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

Deposit Agreement

For a discussion of the Deposit Agreement, see Exhibit 2.2 (“Description of the Securities”) to this Annual Report on Form 20-F.

Fees and Charges for Holders of American Depositary Shares

J.P. Morgan Chase Bank, N.A., as the U.S. depository for our ADSs (the “Depository”), collects fees for the issuance and cancellation of ADSs from the holders of our ADSs, or intermediaries acting on their behalf, against the deposit or withdrawal of ordinary shares in the custodian account. The Depository also collects the following fees from holders of ADRs or intermediaries acting in their behalf:

Category (as defined by SEC)	Depository actions	Associated Fee
(a) Depositing or substituting the underlying shares	Issuing ADSs upon deposits of shares, including deposits and issuances in respect of share distributions, stock splits, rights, mergers, exchanges of securities or any other transaction or event or other distribution affecting the ADSs or the deposited shares.	U.S.\$5.00 for each 100 ADSs (or portion thereof) evidenced by the new shares deposited.
(b) Receiving or distributing dividends	Distribution of dividends.	U.S.\$0.02 or less per ADS (U.S.\$2.00 per 100 ADSs).
(c) Selling or exercising rights	Distribution or sale of securities.	U.S.\$5.00 for each 100 ADSs (or portion thereof), the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities.

Category (as defined by SEC)	Depository actions	Associated Fee
(d) Withdrawing an underlying security	Acceptance of ADSs surrendered for withdrawal of deposited shares.	U.S.\$5.00 for each 100 ADSs (or portion thereof) evidenced by the shares withdrawn.
(e) Transferring, splitting or grouping receipts	Transfers, combining or grouping of depository receipts.	U.S.\$1.50 per ADS.
(f) General depository services, particularly those charged on an annual basis.	Other services performed by the depository in administering the ADSs.	U.S.\$0.02 per ADS (or portion thereof) not more than once each calendar year.
(g) Other	Expenses incurred on behalf of holders in connection with: <ul style="list-style-type: none"> • compliance with foreign exchange control regulations or any law or regulation relating to foreign investment; • the depository's or its custodian's compliance with applicable law, rule or regulation; • stock transfer or other taxes and other governmental charges; • cable, telex, facsimile transmission/delivery; • expenses of the depository in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency); or • any other charge payable by depository or its agents. 	The amount of such expenses incurred by the Depository.

As provided in the Deposit Agreement, the Depository may charge fees for making cash and other distributions to holders by deduction from distributable amounts or by selling a portion of the distributable property. The Depository may generally refuse to provide services until its fees for those services are paid.

Fees paid by Depository

Direct Payments

The Depository has agreed to reimburse certain reasonable expenses related to our ADS program and incurred by us in connection with the program. In the year ended March 31, 2021, the Depository reimbursed us for an amount of U.S.\$445,806. The amounts the Depository reimburses are not related to the fees collected by the Depository from ADS holders. Under certain circumstances, including termination of our ADS program prior to May 11, 2022, we are required to repay to the Depository amounts reimbursed in prior periods.

The table below sets forth the types of expenses that the Depository has agreed to reimburse us for and the amounts reimbursed during the fiscal year ended March 31, 2021.

Category of expenses	Amount reimbursed during the year ended March 31, 2021
Legal and accounting fees incurred in connection with preparation of Form 20-F and ongoing SEC compliance and listing requirements	U.S.\$445,806
Listing fees	None
Investor relations	None
Advertising and public relations	None
Broker reimbursements	None

Indirect Payments

As part of its service to us, the Depository has agreed to waive fees for the standard costs associated with the administration of our ADS program, associated operating expenses and investor relations advice. The Depository has not paid any expenses on our behalf.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Modification in the rights of security holders

None.

Use of Proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures*

As of the end of the period covered by this Annual Report on Form 20-F, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act).

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, as of March 31, 2021, to provide reasonable assurance that the information required to be disclosed in filings and submissions under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure.

(b) *Management's Annual Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC, internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Our internal control over financial reporting is supported by written policies and procedures, that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2021 based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of March 31, 2021.

The effectiveness of our internal control over financial reporting as of March 31, 2021 has been audited by Ernst & Young Associates LLP ("EY"), the independent registered public accounting firm that audited our financial statements, as stated in their report, a copy of which is included in this annual report on Form 20-F.

/s/Erez Israeli
Chief Executive Officer

/s/Parag Agarwal
Chief Financial Officer

(c) *Attestation Report of the Registered Public Accounting Firm.*

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Dr. Reddy's Laboratories Limited

Opinion on Internal Control Over Financial Reporting

We have audited Dr. Reddy's Laboratories Limited and subsidiaries' internal control over financial reporting as of March 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Dr. Reddy's Laboratories Limited and subsidiaries' (the Company) maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2021 and 2020, the related consolidated income statements, statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended March 31 2021, and the related notes and our report dated June 30, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting 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 control over financial reporting 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young Associates LLP

Hyderabad, India
June 30, 2021

(d) *Changes in internal control over financial reporting*

There were no changes to our internal control over financial reporting that occurred during the period covered by this Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT

The Audit Committee of our Board of Directors is entirely composed of independent directors and brings in expertise in the fields of finance, economics, human resource development, strategy and management. Please see “Item 6. Directors, Senior Management and Employees” for the experience and qualifications of the members of the Audit Committee of our Board of Directors. Our Board of Directors has determined that Mr. Sridar Iyengar is an audit committee financial expert, as defined in Item 401(h) of Regulation S-K, and is independent pursuant to applicable NYSE rules.

ITEM 16.B. CODE OF ETHICS

We have a Code of Business Conduct and Ethics (the “COBE”), which applies to all Directors and employees of our company and its subsidiaries and affiliates. The COBE was amended to incorporate additional reporting channels on April 1, 2021. The COBE is available on our corporate website at <http://www.drreddys.com/investors/governance/code-of-business-conduct-and-ethics-cobe/>. The COBE has provisions for employees and other stakeholders to raise concerns regarding possible violations of the COBE under the Ombudsperson Policy. Reporting channels under the Ombudsperson Policy include an independent hotline, a web based reporting site (drreddys.ethicspoint.com) and dedicated email addresses for our Chief Compliance Officer and our Chief Ombudsperson. Our Non-Retaliation Policy also safeguards against retaliation of those who raise concerns in good faith.

ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young Associates LLP served as our independent registered public accountant for the years ended March 31, 2021 and 2020 for which audited statements appear in this Annual Report.

The following table sets forth the aggregate fees paid to Ernst & Young Associates LLP and the various member firms of Ernst & Young Associates LLP in the years ended March 31, 2021 and 2020.

Type of Service	For the year ended March 31,				Description of Services
	2021		2020		
	(Rs. in millions)				
Audit fees	Rs.	86.9	Rs.	76.0	Audit and review of financial statements
Audit related fees		2.3		2.1	Statutory certifications and other matters
Tax fees		22.3		13.1	Tax and transfer pricing related services
Total	Rs.	111.5	Rs.	91.2	

In accordance with the requirement of the charter of the Audit Committee of our Board of Directors, we obtain the prior approval of the Audit Committee on every occasion we engage our principal accountants or their associated entities to provide us any services. We disclose to the Audit Committee of our Board of Directors the nature of services that are provided and the fees to be paid for the services. The fees listed in the above table were approved by the Audit Committee of our Board of Directors.

ITEM 16.D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

We have not sought any exemption from the listing standards for audit committees applicable to us as a foreign private issuer.

ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On July 27, 2018, pursuant to the special resolution approved by our shareholders at the Annual General Meeting, we formed the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") 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.

Tabulated below are the details of the shares acquired under such plan during year ending March 31, 2021.

Period	Total Number of Equity Shares Purchased	Average Price Paid per Equity Share (Rs.)	Maximum number of Equity Shares that may yet be purchased under the Plans or Programs
August 2020	43,279	4,383.65	
February 2021	200,000	4,565.01	1,838,399
March 2021	21,222	4,261.19	

Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs: The ESOS Trust has purchased an aggregate of 661,601 equity shares up to March 31, 2021 (including 264,501 equity shares purchased during the year ended March 31, 2021). Out of these, an aggregate of 74,832 equity shares were transferred to employees (including 73,682 shares transferred during the year ended March 31, 2021) pursuant to exercise of stock options (cash and cashless exercise) granted under the Dr. Reddy's Employees Stock Option Scheme, 2018. The ESOS Trust has sold an aggregate of 11,568 equity shares on the market during the year ended March 31, 2021 in connection with cashless exercises.

Refer to Note 29 of these financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.

ITEM 16.F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16.G. CORPORATE GOVERNANCE

Companies listed on the New York Stock Exchange ("NYSE") must comply with certain standards regarding corporate governance as codified in Section 303A of the NYSE's Listed Company Manual. Listed companies that are foreign private issuers (as such term is defined in Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are permitted to follow home country practice in lieu of the provisions of Section 303A, except that such companies are required to comply with the requirements of Sections 303A.06, 303A.11 and 303A.12(b) and (c), which are as follows:

- (i) establish an independent audit committee that has specified responsibilities;
- (ii) provide prompt certification by its chief executive officer of any non-compliance with any corporate governance rules;
- (iii) provide periodic written affirmations to the NYSE with respect to its corporate governance practices; and
- (iv) provide a brief description of significant differences between its corporate governance practices and those followed by U.S. companies.

The following table compares our principal corporate governance practices to those required of U.S. NYSE listed companies.

Standard for U.S. NYSE Listed Companies	Our practice
Listed companies must have a majority of “independent directors,” as defined by the NYSE. The non-management directors of each listed company must meet at regularly scheduled executive sessions without management.	We comply with this standard. Eight of our ten directors are “independent directors,” as defined by the NYSE as on March 31, 2021. We comply with this standard. Our non-management directors meet periodically without management directors in scheduled executive sessions.
Listed companies must have a nominating/corporate governance committee composed entirely of independent directors. The nominating/corporate governance committee must have a written charter that is made available on the listed company’s website and that addresses the committee’s purpose and responsibilities, subject to the minimum purpose and responsibilities established by the NYSE, and an annual evaluation of the committee.	We have a Nomination, Governance and Compensation Committee composed entirely of independent directors that meets these requirements. The committee has a written charter that meets these requirements. We have evaluated the performance of the Nomination, Governance and Compensation Committee.
Listed companies must have a compensation committee composed entirely of independent directors. The compensation committee must have a written charter that is made available on the listed company’s website and that addresses the committee’s purpose and responsibilities, subject to the minimum purpose and responsibilities established by the NYSE, and an annual evaluation of the committee.	We have a Nomination, Governance and Compensation Committee composed entirely of independent directors that meets these requirements. The committee has a written charter that meets these requirements. We have evaluated the performance of our Nomination, Governance and Compensation Committee.
Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act. The audit committee must have a minimum of three members all being independent directors. The audit committee must have a written charter that is made available on the listed company’s website and that addresses the committee’s purpose and responsibilities, subject to the minimum purpose and responsibilities established by the NYSE, and an annual evaluation of the committee.	Our Audit Committee satisfies the requirements of Rule 10A-3 under the Exchange Act. We have an Audit Committee composed of four members, all being independent directors as on March 31, 2021. The committee has a written charter that meets these requirements. We have evaluated the performance of our Audit Committee.
Each listed company must have an internal audit function. Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exceptions. Listed companies must adopt and disclose corporate governance guidelines.	We have an internal audit function. We comply with this standard. Our Employee Stock Option Plans were approved by our shareholders. We have not adopted corporate governance guidelines.
All listed companies, U.S. and foreign, must adopt and disclose a code of business conduct and ethics for directors, officers and employees that is made available on the listed company’s website and, and promptly disclose any waivers of the code for directors or executive officers.	We comply with this standard. More details on our Code of Business Conduct and Ethics are given under Item 16.B.
Listed companies must solicit proxies for all meetings of shareholders.	We do not solicit proxies because we are prohibited from doing so under Section 105 of the Indian Companies Act, 2013. However, we give each of our shareholders written notices of all of our shareholder meetings. This requirement is being addressed by way of this table.
Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listing standards.	
Each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards, qualifying the certification to the extent necessary.	We do not have such a practice.
Each listed company CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any non-compliance with any applicable provisions of this Section 303A.	There have been no such instances.

Standard for U.S. NYSE Listed Companies**Our practice**

Each listed company's audit committee, or another independent body of the board of directors, shall conduct a reasonable prior review and oversight of all related party transactions for potential conflicts of interest, and will prohibit such a transaction if it determines it to be inconsistent with the interests of the listed company and its shareholders.

Under the SEBI's Listing Regulations and the Indian Companies Act, 2013, our Audit Committee's prior approval is required for all transactions with related parties or any subsequent modification of such transactions. These laws empower our Audit Committee to grant omnibus approval for our proposed related party transactions, subject to certain prescribed conditions.

As a result, our Audit Committee reviews all transactions with related parties at the start of the year and on a quarterly basis

In addition, the Indian Companies Act, 2013 also requires us to seek prior approval of our Board or shareholders (as the case may be) for any material related party transaction, unless such transaction is (i) in the ordinary course of business and on an arms' length basis, or (ii) with our wholly owned subsidiaries, whose financial statements are consolidated with us.

Each listed company must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation each time that any of the following occurs:

- an audit committee member who was deemed independent is no longer independent;
- a member has been added to the audit committee;
- the listed company or a member of its audit committee is eligible to rely on and is choosing to rely on a Securities Exchange Act Rule 10A-3 ("Rule 10A-3") exemption;
- the listed company or a member of its audit committee is no longer eligible to rely on or is choosing to no longer rely on a previously applicable Rule 10A-3 exemption;
- a member has been removed from the listed company's audit committee resulting in the company no longer having a Rule 10A-3 compliant audit committee; or
- the listed company determined that it no longer qualifies as a foreign private issuer and will be considered a domestic company under Section 303A.

The annual and interim Written Affirmations must be in the form specified by the NYSE.

We filed our most recent annual written affirmation, in the form specified by the NYSE, on July 6, 2020.

We filed the requisite interim written affirmation consequent to the appointment of Ms. Kalpana Morparia and cessation of Mr. Leo Puri as a member of our audit committee in the form specified by the NYSE, on February 9, 2021.

ITEM 16.H. MINE SAFETY DISCLOSURE

Not Applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statement and auditor's report for the year ended March 31, 2021 are incorporated herein by reference and are included in this Item 18 of this report on Form 20-F:

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• Consolidated statements of financial position as of March 31, 2021 and 2020	123
• Consolidated income statements for the years ended March 31, 2021, 2020 and 2019	124
• Consolidated statements of comprehensive income for the years ended March 31, 2021, 2020 and 2019	125
• Consolidated statements of changes in equity for the years ended March 31, 2021, 2020 and 2019	126
• Consolidated statements of cash flows for the years ended March 31, 2021, 2020 and 2019	128
• Notes to the consolidated financial statements	129

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions, except share and per share data)

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Dr. Reddy's Laboratories Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dr. Reddy's Laboratories Limited (and subsidiaries) (the Company) as of March 31, 2021 and 2020, the related consolidated income statements, statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended March 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated June 30, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Business transfer agreement with Wockhardt Limited

Description of the matter

As described in Note 6, 3(d) and 4 to the consolidated financial statements, 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 intangible assets.

Auditing the Company's accounting for the business combination was complex due to the estimation required by management to determine the fair value of the intangible assets. The estimation uncertainty was primarily due to the sensitivity of the respective fair values to the underlying assumptions considered in the measurement of the fair value of the intangible assets. 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. These assumptions are forward looking and could be affected by future economic and market conditions.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions, except share and per share data)

*How we addressed the
Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Company's calculation of the estimated fair value of the intangible assets. For example, we tested controls over the valuation models, the projected financial information, and underlying assumptions used to develop such estimates, including the completeness and accuracy of data used in the model.

To test the estimated fair value of the intangible assets, we performed audit procedures that included, among others, evaluating the Company's selected valuation method and testing the significant assumptions described above that were used in the model. We compared the significant assumptions to current industry, market and economic trends, to the assumptions used to value similar assets, and to the historical results of the acquired business. In addition, we involved our valuation specialist to assist in evaluating the appropriateness of the valuation model, certain of the valuation model's assumptions, and to test the model's computational accuracy. We also tested the completeness and accuracy of the underlying data used in the model.

Recoverable amount of intangible assets, intangible assets under development and goodwill

Description of the matter

As described in Notes 13, 14, 3(f) and 3(i) to the consolidated financial statements, at March 31, 2021, the Company has intangible assets, including intangible assets under development, of Rs. 35,648 million and goodwill of Rs. 4,568 million. Intangible assets are tested for impairment when events or changes in circumstances indicate that these assets might be impaired. Goodwill and intangible assets under development is tested at least annually for impairment at the reporting unit level.

Auditing the Company's impairment assessments is complex due to the significant estimation required in determining the recoverable amount, being the higher of the value in use and fair value less costs to sell. The Company's methodologies for estimating the recoverable value of these assets involve significant assumptions and inputs, including projected financial information for net sales, operating profit by product, and discount rates, all of which are sensitive to and affected by economic, industry, and company-specific qualitative factors. These significant assumptions and inputs are forward-looking and could be affected by future economic and market conditions.

*How we addressed the
Matter in Our Audit*

We obtained an understanding, 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. For example, we tested management's controls over the review of methodologies used, significant assumptions and inputs as described above, and completeness and accuracy of the data used in the methodologies.

To test the estimated recoverable value of these assets, we performed audit procedures that included, among others, assessing the methodologies used by management in determining the recoverable value, and testing 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 results, and to other relevant data. We also performed sensitivity analyses of the significant assumptions to evaluate the potential change in the recoverable values of these assets resulting from changes in the underlying assumptions.

We also involved our valuation specialist to assist in our evaluation of the methodologies used and significant assumptions and inputs used to determine the recoverable value of certain intangible assets under development.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions, except share and per share data)

Contingencies, including litigations

Description of the matter As described in Note 33 and 3(k) to the consolidated financial statements, the Company is involved in disputes, lawsuits, claims, anti-trust, 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 Company recognizes a provision for those legal contingencies for which it has a present obligation, it is probable that an outflow of resources will be required to settle the obligation and the amount is reliably estimable. The Company based on external legal advice assesses the need to make provision or disclose a contingency on a case-to-case basis considering the underlying facts of each matter.

Auditing management's determination of whether a loss for a contingency is probable and reasonably estimable, possible or remote and / or the related disclosures are required for these legal contingencies, is highly subjective and requires significant judgment.

How we addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls in assessing the completeness, valuation, presentation and disclosure of legal contingencies. For example, this included testing controls related to the Company's process for identification, recognition, measurement and disclosure of legal contingencies.

To test the legal contingencies, our audit procedures included, among others, testing the completeness of the legal contingencies subject to evaluation by the Company. We also evaluated the Company's analysis of its assessment of the probability of outcome for each material legal contingency through inspection of responses to inquiry letters sent to both internal and external legal counsel, discussions with internal and external legal counsel to confirm our understanding of the allegations, and obtaining written representations from Management of the Company. We also evaluated the Company's disclosures in relation to these matters.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions, except share and per share data)

Rebates, discounts, chargebacks, and other deductions in Revenue

Description of the matter As described in Note 22 and 3(l) to the consolidated financial statements, revenues from product sales are recognized upon transfer of control to a customer, generally upon delivery, net of accruals for estimated rebates, wholesaler chargebacks, discounts, returns and other deductions (collectively sales deductions), which are estimated at the time of sale, to reflect the amount of consideration to which the Company expects to be entitled.

Auditing the estimation of sales deductions, which are netted against product sales, is complex and requires significant judgment. The estimated sales deductions are based on assumptions and inputs such as current contractual terms, market events and trends, and internal and external historical data

How we addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the sales deduction processes. This included, for example, testing controls over management's review of significant assumptions and inputs used in the estimate of sales deductions, including actual sales, contractual terms, market events and trends, and internal and external historical data such as actual wholesaler inventory levels of the Company's products, and estimated wholesaler's sales subject to sales deductions. We also tested management's controls over the accuracy and completeness of the estimates used to calculate the sales deductions.

To test management's estimated sales deductions, our audit procedures included, among others, evaluating the methodology used and the underlying data used by the Company. For example, 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, and where relevant to current payment trends. We also considered the historical accuracy of the management's estimates in prior years, and to assess 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, which included inspection of source data supporting the inventory levels, rebate claims paid subsequent to period end, and volume discounts settled during the period.

/s/ Ernst & Young Associates LLP

We have served as the Company's auditor since 2018.

Hyderabad, India
June 30, 2021

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions, except share and per share data)

Particulars	Note	As of		
		March 31, 2021	March 31, 2021	March 31, 2020
		<i>Unaudited convenience translation into U.S.\$ (See Note 2(c))</i>		
ASSETS				
Current assets				
Cash and cash equivalents	7	U.S.\$ 203	Rs. 14,829	Rs. 2,053
Other investments	8	270	19,744	23,687
Trade and other receivables	9	679	49,641	50,278
Inventories	10	621	45,412	35,066
Derivative financial instruments	31	17	1,218	1,105
Tax assets		38	2,745	4,379
Other current assets	11	198	14,509	13,802
Total current assets before assets held for sale		U.S.\$ 2,025	Rs. 148,098	Rs. 130,370
Assets held for sale		2	151	-
Total current assets		U.S.\$ 2,027	Rs. 148,249	Rs. 130,370
Non-current assets				
Property, plant and equipment	12	U.S.\$ 781	Rs. 57,111	Rs. 52,332
Goodwill	13	62	4,568	3,994
Other intangible assets	14	487	35,648	27,659
Trade and other receivables	9	2	118	1,737
Investment in equity accounted investees	15	46	3,375	2,763
Other investments	8	68	4,958	328
Deferred tax assets	25	145	10,630	12,214
Other non-current assets	11	11	834	844
Total non-current assets		U.S.\$ 1,603	Rs. 117,242	Rs. 101,871
Total assets		U.S.\$ 3,630	Rs. 265,491	Rs. 232,241
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	16	U.S.\$ 325	Rs. 23,744	Rs. 16,659
Short-term borrowings	17	316	23,136	16,441
Long-term borrowings, current portion	17	12	864	4,266
Provisions	18	47	3,435	3,800
Tax liabilities		19	1,389	573
Derivative financial instruments	31	4	326	1,602
Bank overdraft	7	-*	9	91
Other current liabilities	19	417	30,488	29,382
Total current liabilities		U.S.\$ 1,140	Rs. 83,391	Rs. 72,814
Non-current liabilities				
Long-term borrowings	17	U.S.\$ 86	Rs. 6,299	Rs. 1,304
Deferred tax liabilities	25	5	338	275
Provisions	18	1	58	54
Other non-current liabilities	19	32	2,343	2,806
Total non-current liabilities		U.S.\$ 124	Rs. 9,038	Rs. 4,439
Total liabilities		U.S.\$ 1,264	Rs. 92,429	Rs. 77,253
Equity				
Share capital	20	U.S.\$ 11	Rs. 832	Rs. 831
Treasury shares		(27)	(1,967)	(1,006)
Share premium		122	8,887	8,495
Share-based payment reserve		20	1,461	1,233
Capital redemption reserve		2	173	173
Special economic zone re-investment reserve		18	1,326	-
Retained earnings		2,133	156,023	144,247
Other components of equity		87	6,327	1,015
Total equity		U.S.\$ 2,366	Rs. 173,062	Rs. 154,988
Total liabilities and equity		U.S.\$ 3,630	Rs. 265,491	Rs. 232,241

* Rounded to the nearest million.

The accompanying notes form an integral part of these consolidated financial statements.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(in millions, except share and per share data)

Particulars	Note	For the Years Ended March 31,			
		2021	2021	2020	2019
		<i>Unaudited convenience translation into U.S.\$ (See Note 2(c))</i>			
Revenues	22	U.S.\$ 2,594	Rs. 189,722	Rs. 174,600	Rs. 153,851
Cost of revenues		1,185	86,645	80,591	70,421
Gross profit		1,409	103,077	94,009	83,430
Selling, general and administrative expenses		747	54,650	50,129	48,680
Research and development expenses		226	16,541	15,410	15,607
Impairment of non-current assets		117	8,588	16,767	210
Other income, net	23	(13)	(982)	(4,290)	(1,955)
Total operating expenses		1,077	78,797	78,016	62,542
Results from operating activities (A)		332	24,280	15,993	20,888
Finance income		36	2,623	2,461	2,280
Finance expense		(13)	(970)	(983)	(1,163)
Finance income, net (B)	24	23	1,653	1,478	1,117
Share of profit of equity accounted investees, net of tax (C)	15	7	480	561	438
Profit before tax [(A)+(B)+(C)]		361	26,413	18,032	22,443
Tax expense/(benefit), net	25	125	9,175	(1,466)	3,648
Profit for the year		U.S.\$ 236	Rs. 17,238	Rs. 19,498	Rs. 18,795
Earnings per share:	21				
Basic earnings per share of Rs.5/- each		U.S.\$ 1.42	Rs. 103.94	Rs. 117.63	Rs. 113.28
Diluted earnings per share of Rs.5/- each		U.S.\$ 1.52	Rs. 103.65	Rs. 117.40	Rs. 113.09

The accompanying notes form an integral part of these consolidated financial statements.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, except share and per share data)

Particulars	For the Years Ended March 31,							
	2021		2021		2020		2019	
	<i>Unaudited convenience translation into U.S.\$ (See Note 2(c))</i>							
Profit for the year	U.S.\$	236	Rs.	17,238	Rs.	19,498	Rs.	18,795
Other comprehensive income/(loss)								
<i>Items that will not be reclassified to the consolidated income statement:</i>								
Changes in the fair value of financial instruments	U.S.\$	58	Rs.	4,242	Rs.	(469)	Rs.	(403)
Actuarial gains/(losses) on post-employment benefit obligations		(3)		(216)		57		10
Tax impact on above items		(3)		(220)		(22)		(414)
Total of items that will not be reclassified to the consolidated income statement	U.S.\$	52	Rs.	3,806	Rs.	(434)	Rs.	(807)
<i>Items that will be reclassified subsequently to the consolidated income statement:</i>								
Changes in fair value of financial instruments	U.S.\$	-*	Rs.	7	Rs.	(7)	Rs.	-
Foreign currency translation adjustments		10		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		15		1,123		(951)		180
Tax impact on above items		(4)		(319)		232		(55)
Total of items that will be reclassified subsequently to the consolidated income statement	U.S.\$	21	Rs.	1,517	Rs.	(415)	Rs.	(41)
Other comprehensive income for the year, net of tax	U.S.\$	73	Rs.	5,323	Rs.	(849)	Rs.	(848)
Total comprehensive income for the year	U.S.\$	308	Rs.	22,561	Rs.	18,649	Rs.	17,947

* Rounded to the nearest million.

The accompanying notes form an integral part of these consolidated financial statements.

Purchase of treasury shares	-	-	(474)	-	-	-	-	-	-	-	-	-	-	-	-	(474)
Dividend paid (including corporate dividend tax)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,916)	(3,916)
Total transactions with owners of the Company (C)	Rs. 1	Rs. 285	Rs. (471)	Rs. 243	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. (3,916)	Rs. (3,858)
Balance as of March 31, 2020 [(A)+(B)+(C)]	Rs. 831	Rs. 8,495	Rs. (1,006)	Rs. 1,233	Rs. (2,405)	Rs. 4,343	Rs. (563)	Rs. 173	Rs. -	Rs. (360)	Rs. 144,247	Rs. 154,988				

[Continued on next page]

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions, except share and per share data)

[Continued from above table, first column repeated]

Particulars	Share capital	Share premium	Treasury Shares	Share based payment reserve	Fair value reserve ⁽¹⁾	Foreign currency translation reserve	Hedging reserve	Capital redemption reserve	Special economic zone re-investment reserve ⁽²⁾	Actuarial gains/(losses)	Retained earnings	Total
Balance as of April 1, 2018 (A)	Rs. 830	Rs. 7,790	Rs. -	Rs. 1,021	Rs. (1,046)	Rs. 4,184	Rs. 45	Rs. 173	Rs. -	Rs. (402)	Rs. 113,865	Rs. 126,460
Adjustment on account of transition to IFRS 9 ⁽⁴⁾	-	-	-	-	(50)	-	-	-	-	-	(12)	(62)
Adjusted balance as of April 1, 2018 (A)	Rs. 830	Rs. 7,790	Rs. -	Rs. 1,021	Rs. (1,096) ⁽⁵⁾	Rs. 4,184	Rs. 45	Rs. 173	Rs. -	Rs. (402)	Rs. 113,853	Rs. 126,398
Profit for the year	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. 18,795	Rs. 18,795
Net change in fair value of equity instruments, net of tax expense of Rs.411	-	-	-	-	(814)	-	-	-	-	-	-	(814)
Foreign currency translation adjustments, net of tax benefit of Rs.14 ⁽⁶⁾	-	-	-	-	-	(152)	-	-	-	-	-	(152)
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.69	-	-	-	-	-	-	111	-	-	-	-	111
Actuarial gain on post-employment benefit obligations, net of tax expense of Rs.3	-	-	-	-	-	-	-	-	-	7	-	7
Total comprehensive income (B)	Rs. -	Rs. -	Rs. -	Rs. -	Rs. (814)	Rs. (152)	Rs. 111	Rs. -	Rs. -	Rs. 7	Rs. 18,795	Rs. 17,947
Issue of equity shares on exercise of options	Rs. -*	Rs. 420	Rs. -	Rs. (420)	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -
Share-based payment expense	-	-	-	389	-	-	-	-	-	-	-	389
Purchase of treasury shares	-	-	(535)	-	-	-	-	-	-	-	-	(535)
Dividend paid (including corporate dividend tax)	-	-	-	-	-	-	-	-	-	-	(4,002)	(4,002)
Total transactions with owners of the Company (C)	Rs. -	Rs. 420	Rs. (535)	Rs. (31)	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. -	Rs. (4,002)	Rs. (4,148)
Balance as of March 31, 2019 [(A)+(B)+(C)]	Rs. 830	Rs. 8,210	Rs. (535)	Rs. 990	Rs. (1,910)	Rs. 4,032	Rs. 156	Rs. 173	Rs. -	Rs. (395)	Rs. 128,646	Rs. 140,197

* Rounded to the nearest million.

- (1) Represents mark to market gain or loss on financial assets classified as fair value through other comprehensive income ("FVTOCI"). Depending on the category and type of the financial asset, the mark to market gain or loss is either reclassified to the income statement or to retained earnings upon disposal of the investment.
- (2) 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.
- (3) Represents gain on disposal of financial instruments classified as FVTOCI instruments re-classified to retained earnings.
- (4) Consists of mark to market gains on mutual funds amounting to Rs.50, offset by an impairment loss of Rs.62 on trade receivables. The net impact of Rs.12 was recognized in retained earnings.
- (5) Represents mark to market gain or loss on available-for-sale financial instruments (under IAS 39) recognized in other comprehensive income ("OCI"). The amount will be retained in OCI and will be re-classified to retained earnings only on disposal of these investments.
- (6) Includes gain of Rs.113 re-classified from foreign currency translation reserve to the income statement on disposal of a foreign operation.

The accompanying notes form an integral part of these consolidated financial statements.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions, except share and per share data)

Particulars	For the Years Ended March 31,							
	2021		2021		2020		2019	
	<i>Unaudited convenience translation into U.S.\$ (See Note 2(c))</i>							
Cash flows from operating activities:								
Profit for the year	U.S.\$	236	Rs.	17,238	Rs.	19,498	Rs.	18,795
<i>Adjustments for:</i>								
Tax expense/(benefit), net		125		9,175		(1,466)		3,648
Fair value changes and profit on sale of units of mutual funds, net		(8)		(557)		(929)		(773)
Depreciation and amortization		175		12,796		12,472		12,190
Impairment of non-current assets		117		8,588		16,767		210
Allowance for credit losses (on trade receivables and other advances)		3		230		190		420
Loss/(gain) on sale or de-recognition of non-current assets, net		1		42		68		(1,264)
Share of profit of equity accounted investees		(7)		(480)		(561)		(438)
Foreign exchange loss/(gain), net		25		1,856		(2,168)		(1,588)
Interest expense, net		2		144		95		119
Equity settled share-based payment expense		8		584		521		389
Dividend income		-*		-*		(5)		-
<i>Changes in operating assets and liabilities:</i>								
Trade and other receivables		28		2,081		(12,446)		1,797
Inventories (Refer to Note 10 for inventory write downs)		(135)		(9,881)		(1,487)		(4,480)
Trade and other payables		39		2,861		1,576		398
Other assets and other liabilities, net		(45)		(3,258)		4,821		4,122
Cash generated from operations		566		41,419		36,946		33,545
Income tax paid, net		(78)		(5,716)		(7,105)		(4,841)
Net cash from operating activities	U.S.\$	488	Rs.	35,703	Rs.	29,841	Rs.	28,704
Cash flows used in investing activities:								
Expenditures on property, plant and equipment	U.S.\$	(133)	Rs.	(9,741)	Rs.	(4,846)	Rs.	(6,955)
Proceeds from sale of property, plant and equipment		1		85		131		1,265
Expenditures on other intangible assets		(39)		(2,820)		(1,269)		(1,421)
Proceeds from sale of other intangible assets		-		-		259		885
Payment for acquisition of business (Refer to Note 6)		(212)		(15,514)		-		-
Purchase of other investments		(1,031)		(75,418)		(111,918)		(78,573)
Proceeds from sale of other investments		1,087		79,528		111,704		76,291
Dividends received from equity accounted investees		-		-		392		-
Interest and dividend received		17		1,220		624		781
Net cash used in investing activities	U.S.\$	(310)	Rs.	(22,660)	Rs.	(4,923)	Rs.	(7,727)
Cash flows used in financing activities:								
Proceeds from issuance of equity shares (including treasury shares)	U.S.\$	4	Rs.	269	Rs.	4	Rs.	-*
Purchase of treasury shares		(16)		(1,193)		(474)		(535)
Proceeds from/(repayment of) short-term borrowings, net (Refer to Note 17)		93		6,791		4,235		(15,126)
Proceeds from long-term borrowings (Refer to Note 17)		52		3,800		-		-
Repayment of long-term borrowings (Refer to Note 17)		(51)		(3,743)		(22,918)		-
Payment of principal portion of lease liabilities (Refer to Note 17)		(10)		(754)		(482)		(56)
Dividend paid (March 31, 2020 and 2019 including corporate dividend tax)		(57)		(4,147)		(3,916)		(4,002)
Interest paid		(18)		(1,321)		(1,608)		(1,607)
Net cash used in financing activities	U.S.\$	(4)	Rs.	(298)	Rs.	(25,159)	Rs.	(21,326)
Net increase/(decrease) in cash and cash equivalents		174		12,745		(241)		(349)
Effect of exchange rate changes on cash and cash equivalents		2		113		(25)		35
Cash and cash equivalents at the beginning of the year		27		1,962		2,228		2,542
Cash and cash equivalents at the end of the year (Refer to Note 7)	U.S.\$	203	Rs.	14,820	Rs.	1,962	Rs.	2,228

* Rounded to the nearest million.

The accompanying notes form an integral part of these consolidated financial statements.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

1. Reporting entity

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.

2. Basis of preparation of financial statements

a. Statement of compliance

These consolidated financial statements as of and for the year ended March 31, 2021 comply in all material aspects with the International Financial Reporting Standards and its interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared by the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company's annual reporting date, March 31, 2021. These consolidated financial statements were authorized for issuance by the Company's Board of Directors on June 29, 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 statement of financial position:

- derivative financial instruments are measured at fair value;
- financial assets are measured either at fair value or at amortized cost, depending on the classification;
- employee defined benefit assets/(liabilities) are recognized 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 amortized 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 recognized 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. Convenience translation (unaudited)

These consolidated financial statements have been prepared in Indian rupees. Solely for the convenience of the reader, these consolidated financial statements as of and for the year ended March 31, 2021 have been translated into U.S. dollars at the certified foreign exchange rate of U.S.\$1.00 = Rs.73.14, as published by the Federal Reserve Board of Governors on March 31, 2021. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Such convenience translation is not subject to audit by the Company's Independent Registered Public Accounting Firm.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3(b) — Assessment of functional currency;
- Notes 3(a) and 15 — Evaluation of joint arrangements;
- Notes 3(c), 31 and 32 — Financial instruments;
- Notes 3(d) and 6 — Business combinations;

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

2. Basis of preparation of financial statements (continued)

d. Use of estimates and judgments (continued)

- Notes 3(e) and (f) — Useful lives of property, plant and equipment and intangible assets;
- Notes 3(g) — Determination of cost for right-of-use assets and lease term;
- Notes 3(h) and 10— Valuation of inventories;
- Notes 3(i), 12, 13 and 14— Measurement of recoverable amounts of cash-generating units;
- Notes 3 (j) and 28 — Assets and obligations relating to employee benefits;
- Notes 3 (j) and 29— Share-based payments;
- Note 3(k) and 18 — Provisions and other accruals;
- Note 3(l) — Measurement of transaction price in a revenue transaction (sales returns, rebates and chargeback provisions);
- Note 3(o) and 25 — 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 33 — 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 IAS 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 realized 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 realized 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.

3. Significant accounting policies

New Standards adopted by the Company

Amendments to IAS 1 and IAS 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 January 1, 2020.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

3. Significant accounting policies (continued)

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

Amendments to IFRS 3: *Definition of a Business*

The amendments clarified the definition of a business for the purpose of identifying a business combination under IFRS 3, "*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 January 1, 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.

Amendments to IFRS 7 and IFRS 9: *Interest Rate Benchmark Reform*

The IASB published "Interest Rate Benchmark Reform – Phase II (Amendments to IFRS 9, IAS 39 and IFRS 7)" representing the finalization of Phase II of the project on August 27, 2020 to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

The amendments to IFRS 9, "*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 IFRS 7, "*Financial Instruments: Disclosures*" prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in IFRS 9 are applied.

These amendments are applicable for annual periods beginning on or after January 1, 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 to IFRS 16: *COVID-19 related rent concessions*

IFRS 16, "*Leases*" was amended by IASB on May 28, 2020 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 June 30, 2021 (for example, lease rents are reduced for a period up to June 30, 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 January 1, 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 January 1, 2019.

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

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

3. Significant accounting policies (continued)

Summary of significant accounting policies

a. 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 income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, 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 recognizes 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 recognized 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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements. Unrealized 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 recognized as a result of such transactions.

Loss of Control

Upon loss of control, the Company derecognizes 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 recognized in the consolidated income statement. 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 IFRS 9.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

3. Significant accounting policies (continued)

b. Foreign currency

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 realized 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.

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 recognized in the consolidated income statement in the period in which they arise.

However, foreign currency differences arising from the translation of the following items are recognized in 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 recognized 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 recognized 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 income statement.

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 recognized 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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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3. Significant accounting policies (continued)

c. Financial instruments (continued)

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 recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized 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 IFRS 15, "Revenue from Contracts with Customers".

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortized cost;
- Debt instruments at FVTOCI;
- Debt instruments, derivatives and equity instruments at FVTPL; and
- Equity instruments measured at FVTOCI.

Debt instruments at amortized cost

A "debt instrument" is measured at the amortized 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 amortized cost using the effective interest rate method and are subject to impairment. Amortized 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 de-recognition is recognized directly in the consolidated income statement and presented in other income/(losses), net. The losses arising from impairment are recognized in the consolidated income statement. 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 recognized in the OCI. However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the consolidated income statement. On de-recognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified to the consolidated income statement. 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 categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized 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 recognized in the consolidated income statement.

Equity investments

All equity investments within the scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which IFRS 3 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 recognized in the OCI. There is no recycling of the amounts from OCI to the consolidated income statement, even on sale of investment.

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(in millions, except share and per share data)

3. Significant accounting policies (continued)

c. Financial instruments (continued)

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 recognized in the consolidated income statement.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) 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 recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes 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 IFRS 9, 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 recognizes 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 analyzed.

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 recognized 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 IFRS 9. 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 recognized in the consolidated income statement.

Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains or losses are not subsequently transferred to the consolidated income statement.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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3. Significant accounting policies (continued)

c. Financial instruments (continued)

However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the consolidated income statement. The Company has not designated any financial liability as FVTPL.

Loans and borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization is included as finance costs in the consolidated income statement.

De-recognition

A financial liability is derecognized 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated income statement.

Derivative financial instruments

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, U.K. 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 U.S. dollars, Russian roubles, South African rands, Mexican pesos, Ukrainian hryvnias and Brazilian reals.

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 income statement 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 income statement as finance costs immediately.

The Company also designates certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions. Accordingly, the Company applies cash flow hedge accounting to such relationships. Re-measurement gain or loss on such non-derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and reclassified to the consolidated income statement 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 recognized 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 recognized immediately in the consolidated income statement.

Hedges of recognized 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 recognized in the consolidated income statement. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognized in the consolidated income statement. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the consolidated income statement.

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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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(in millions, except share and per share data)

3. Significant accounting policies (continued)

c. Financial instruments (continued)

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.

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. Judgment 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 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 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 consolidated income statement 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 consolidated income statement. 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 consolidated income statement.

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 capitalized 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.

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3. Significant accounting policies (continued)

e. Property, plant and equipment (continued)

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 recognized net within "Other (income)/expense, net" in the consolidated income statement.

The cost of replacing part of an item of property, plant and equipment is recognized 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 recognized in the consolidated income statement 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 recognized in the consolidated income statement on a straight line basis over the estimated useful lives of property, plant and equipment. The depreciation expense is included in the costs of the functions using the asset. 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:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

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 capitalized as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognized as expense as incurred. The capitalized costs are amortized 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 capital work-in-progress. Assets not ready for use are not depreciated but are tested for impairment.

f. Goodwill and other intangible assets

Recognition and measurement

Goodwill	<p>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.</p> <p>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.</p>
Other intangible assets	<p>Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.</p>
Research and development	<p>Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the consolidated income statement when incurred.</p> <p>Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:</p> <ul style="list-style-type: none"> • 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. <p>The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the consolidated income statement as incurred. As of March 31, 2021, none of the development expenditure amounts has met the aforesaid recognition criteria.</p>

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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3. Significant accounting policies (continued)

f. Goodwill and other intangible assets (continued)

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 capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of IAS 38, "Intangible Assets". (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	Acquired research and development intangible assets that are under development are recognized as In-Process Research and Development ("IPR&D") assets. IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the consolidated income statement under "Impairment of non-current assets".
Subsequent expenditure	
Other intangible assets	Subsequent expenditures are capitalized 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 recognized in the consolidated income statement as incurred.
IPR&D assets	Subsequent expenditure on an IPR&D project acquired separately or in a business combination and recognized as an intangible asset is: <ul style="list-style-type: none"> • recognized as an expense when incurred, if it is a research expenditure; • recognized 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 IAS 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 IAS 38.

Amortization

Amortization is recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets. The amortization expense is recognized in the income statement in the expense category that is consistent with the function of the intangible asset. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

Product related intangibles	3 – 20 years
Other intangibles	3 - 15 years

The amortization period and the amortization 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 recognized immediately in the consolidated income statement under "Impairment of non-current assets".

De-recognition of intangible assets

Intangible assets are de-recognized 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 income statement, 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

Accounting policies relating to leases for periods ending on or after April 1, 2019

The Company's accounting policies relating to leases for periods ending on or after April 1, 2019 are as follows:

The Company assesses at contract inception whether a contract is or contains a lease, which applies if the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. The Company recognizes 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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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3. Significant accounting policies (continued)

g. Leases (continued)

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 consolidated income statement 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 recognized on a straight-line basis as an expense in the consolidated income statement. 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 recognized on the statement of financial position at cost, which is calculated as the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received and any initial direct costs incurred by the Company.

Accounting policies relating to leases for periods ending on or prior to March 31, 2019

The Company's accounting policies relating to leases for periods ending on or prior to March 31, 2019 are as follows:

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Finance leases

A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Other leases are operating leases, and the leased assets are not recognized on the Company's statement of financial position. Payments made under operating leases are recognized in the consolidated income statement on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognized as a reduction of rental expense on a straight line basis over the lease term.

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3. Significant accounting policies (continued)

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 realizable 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 realizable 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, aging 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 March 31.

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 recognized in the consolidated income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized 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 recognized 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 amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a 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 recognized in the consolidated income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

j. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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 income statement as and when the services are received from the employees.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

3. Significant accounting policies (continued)

j. Employee benefits (continued)

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, recognized in the consolidated income statement, 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 recognized immediately in the consolidated income statement. 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 the consolidated income statement. 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 recognized immediately in the consolidated income statement. The Company recognizes gains or losses on the settlement of a defined benefit plan obligation when the settlement occurs.

Termination benefits

Termination benefits are recognized as an expense in the consolidated income statement 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 recognized as an expense in the consolidated income statement 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 recognized in the consolidated income statement 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 unutilized compensated absences and utilize 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 recognized as an expense in the consolidated income statement, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized 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 recognized 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 recognized in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognized 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 recognized 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 recognized in the consolidated income statement.

k. Provisions

A provision is recognized in the consolidated income statement 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 recognized as a finance cost.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

3. Significant accounting policies (continued)

k. Provisions (continued)

Restructuring

A provision for restructuring is recognized in the consolidated income statement 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 recognized in the consolidated income statement 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 recognizes any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized in the consolidated income statement only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized once all such activities are completed.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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(in millions, except share and per share data)

3. Significant accounting policies (continued)

1. Revenue (continued)

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 recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized 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 recognized over the balance period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized 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 recognized 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 recognizing the refund liability, the Company also recognizes 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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

3. Significant accounting policies (continued)

l. Revenue (continued)

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 recognized in the consolidated income statement as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognized 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 recognized 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 recognized 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. Finance income and expense

Finance income consists of interest income on funds invested, dividend income and gains on the disposal of financial assets. Interest income is recognized in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognized in the consolidated income statement 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 recognized in the consolidated income statement 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 finance income and expense. 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 recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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 recognized 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 recognized 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 realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. 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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

3. Significant accounting policies (continued)

o. Income tax (continued)

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding 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 recognized in the statement of changes in equity as part of the associated dividend payment.

Current and deferred tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

Accruals for uncertain tax positions require management to make judgments of potential exposures. Accruals for uncertain tax positions are measured using either the most likely amount or the expected value amount, depending on which method the entity expects to better predict the resolution of the uncertainty. Tax benefits are not recognized 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 recognizes 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 income statement.

Export entitlements from government authorities are recognized in the consolidated income statement as a reduction from "Cost of Revenues" 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. 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.

s. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated income statement 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 recognized in the share premium.

t. 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 amortized once classified as held for sale. Assets classified as held for sale are presented separately as current items in the statement of financial position.

u. Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest million currency units unless otherwise stated.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data)

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 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.

(i) 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.

(ii) 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 realize those benefits.

(iii) 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.

(iv) 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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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4. Determination of fair values (continued)

(v) 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.

(vi) 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.

(vii) 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).

(viii) 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 IFRS 13, "*Fair Value Measurement*" refers to as Level 3 inputs.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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5. 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 organizational changes, effective December 1, 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 monetization 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 customized 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.

Segment information:	For the Year Ended March 31,								
	Global Generics			PSAI			Proprietary Products		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Reportable segments									
Revenues⁽¹⁾	Rs. 154,404	Rs. 138,123	Rs. 122,903	Rs. 31,982	Rs. 25,747	Rs. 24,140	Rs. 523	Rs. 7,949	Rs. 4,750
Gross profit	Rs. 91,111	Rs. 78,449	Rs. 71,924	Rs. 9,426	Rs. 6,190	Rs. 6,128	Rs. 482	Rs. 7,744	Rs. 4,182
Selling, general and administrative expenses									
Research and development expenses									
Impairment of non-current assets									
Other income, net									
Results from operating activities									
Finance income, net									
Share of profit of equity accounted investees, net of tax									
Profit before tax									
Tax expense/(benefit), net									
Profit for the year									

[Continued on next page]

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5. Segment reporting (continued)

[Continued from above table, first column repeated]

Segment information: Reportable segments	For the Year Ended March 31,					
	Others			Total		
	2021	2020	2019	2021	2020	2019
Revenues ⁽¹⁾	Rs. 2,813	Rs. 2,781	Rs. 2,058	Rs. 189,722	Rs. 174,600	Rs. 153,851
Gross profit	Rs. 2,058	Rs. 1,626	Rs. 1,196	Rs. 103,077	Rs. 94,009	Rs. 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)
Results from operating activities				Rs. 24,280	Rs. 15,993	Rs. 20,888
Finance income, net				1,653	1,478	1,117
Share of profit of equity accounted investees, net of tax				480	561	438
Profit before tax				Rs. 26,413	Rs. 18,032	Rs. 22,443
Tax expense/(benefit), net				9,175	(1,466)	3,648
Profit for the year				Rs. 17,238	Rs. 19,498	Rs. 18,795

(1) Revenues for the year ended March 31, 2021 do not include inter-segment revenues from the PSAI segment to the Global Generics segment, which amount to Rs.6,905 (as compared to Rs.5,910 and Rs.5,785 for the years ended March 31, 2020 and 2019, respectively).

Analysis of revenues within the Global Generics segment:

An analysis of revenues by therapeutic areas in the Company's Global Generics segment is given below:

	For the Year Ended March 31,		
	2021	2020	2019
Nervous System	Rs. 29,040	Rs. 26,825	Rs. 19,726
Gastrointestinal	21,132	19,394	19,250
Oncology	16,842	18,245	18,357
Cardiovascular	15,460	14,729	15,106
Pain Management	15,531	13,808	13,806
Anti-Infective	12,906	9,402	7,073
Respiratory	11,089	10,433	8,130
Others	32,404	25,287	21,455
Total	Rs. 154,404	Rs. 138,123	Rs. 122,903

Analysis of revenues within the PSAI segment:

An analysis of revenues by therapeutic areas in the Company's PSAI segment is given below:

	For the Year Ended March 31,		
	2021	2020	2019
Cardiovascular	Rs. 9,834	Rs. 8,567	Rs. 7,019
Pain Management	4,657	5,073	3,364
Anti-Infective	4,126	2,264	1,247
Nervous System	2,704	2,797	2,741
Oncology	2,385	1,798	2,212
Dermatology	768	1,370	1,622
Others	7,508	3,878	5,935
Total	Rs. 31,982	Rs. 25,747	Rs. 24,140

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5. Segment reporting (continued)

Analysis of revenues by geography:

The following table shows the distribution of the Company's revenues by country, based on the location of the customers:

Country	For the Year Ended March 31,		
	2021	2020	2019
India	Rs. 36,252	Rs. 32,089	Rs. 28,804
United States	76,702	76,028	69,299
Russia	15,816	16,900	15,299
Others ⁽¹⁾	60,952	49,583	40,449
	Rs. 189,722	Rs. 174,600	Rs. 153,851

(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:

Country	As of March 31,	
	2021	2020
India	Rs. 75,284	Rs. 55,083
Switzerland	11,661	18,204
United States	7,627	7,065
Germany	1,087	1,435
Others	5,109	5,010
	Rs. 100,768	Rs. 86,797

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:

Country	For the Year Ended March 31,	
	2021	2020
India	Rs. 27,882	Rs. 5,519
Switzerland	3,760	1,025
United States	2,158	241
Others	1,031	688
	Rs. 34,831	Rs. 7,473

Analysis of depreciation and amortization, included in cost of revenues, by reportable segments:

	For the Year Ended March 31,		
	2021	2020	2019
Global Generics	Rs. 3,435	Rs. 3,666	Rs. 3,791
PSAI	2,578	2,804	2,906
Proprietary Products	-	-	-
Others	48	71	71
	Rs. 6,061	Rs. 6,541	Rs. 6,768

Information about major customers

Revenues from two customers of the Company's Global Generics segment were Rs.19,341 and Rs.9,867, representing approximately 10% and 5%, respectively, of the Company's total revenues for the year ended March 31, 2021.

Revenues from two customers of the Company's Global Generics segment were Rs.14,164 and Rs.9,267, representing approximately 8% and 5%, respectively, of the Company's total revenues for the year ended March 31, 2020.

Revenues from two customers of the Company's Global Generics segment were Rs.10,639 and Rs.10,024, each representing approximately 7% of the Company's total revenues for the year ended March 31, 2019.

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6. Business Transfer Agreement with Wockhardt Limited

In February 2020, the Company entered into 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 Rs.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 March 31, 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 March 31, 2020.

Due to the COVID-19 pandemic and the consequent government restrictions, there was 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 would be up to Rs.18,500, to be paid as per the following terms:

- a) an amount of Rs.14,830 to be paid on the date of closing;
- b) an amount of Rs.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 Rs.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 Rs.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 Rs.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 June 10, 2020.

The Company has accounted for the transaction under IFRS 3.

As of June 30, 2020, the purchase price allocation was preliminary.

During the three months ended September 30, 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	Rs. 14,990
Payment through Escrow account	564
Contingent consideration (Holdback Amount)	561
Total consideration	Rs. 16,115
Assets acquired	
Goodwill	Rs. 530
Property, plant and equipment	373
Product related intangibles	14,888
Inventories	466
Other assets	245
Liabilities assumed	
Employee benefits (Gratuity-Rs.70 and Compensated absences- Rs.75)	(145)
Refund liability	(242)
Total net assets	Rs. 16,115

The total goodwill of Rs.530 consists largely of the synergies and economies of scale expected from the acquired business, together with the value of the workforce acquired and has been assigned to the Company's Global Generics segment. The entire amount of goodwill is not deductible for tax purposes.

Acquisition related costs amounted to Rs.60 and were excluded from the consideration transferred and were recognized as expense under “Selling, general and administrative expenses” in the consolidated income statements for the year ended March 31, 2021.

The fair value of the contingent consideration of Rs.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 IFRS 13 refers to as Level 3 inputs. The significant unobservable inputs in the valuation is the estimated sales forecast. During the three months ended March 31, 2021, the Company, after taking into account the revenue of the products until twelve months post-closing (June 9, 2021), re-measured the contingent consideration to Rs.420.

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6. Business Transfer Agreement with Wockhardt Limited (continued)

The amount of revenue included in the consolidated income statements for the year ended March 31, 2021 pertaining to the acquired business since June 10, 2020 is Rs.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.

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of March 31,	
	2021	2020
Cash on hand	Rs. 1	Rs. 2
Balances with banks	14,324	1,807
Term deposits with banks (original maturities less than 3 months)	504	244
Cash and cash equivalents in the statements of financial position	Rs. 14,829	Rs. 2,053
Bank overdrafts used for cash management purposes	9	91
Cash and cash equivalents in the statements of cash flow	Rs. 14,820	Rs. 1,962
Restricted cash balances included above		
Balance in unclaimed dividend and debenture interest account	Rs. 106	Rs. 111
Balances in Escrow account pursuant to the Business Transfer Agreement with Wockhardt Limited (Refer to Note 6 for details)	40	-
Other restricted cash balances	82	15

8. Other investments

Other investments consist of investments in units of mutual funds, equity securities, bonds, market linked debentures, commercial paper, limited liability partnership firm and term deposits with banks (i.e., certificates of deposit having an original maturity period exceeding 3 months). The details of such investments as of March 31, 2021 and 2020 are as follows:

	As of March 31, 2021			As of March 31, 2020		
	Cost	Unrealized gain/(loss)	Fair value/ amortized cost ⁽²⁾	Cost	Unrealized gain/(loss)	Fair value/ amortized cost ⁽²⁾
Current portion						
In units of mutual funds	Rs. 13,197	Rs. 66	Rs. 13,263	Rs. 13,686	Rs. 146	Rs. 13,832
In bonds	522	-	522	1,851	-	1,851
In commercial paper	-	-	-	967	-	967
In market linked debentures	-	-	-	2,000	(7)	1,993
Term deposits with banks	5,959	-	5,959	5,044	-	5,044
	Rs. 19,678	Rs. 66	Rs. 19,744	Rs. 23,548	Rs. 139	Rs. 23,687
Non-current portion						
In equity securities ⁽¹⁾	Rs. 2,701	Rs. 1,832	Rs. 4,533	Rs. 2,701	Rs. (2,397)	Rs. 304
In limited liability partnership firm	400	-	400	-	-	-
Others	25	-	25	24	-	24
	Rs. 3,126	Rs. 1,832	Rs. 4,958	Rs. 2,725	Rs. (2,397)	Rs. 328

(1) Primarily represents the shares of Curis, Inc. Refer to Note 34 of these consolidated financial statements for further details.

(2) Interest accrued but not due on bonds and debentures, commercial paper and term deposits with banks is included in other current assets.

For the purpose of measurement, the aforesaid investments are classified as follows:

Investments in units of mutual funds	Fair value through profit and loss
Investments in bonds, commercial paper, term deposits and others	Amortized cost
Investments in market linked debentures	Fair value through other comprehensive income
Investments in equity securities	Fair value through other comprehensive income (on account of irrevocable option elected at time of transition) and fair value through profit and loss
Investment in limited liability partnership firm	Fair value through profit and loss

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9. Trade and other receivables

	As of March 31,			
	2021		2020	
Current				
Trade and other receivables, gross	Rs.	50,937	Rs.	51,480
Less: Allowance for credit losses		(1,296)		(1,202)
Trade and other receivables, net	Rs.	49,641	Rs.	50,278
Non-current				
Trade and other receivables, gross ⁽¹⁾	Rs.	118	Rs.	1,737
Less: Allowance for credit losses		-		-
Trade and other receivables, net	Rs.	118	Rs.	1,737

(1) Represents amounts receivable pursuant to an out-licensing arrangement with a customer. As these amounts are not expected to be realized 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 derecognized in the statements of financial position. As on March 31, 2021 and March 31, 2020, the amount of trade receivables de-recognized pursuant to the aforesaid arrangement was Rs.9,254 and Rs.9,049, respectively.

In accordance with IFRS 9, 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 IFRS 15. 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 years ended March 31, 2021 and 2020, are as follows:

	For the Year Ended March 31,			
	2021		2020	
Balance at the beginning of the year	Rs.	1,202	Rs.	1,172
Provision made during the year, net of reversals		176		154
Trade and other receivables written off & exchange differences		(82)		(124)
Balance at the end of the year	Rs.	1,296	Rs.	1,202

10. Inventories

Inventories consist of the following:

	As of March 31,			
	2021		2020	
Raw materials	Rs.	12,287	Rs.	10,594
Work-in-progress		10,009		6,806
Finished goods (includes stock-in-trade)		19,829		15,126
Packing materials, stores and spares		3,287		2,540
	Rs.	45,412	Rs.	35,066

Details of inventories recognized in the consolidated income statement are as follows:

	For the Year Ended March 31,					
	2021		2020		2019	
Raw materials, consumables and changes in finished goods and work in progress	Rs.	58,268	Rs.	51,892	Rs.	40,932
Inventory write-downs ⁽¹⁾		2,521		3,652		4,016

(1) 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 recognized Rs.373 as inventory write downs of ranitidine during the year ended March 31, 2020. Furthermore, an amount of Rs.239 was recognized (as a reduction from revenue) as a provision for refund liabilities arising out of the Company's recall decision.

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11. Other assets

	As of March 31,			
	2021		2020	
Current				
Balances and receivables from statutory authorities ⁽¹⁾	Rs.	7,227	Rs.	4,445
Export benefits receivable ⁽²⁾		2,070		2,652
Prepaid expenses		1,141		950
Others ⁽³⁾		4,071		5,755
	Rs.	14,509	Rs.	13,802
Non-current				
Security deposits	Rs.	666	Rs.	613
Others		168		231
	Rs.	834	Rs.	844

(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, security deposits, interest accrued but not due on investments, and claims receivable.

12. Property, plant and equipment

The following is a summary of the changes in carrying value of property, plant and equipment.

Particulars	Land		Buildings		Plant and equipment		Furniture, fixtures and office equipment		Vehicles		Total
Gross carrying value											
Balance as of April 1, 2019	Rs.	4,192	Rs.	23,106	Rs.	70,940	Rs.	5,717	Rs.	775	Rs. 104,730
Recognition of right-of-use asset on initial application of IFRS 16		-		723		2		28		400	1,153
Adjusted balance as of April 1, 2019	Rs.	4,192	Rs.	23,829	Rs.	70,942	Rs.	5,745	Rs.	1,175	Rs. 105,883
Additions		4		997		4,278		497		295	6,071
Disposals		-		(55)		(706)		(253)		(179)	(1,193)
Effect of changes in foreign exchange rates		(73)		185		353		(24)		(80)	361
Balance as of March 31, 2020	Rs.	4,123	Rs.	24,956	Rs.	74,867	Rs.	5,965	Rs.	1,211	Rs. 111,122
Balance as of April 1, 2020	Rs.	4,123	Rs.	24,956	Rs.	74,867	Rs.	5,965	Rs.	1,211	Rs. 111,122
Additions		13		2,720		4,544		437		220	7,934
Assets acquired through business combinations ⁽¹⁾		84		113		165		11		-	373
Disposals		-		(35)		(852)		(134)		(182)	(1,203)
Assets held for sale		(18)		(245)		(334)		(58)		-	(655)
Effect of changes in foreign exchange rates		26		11		244		31		8	320
Balance as of March 31, 2021	Rs.	4,228	Rs.	27,520	Rs.	78,634	Rs.	6,252	Rs.	1,257	Rs. 117,891
Accumulated Depreciation											
Balance as of April 1, 2019	Rs.	-	Rs.	6,873	Rs.	43,642	Rs.	4,603	Rs.	442	Rs. 55,560
Depreciation for the year		-		1,306		6,404		562		368	8,640
Impairment		-		-		-		-		-	-
Disposals		-		(36)		(667)		(251)		(158)	(1,112)
Effect of changes in foreign exchange rates		-		65		223		(11)		(54)	223
Balance as of March 31, 2020	Rs.	-	Rs.	8,208	Rs.	49,602	Rs.	4,903	Rs.	598	Rs. 63,311
Balance as of April 1, 2020	Rs.	-	Rs.	8,208	Rs.	49,602	Rs.	4,903	Rs.	598	Rs. 63,311
Depreciation for the year		-		1,697		5,935		554		341	8,527
Impairment		4		32		9		1		-	46
Disposals		-		(29)		(773)		(125)		(136)	(1,063)
Assets held for sale		(4)		(140)		(306)		(54)		-	(504)
Effect of changes in foreign exchange rates		-		22		194		24		1	241
Balance as of March 31, 2021	Rs.	-	Rs.	9,790	Rs.	54,661	Rs.	5,303	Rs.	804	Rs. 70,558

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12. Property, plant and equipment (continued)

Particulars	Land	Buildings	Plant and equipment	Furniture, fixtures and office equipment	Vehicles	Total
Net carrying value						
As of April 1, 2019	Rs. 4,192	Rs. 16,233	Rs. 27,298	Rs. 1,114	Rs. 333	Rs. 49,170
As of March 31, 2020	Rs. 4,123	Rs. 16,748	Rs. 25,265	Rs. 1,062	Rs. 613	Rs. 47,811
Add: Capital-work-in-progress						Rs. 4,521
Total as of March 31, 2020						Rs. 52,332
As of March 31, 2021	Rs. 4,228	Rs. 17,730	Rs. 23,973	Rs. 949	Rs. 453	Rs. 47,333
Add: Capital-work-in-progress						Rs. 9,778
Total as of March 31, 2021						Rs. 57,111

(1) Refer to Note 6 of these consolidated financial statements for further details.

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 recognized 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 of April 1, 2019	Rs. 73	Rs. 840	Rs. 12	Rs. -	Rs. 37	Rs. 962
Recognition of right-of-use asset on initial application of IFRS 16	-	723	2	28	400	1,153
Adjusted balance as of April 1, 2019	Rs. 73	Rs. 1,563	Rs. 14	Rs. 28	Rs. 437	Rs. 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 of March 31, 2020	Rs. 78	Rs. 1,688	Rs. 18	Rs. 45	Rs. 530	Rs. 2,359
Balance as of April 1, 2020	Rs. 78	Rs. 1,688	Rs. 18	Rs. 45	Rs. 530	Rs. 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 of March 31, 2021	Rs. 81	Rs. 3,886	Rs. 18	Rs. 51	Rs. 604	Rs. 4,640
Accumulated Depreciation						
Balance as of April 1, 2019	Rs. -	Rs. 454	Rs. 12	Rs. -	Rs. 33	Rs. 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 of March 31, 2020	Rs. -	Rs. 744	Rs. 14	Rs. 13	Rs. 199	Rs. 970
Balance as of April 1, 2020	Rs. -	Rs. 744	Rs. 14	Rs. 13	Rs. 199	Rs. 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 of March 31, 2021	Rs. -	Rs. 1,335	Rs. 15	Rs. 25	Rs. 321	Rs. 1,696
Net carrying value						
As of March 31, 2020	Rs. 78	Rs. 944	Rs. 4	Rs. 32	Rs. 331	Rs. 1,389
As of March 31, 2021	Rs. 81	Rs. 2,551	Rs. 3	Rs. 26	Rs. 283	Rs. 2,944

(1) Additions for the year ended March 31, 2021 include recognition of a right-of-use asset of Rs.1,852 relating to a warehousing services agreement in the United States.

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12. Property, plant and equipment (continued)

The following are the amounts recognized in income statement:

	For the Year Ended March 31,	
	2021	2020
Depreciation expense of right-of-use assets	Rs. 831	Rs. 491
Interest expense on lease liabilities	227	230

The Company had total cash outflows for leases of Rs.1,252 and Rs.972 during the years ended March 31, 2021 and 2020, respectively. The maturity analysis of lease liabilities are disclosed in Note 17 of these consolidated financial statements.

Capital commitments

As of March 31, 2021 and 2020, the Company was committed to spend Rs.9,841 and Rs.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 capitalization

During the years ended March 31, 2021 and 2020, the Company capitalized interest cost of Rs.149 and Rs.52, respectively, with respect to qualifying assets. The rate for capitalization of interest cost for the years ended March 31, 2021 and 2020 was approximately 4.25% and 4.22%, respectively.

13. Goodwill

Goodwill arising upon business combinations is not amortized 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.

The following table presents the changes in goodwill during the years ended March 31, 2021 and 2020:

	As of March 31,	
	2021	2020
Opening balance, gross	Rs. 20,278	Rs. 20,176
Goodwill arising on business combinations ⁽¹⁾	530	-
Effect of translation adjustments	44	102
Impairment loss ⁽²⁾	(16,284)	(16,284)
Closing balance	Rs. 4,568	Rs. 3,994

(1) Refer to Note 6 of these consolidated financial statements for further details.

(2) The impairment loss of Rs.16,284 includes Rs.16,003 pertaining to the Company's German subsidiary, betapharm Arzneimittel GmbH, which is part of the Company's Global Generics segment. This impairment loss was recorded for the years ended March 31, 2009 and 2010.

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:

	As of March 31,	
	2021	2020
PSAI-Active Pharmaceutical Operations	Rs. 997	Rs. 997
Global Generics-Complex Injectables	1,421	1,372
Global Generics-North America Operations	1,015	1,021
Global Generics-Branded Formulations	1,021	491
Others	114	113
	Rs. 4,568	Rs. 3,994

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- 2%. 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.

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13. 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.

14. Other intangible assets

The following is a summary of changes in the carrying value of intangible assets:

	Product related			
	intangibles	Others	Total	
Gross carrying value				
Balance as of April 1, 2019	Rs. 81,971	Rs. 3,600	Rs.	85,571
Additions	1,641	165		1,806
Disposals/De-recognitions	(814)	(1)		(815)
Effect of changes in foreign exchange rates	4,532	2		4,534
Balance as of March 31, 2020	Rs. 87,330	Rs. 3,766	Rs.	91,096
Balance as of April 1, 2020	Rs. 87,330	Rs. 3,766	Rs.	91,096
Additions ⁽¹⁾	6,107	304		6,411
Assets acquired through business combinations ⁽²⁾	14,888	-		14,888
Disposals/De-recognitions	(192)	-		(192)
Effect of changes in foreign exchange rates	(900)	-		(900)
Balance as of March 31, 2021	Rs. 107,233	Rs. 4,070	Rs.	111,303
Amortization/impairment loss				
Balance as of April 1, 2019	Rs. 39,577	Rs. 1,627	Rs.	41,204
Amortization for the year	3,554	278		3,832
Impairment loss	16,757	-		16,757
Disposals/De-recognitions	(749)	(1)		(750)
Effect of changes in foreign exchange rates	2,392	2		2,394
Balance as of March 31, 2020	Rs. 61,531	Rs. 1,906	Rs.	63,437
Balance as of April 1, 2020	Rs. 61,531	Rs. 1,906	Rs.	63,437
Amortization for the year	3,972	297		4,269
Impairment loss	8,542	-		8,542
Disposals/De-recognitions	(192)	-		(192)
Effect of changes in foreign exchange rates	(401)	-		(401)
Balance as of March 31, 2021	Rs. 73,452	Rs. 2,203	Rs.	75,655
Net carrying value				
As of April 1, 2019	Rs. 42,394	Rs. 1,973	Rs.	44,367
As of March 31, 2020	Rs. 25,799	Rs. 1,860	Rs.	27,659
As of March 31, 2021	Rs. 33,781	Rs. 1,867	Rs.	35,648

- (1) 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 Rs.1,516. Following the principles of IAS 38, the Company recognized the acquired brands at their acquisition cost. The acquisition pertains to the Company's Global Generics segment.

- (2) Refer to Note 6 of these consolidated financial statements for further details.

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14. Other intangible assets (continued)

In-process research and development assets ("IPR&D")

Tabulated below is the reconciliation of amounts relating to in-process research and development assets as at the beginning and at the end of the year:

	As of March 31,			
	2021		2020	
Opening balance	Rs.	10,987	Rs.	24,610
Add: Additions during the year ⁽¹⁾		3,557		950
Less: Capitalizations during the year ⁽²⁾		-		(2,530)
Less: Impairments during the year		(8,099)		(13,379)
Effect of changes in exchange rates		(332)		1,336
Closing balance	Rs.	6,113	Rs.	10,987

(1) During the year ended March 31, 2021, the additions include Rs.3,291 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 March 31, 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 Rs.277. The Company recognized these ANDAs acquired as product related intangibles.

(2) During the year ended March 31, 2020, the product ramelteon was available for use and are subject to amortization. Accordingly, the Company reclassified the amount from IPR&D to product related intangibles.

Interest capitalization

During the years ended March 31, 2021 and 2020, the Company capitalized interest cost of Rs.266 and Rs.674, respectively, with respect to certain qualifying assets. The rate for capitalization of interest cost for the years ended March 31, 2021 and 2020 ranged from 3.95% to 4.74% and from 2.04% to 4.60% respectively.

Impairment losses recorded for the year ended March 31, 2021

Total impairment charges for the year ended March 31, 2021 were Rs.8,542 which were recorded in impairment of non-current assets in the consolidated income statement, of which Rs.3,180 was attributable to impairment of gNuvaring, Rs.3,291 was attributable to impairment of Xeglyze® and the balance of Rs.2,071 was attributable to other product related intangibles.

Impairment of gNuvaring

During the year ended March 31, 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 Rs.3,180 for the year ended March 31, 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 Rs.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 Rs.3,291 as impairment loss for the year ended March 31, 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 Rs.1,587 as impairment loss for the year ended March 31, 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 Rs.484 as impairment loss for the year ended March 31, 2021.

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14. Other intangible assets (continued)

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 March 31, 2020

Total impairment charges for the year ended March 31, 2020 were Rs.16,757 which were recorded in impairment of non-current assets in the consolidated income statement, of which Rs.11,137 was attributable to impairment of gNuvaring and the balance of Rs.5,620 was attributable to other product related intangibles.

Impairment of gNuvaring

During the year ended March 31, 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 authorized generic versions of the product in December 2019. Due to these adverse market developments, as at December 31, 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 Rs.11,137 for the year ended March 31, 2020. This impairment loss pertained to the Company's Global Generics segment. The carrying value of the asset after the impairment was Rs.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 recognized an impairment loss of Rs.4,385 for the year ended March 31, 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 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 Rs.1,235 as impairment loss for the year ended March 31, 2020.

Impairment losses recorded for the year ended March 31, 2019

As a result of the Company's decision to discontinue a few products pertaining to its Global Generics segment, product related intangibles of Rs.116 was recorded as impairment loss for the year ended March 31, 2019 in the consolidated income statement.

Consequent to the materiality of the amount involved, these impairment amounts have been disclosed separately in the consolidated income statements.

Significant separately acquired intangible assets

Details of significant separately acquired intangible assets as of March 31, 2021 are as follows:

Particulars of the asset	Acquired from	Carrying cost
Select portfolio of branded generics business	Wockhardt Limited	Rs. 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 (tepilamide fumarate)	Xenoport, Inc.	4,036
Various ANDAs	Teva and an affiliate of Allergan	4,000
Commercialization 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

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15. Investment in equity accounted investees

	As of March 31,			
	2021		2020	
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Company Limited, China	Rs.	3,307	Rs.	2,714
Equity shares held in DRES Energy Private Limited, India		68		49
	Rs.	3,375	Rs.	2,763

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 March 31, 2021 and 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:

	As of/for the Year Ended March 31,					
	2021		2020		2019	
Ownership		51.3%		51.3%		51.3%
Total current assets	Rs.	8,778	Rs.	6,925	Rs.	6,195
Total non-current assets		892		732		374
Total assets	Rs.	9,670	Rs.	7,657	Rs.	6,569
Equity	Rs.	6,088	Rs.	4,931	Rs.	4,448
Total current liabilities		3,582		2,726		2,121
Total equity and liabilities	Rs.	9,670	Rs.	7,657	Rs.	6,569
Revenues	Rs.	9,017	Rs.	7,679	Rs.	7,436
Expenses		8,117		6,554		6,558
Profit for the year	Rs.	900	Rs.	1,125	Rs.	878
Company's share of profits for the year	Rs.	461	Rs.	577	Rs.	449
Carrying value of the Company's investment ⁽¹⁾	Rs.	3,307	Rs.	2,714	Rs.	2,464
Translation adjustment arising out of translation of foreign currency balances	Rs.	438	Rs.	306	Rs.	241

(1) Includes Rs.181 representing the goodwill on acquisition of investment.

During the year ended March 31 2020, the Company recognized an amount of Rs.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 statement of financial position.

Details of the Company's investment in DRES Energy Private Limited:

	As of/for the Year Ended March 31,					
	2021		2020		2019	
Carrying value of the Company's investment	Rs.	68	Rs.	49	Rs.	65
Company's share of profits for the year		19		(16)		(11)

16. Trade and other payables

Trade and other payables consist of the following:

	As of March 31,			
	2021		2020	
Trade payables	Rs.	12,696	Rs.	10,745
Due to creditors for expenses		5,413		4,503
Due to capital creditors		5,635		1,411
	Rs.	23,744	Rs.	16,659

For details regarding the Company's exposure to currency and liquidity risks, see Note 32 of these consolidated financial statements under "Liquidity risk".

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17. Loans and borrowings

Short-term borrowings

Short-term borrowings primarily consist of “pre-shipment credit” drawn by the parent company and other unsecured loans drawn by parent company and certain of its subsidiaries in Russia, Brazil, Mexico, Ukraine, Switzerland, the United States and South Africa which are repayable within 6 to 12 months from the date of drawdown.

Short-term borrowings consist of the following:

	As of March 31,	
	2021	2020
Pre-shipment credit	Rs. 10,300	Rs. 10,432
Other working capital borrowings	12,836	6,009
	Rs. 23,136	Rs. 16,441

The interest rate profile of short-term borrowings from banks is given below:

	As of March 31,			
	2021		2020	
	Currency ⁽¹⁾	Interest Rate ⁽²⁾	Currency ⁽¹⁾	Interest Rate ⁽²⁾
Pre-shipment credit	INR	3 Months T-bill + 30 bps	INR	1 Month T-bill + 60 bps
	INR	5.75%	-	-
	-	-	U.S.\$	1 Month LIBOR + 12.5 to 16 bps
Other working capital borrowings	U.S.\$	(2.2)% to (1.8)%	U.S.\$	1Month/3 Months LIBOR + 55 to 78 bps
	RUB	3.00% to 3.40% and 5.55%	RUB	7.05%
	MXN	TIIE + 1.20%	MXN	TIIE + 1.25%
	INR	4.00%	INR	7.75%
	BRL	4.00%	BRL	7.25%
	UAH	4.75%	-	-
	-	-	ZAR	1Month JIBAR+120 bps

(1) “INR” means Indian rupees, “U.S.\$” means United States Dollars, “RUB” means Russian roubles, “MXN” means Mexican pesos, “UAH” means Ukrainian hryvnia, “BRL” means Brazilian reals and “ZAR” means South African rand.

(2) “LIBOR” means the London Inter-bank Offered Rate, “TIIE” means the Equilibrium Inter-banking Interest Rate (Tasa de Interés Interbancaria de Equilibrio), “JIBAR” means the Johannesburg Interbank Average Rate and “T-bill” means India Treasury Bill.

Long-term borrowings

Long-term borrowings consist of the following:

	As of March 31, 2021		As of March 31, 2020	
	Non-current	Current	Non-current	Current
Foreign currency borrowing by the parent company	Rs. -	Rs. -	Rs. -	Rs. 3,783
Non-convertible debentures by the APSL subsidiary ⁽¹⁾	3,800	-	-	-
Obligations under leases ⁽²⁾	2,499	864	1,304	483
	Rs. 6,299	Rs. 864	Rs. 1,304	Rs. 4,266

(1) “APSL subsidiary” refers to Aurigene Pharmaceutical Services Limited.

(2) Additions for the year ended March 31, 2021 include right-of-use liability of Rs.1,878 relating to a warehousing services agreement in the United States.

During the year ended March 31, 2021, the APSL subsidiary issued non-convertible debentures for Rs.3,800. The aforesaid non-convertible debentures are repayable at par after 3 years following the date of issue.

The interest rate profiles of long-term borrowings (other than obligations under leases) as of March 31, 2021 and 2020 were as follows:

	As of March 31,			
	2021		2020	
	Currency ⁽¹⁾	Interest Rate ⁽²⁾	Currency ⁽¹⁾	Interest Rate ⁽²⁾
Foreign currency borrowings	-	-	U.S.\$	1 Month LIBOR + 82.7 bps
Non-convertible debentures	INR	6.77%	-	-

(1) “U.S.\$” means United States Dollars and “INR” means Indian rupees.

(2) “LIBOR” means the London Inter-bank Offered Rate.

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17. Loans and borrowings (continued)

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

Maturing in the year ending March 31,	Non-convertible debentures	Obligations under leases	Total
2022	Rs. -	Rs. 864	Rs. 864
2023	-	802	802
2024	3,800	745	4,545
2025	-	734	734
2026	-	118	118
Thereafter	-	100	100
	Rs. 3,800	Rs. 3,363	Rs. 7,163

The aggregate maturities of long-term loans and borrowings, based on contractual maturities, as of March 31, 2020 were as follows:

Maturing in the year ending March 31,⁽¹⁾	Foreign currency loan	Obligations under leases	Total
2021	Rs. 3,783	Rs. 483	Rs. 4,226
2022	-	359	359
2023	-	267	267
2024	-	249	249
2025	-	286	286
Thereafter	-	143	143
	Rs. 3,783	Rs. 1,787	Rs. 5,570

(1) Long-term debt obligations disclosed in the above table do not reflect any netting of transaction costs.

Uncommitted lines of credit from banks

The Company had uncommitted lines of credit of Rs.38,766 and Rs.39,374 as of March 31, 2021 and 2020, respectively, from its banks for working capital requirements. The Company draw upon these lines of credit based on its working capital requirements.

Reconciliation of liabilities arising from financing activities during the year ended March 31, 2021:

Particulars	Long-term borrowings⁽¹⁾	Short-term borrowings	Total
Opening balance	Rs. 5,570	Rs. 16,441	Rs. 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	Rs. 7,163	Rs. 23,136	Rs. 30,299

Reconciliation of liabilities arising from financing activities during the year ended March 31, 2020:

Particulars	Long-term borrowing⁽¹⁾	Short-term borrowings	Total
Opening balance	Rs. 26,256	Rs. 12,125	Rs. 38,381
Recognition of right-of-use liability on initial application of IFRS 16	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	-	29,831	29,831
Borrowings repaid during the year	(22,918)	(25,596)	(48,514)
Effect of changes in foreign exchange rates	1,051	81	1,132
Others	90	-	90
Closing balance	Rs. 5,570	Rs. 16,441	Rs. 22,011

(1) Includes current portion.

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18. Provisions

The details of changes in provisions during the year ended March 31, 2021 are as follows:

Particulars	Refund Liability ⁽¹⁾		Environmental liability ⁽²⁾		Legal and others ⁽³⁾		Total
	Rs.		Rs.		Rs.		
Balance as at beginning of the year	Rs. 3,252		Rs. 54		Rs. 548		Rs. 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 as at end of the year	Rs. 2,824		Rs. 58		Rs. 611		Rs. 3,493
Current	Rs. 2,824		Rs. -		Rs. 611		Rs. 3,435
Non-current	-		58		-		58
	Rs. 2,824		Rs. 58		Rs. 611		Rs. 3,493

- (1) Refund liability is accounted for by recording a provision based on the Company's estimate of expected sales returns. See Note 3(l) 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 Rs.39 (carrying value Rs.58). The seller is required to indemnify the Company for this liability. Accordingly, a corresponding asset has also been recorded in the consolidated statements of financial position.
- (3) Primarily consists of provision recorded towards the potential liability arising out of a litigation relating to cardiovascular and anti-diabetic formulations. Refer to Note 33 (Contingencies) 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.

19. Other liabilities

Other liabilities consist of the following:

	As of March 31,			
	2021		2020	
Current				
Accrued expenses	Rs.	17,821	Rs.	18,025
Employee benefits payable		5,607		4,944
Statutory dues payable		2,968		980
Deferred revenue ⁽¹⁾		1,052		1,242
Advance from customers		981		668
Others		2,059		3,523
	Rs.	30,488	Rs.	29,382
Non-current				
Deferred revenue ⁽¹⁾	Rs.	1,531	Rs.	1,956
Others		812		850
	Rs.	2,343	Rs.	2,806

- (1) Refer to Note 22 for details of deferred revenue.

20. Share Capital

	For the Year Ended March 31, 2021		For the Year Ended March 31, 2020	
	Number	Amount	Number	Amount
Authorized share capital	240,000,000	Rs. 1,200	240,000,000	Rs. 1,200
Fully paid up share capital				
Opening number of equity shares/share capital	166,172,082	Rs. 831	166,065,948	Rs. 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	Rs. 832	166,172,082	Rs. 831
Treasury shares ⁽²⁾	575,201	Rs. 1,967	395,950	Rs. 1,006

- (1) During the years ended March 31, 2021 and 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 Scheme, 2002 and the Dr. Reddy's Employees Stock Option Scheme, 2007. The options exercised had an exercise price of Rs.5, Rs.2,607 or Rs.2,814 per share. Upon the exercise of such options, the amount of compensation cost (computed using the grant date fair value) previously recognized in the "share based payment reserve" was transferred to "share premium" in the consolidated statements of changes in equity.

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20. Share Capital (continued)

(2) Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on July 27, 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 years ended March 31, 2021 and 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 Rs.2,607 or Rs.2,814 per share. Upon the exercise of such options, the amount of compensation cost (computed using the grant date fair value) previously recognized in the "share based payment reserve" was transferred to "share premium" in the consolidated statements of changes in equity. In addition, any difference between the carrying amount of treasury shares and the consideration received was recognized in the "share premium". As of March 31, 2021 and 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 Rs.1,967 and Rs.1,006, respectively. Refer to Note 29 of these consolidated financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.

The Company has only one class of equity shares having a par value of Rs.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:

	For the Year Ended March 31,		
	2021	2020	2019
Dividend per share (in absolute Rs.)	Rs. 25	Rs. 20	Rs. 20
Dividend distribution tax on the dividend paid	-	602	682
Dividend paid during the year	4,147	3,314	3,320

Proposed dividend

At the Company's Board of Directors' meeting held on May 14, 2021, the Board proposed a dividend of Rs.25 per share and aggregating to Rs.4,158, which is subject to the approval of the Company's shareholders.

21. Earnings per share

The calculation of basic and diluted earnings per share for the years ended March 31, 2021, 2020 and 2019 was based on the profit attributable to equity shareholders of the Company, being Rs.17,238, Rs.19,498 and Rs.18,795, respectively.

The weighted average number of equity shares outstanding, used for calculating the basic earnings per share, are as follows:

	For the Year Ended March 31,		
	2021	2020	2019
Number of equity shares at the beginning of the year (excluding treasury shares)	165,776,132	165,847,972	165,910,907
Effect of treasury shares held during the year	(56,014)	(154,020)	(100,672)
Effect of equity shares issued on exercise of stock options	124,222	64,432	103,801
Weighted average number of equity shares – Basic	165,844,340	165,758,384	165,914,036
Earnings per share of par value Rs.5 – Basic	Rs. 103.94	Rs. 117.63	Rs. 113.28

The weighted average number of equity shares outstanding, used for calculating the diluted earnings per share, are as follows:

	For the Year Ended March 31,		
	2021	2020	2019
Weighted average number of equity shares – Basic	165,844,340	165,758,384	165,914,036
Dilutive effect of stock options outstanding ⁽¹⁾	471,701	323,601	278,718
Weighted average number of equity shares – Diluted	166,316,041	166,081,985	166,192,754
Earnings per share of par value Rs.5 – Diluted	Rs. 103.65	Rs. 117.40	Rs. 113.09

(1) As of March 31, 2021 and 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.

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22. Revenue from contracts with customers and trade receivables

Revenue from contracts with customers:

	For the Year Ended March 31,		
	2021	2020	2019
Sales	Rs. 184,202	Rs. 163,574	Rs. 148,706
Service income	4,105	2,409	2,129
License fees ⁽¹⁾⁽²⁾	1,415	8,617	3,016
	Rs. 189,722	Rs. 174,600	Rs. 153,851

(1) During the year ended March 31, 2020, the Company entered into a definitive agreement with Upsher-Smith Laboratories, LLC for the sale of its U.S. and select territory rights for ZEMBRACE[®] SYMTOUCH[®] (sumatriptan injection) 3 mg and TOSYMRA[®] (sumatriptan nasal spray) 10 mg (formerly referred to as "DFN-02"), which formed part of its Proprietary Products segment. License fees includes an amount of Rs.7,486 towards the aforesaid sale transaction.

(2) License fees for the year ended March 31, 2019 primarily includes out-licensing revenue of Rs.1,807 from Encore Dermatology Inc.

Analysis of revenues by segments:

Segment	For the Year Ended March 31,		
	2021	2020	2019
Global Generics	Rs. 154,404	Rs. 138,123	Rs. 122,903
PSAI	31,982	25,747	24,140
Proprietary products	523	7,949	4,750
Others	2,813	2,781	2,058
	Rs. 189,722	Rs. 174,600	Rs. 153,851

Analysis of revenues within the Global Generics segment:

An analysis of revenues by therapeutic areas in the Company's Global Generics segment is given below:

	For the Year Ended March 31,		
	2021	2020	2019
Nervous System	Rs. 29,040	Rs. 26,825	Rs. 19,726
Gastrointestinal	21,132	19,394	19,250
Oncology	16,842	18,245	18,357
Cardiovascular	15,460	14,729	15,106
Pain Management	15,531	13,808	13,806
Anti-Infective	12,906	9,402	7,073
Respiratory	11,089	10,433	8,130
Others	32,404	25,287	21,455
Total	Rs. 154,404	Rs. 138,123	Rs. 122,903

Analysis of revenues within the PSAI segment:

An analysis of revenues by therapeutic areas in the Company's PSAI segment is given below:

	For the Year Ended March 31,		
	2021	2020	2019
Cardiovascular	Rs. 9,834	Rs. 8,567	Rs. 7,019
Pain Management	4,657	5,073	3,364
Anti-Infective	4,126	2,264	1,247
Nervous System	2,704	2,797	2,741
Oncology	2,385	1,798	2,212
Dermatology	768	1,370	1,622
Others	7,508	3,878	5,935
Total	Rs. 31,982	Rs. 25,747	Rs. 24,140

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22. 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 by country, based on the location of the customers:

Country	For the Year Ended March 31,		
	2021	2020	2019
India	Rs. 36,252	Rs. 32,089	Rs. 28,804
United States	76,702	76,028	69,299
Russia	15,816	16,900	15,299
Others ⁽¹⁾	60,952	49,583	40,449
	Rs. 189,722	Rs. 174,600	Rs. 153,851

(1) Others include Germany, the United Kingdom, Ukraine, China, Canada and other countries across the world.

Information about major customers

Revenues from two customers of the Company's Global Generics segment were Rs.19,341 and Rs.9,867, representing approximately 10% and 5%, respectively, of the Company's total revenues for the year ended March 31, 2021.

Revenues from two customers of the Company's Global Generics segment were Rs.14,164 and Rs.9,267, representing approximately 8% and 5%, respectively, of the Company's total revenues for the year ended March 31, 2020.

Revenues from two customers of the Company's Global Generics segment were Rs.10,639 and Rs.10,024, each representing approximately 7% of the Company's total revenues for the year ended March 31, 2019.

Details of deferred revenue:

Tabulated below is the reconciliation of deferred revenue for the years ended March 31, 2021 and 2020.

	For the Year Ended March 31,	
	2021	2020
Balance as of April 1	Rs. 3,198	Rs. 2,592
Revenue recognized during the year	(1,089)	(1,250)
Milestone payment received during the year	474	1,856
Balance as of March 31	Rs. 2,583	Rs. 3,198
Current	1,052	1,242
Non-current	1,531	1,956

Details of significant gross to net adjustments relating to Company's North America Generics business (amounts in U.S.\$ millions)

A roll-forward for each major accrual for the Company's North America Generics business for the fiscal years ended March 31, 2019, 2020 and 2021 is as follows:

Particulars	Chargebacks	Rebates	Medicaid	Refund
				Liability ⁽³⁾
<i>(All values in U.S.\$ millions)</i>				
Beginning Balance: April 1, 2018	170	161	12	28
Current provisions relating to sales during the year	1,415	461	18	29
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,457)	(530)	(19)	(27)
Ending Balance: March 31, 2019	128	92	11	30
Beginning Balance: April 1, 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)
Ending Balance: March 31, 2020	156	80	11	24
Beginning Balance: April 1, 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)
Ending Balance: March 31, 2021	202	78	13	19

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22. Revenue from contracts with customers and trade receivables (continued)

* 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 March 31, 2020 were higher compared to the year ended March 31, 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 March 31, 2020 were lower compared to the year ended March 31, 2019, primarily as a result of higher pending chargebacks claims at March 31, 2020 as compared to March 31, 2019. The rebates provisions and the payments for the year ended March 31, 2020 were each lower as compared to the year ended March 31, 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 March 31, 2020 as compared to the year ended March 31, 2019.
- (2) Chargebacks provisions and payments for the year ended March 31, 2021 were each higher as compared to the year ended March 31, 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 March 31, 2021 were each lower as compared to the year ended March 31, 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 March 31, 2021 as compared to the year ended March 31, 2020.
- (3) The Company's overall refund liability as of March 31, 2021 relating to its North America Generics business was U.S.\$19, as compared to a liability of U.S.\$24 as of March 31, 2020. This decrease in the Company's liability was primarily attributable to a lower refund liability allowance for the year ended March 31, 2021 as compared to the year ended March 31, 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.

Details of refund liabilities:

	For the Year Ended March 31,			
	2021		2020	
Balance at the beginning of the year	Rs. 3,252	Rs. 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 the closing of the year	Rs. 2,824	Rs. 3,252		
Current	Rs. 2,824	Rs. 3,252		
Non-current	-	-		

Details of contract asset:

As mentioned in the accounting policies for refund liability set forth in Note 3.1. of these consolidated financial statements, the Company recognizes 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 of March 31, 2021 and 2020, the Company had Rs.37 and Rs.23, respectively, as contract assets representing the right to returned goods.

Details of contract liabilities

	As of March 31,			
	2021		2020	
Advance from customers	Rs. 981	Rs. 668		
	Rs. 981	Rs. 668		

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23. Other income, net

Other income, net consists of the following:

	For the Year Ended March 31,		
	2021	2020	2019
Loss/(gain) on sale/disposal of non-current assets, net ⁽¹⁾	Rs. 42	Rs. 10	Rs. (1,264)
Sale of spent chemicals	(270)	(306)	(356)
Scrap sales	(142)	(167)	(179)
Miscellaneous income, net ⁽²⁾	(612)	(3,827)	(156)
	Rs. (982)	Rs. (4,290)	Rs. (1,955)

(1) Gain on disposal of assets for the year ended March 31, 2019 includes:

- a) an amount of Rs.582 representing the profit on sale of intangible assets forming part of the Company's Proprietary Products segment after adjusting associated cost;
- b) an amount of Rs.423 representing the profit on sale of an API manufacturing business unit located in Jeedimetla, Hyderabad; and
- c) an amount of Rs.110 representing the profit on sale of all the membership interests in Dr. Reddy's Laboratories Tennessee, LLC.

(2) Miscellaneous income, net includes Rs.3,457 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.

24. Finance income, net

Finance income, net consists of the following:

	For the Year Ended March 31,		
	2021	2020	2019
Interest income	Rs. 826	Rs. 888	Rs. 770
Fair value changes and profit on sale of units of mutual funds, net	557	929	773
Foreign exchange gain	1,240	639	737
Miscellaneous income, net	-*	5	-
Finance income (A)	Rs. 2,623	Rs. 2,461	Rs. 2,280
Interest expense	Rs. (970)	Rs. (983)	Rs. (889)
Foreign exchange loss	-	-	(274)
Finance expense (B)	Rs. (970)	Rs. (983)	Rs. (1,163)
Finance income, net [(A)+(B)]	Rs. 1,653	Rs. 1,478	Rs. 1,117

* Rounded to the nearest million.

25. Income taxes

a. Income tax expense/(benefit) recognized in the consolidated income statement

Income tax expense/(benefit) recognized in the consolidated income statement consists of the following:

	For the Year Ended March 31,		
	2021	2020	2019
Current taxes			
Domestic	Rs. 5,849	Rs. 5,157	Rs. 3,003
Foreign	2,323	1,459	1,707
	Rs. 8,172	Rs. 6,616	Rs. 4,710
Deferred taxes			
Domestic	Rs. 2,736	Rs. (6,580)	Rs. 244
Foreign	(1,733)	(1,502)	(1,306)
	Rs. 1,003	Rs. (8,082)	Rs. (1,062)
Tax expense/(benefit), net	Rs. 9,175	Rs. (1,466)	Rs. 3,648

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25. Income taxes (continued)

b. Income tax expense/(benefit) recognized directly in equity

Income tax expense/(benefit) recognized directly in equity consists of the following:

	For the Year Ended March 31,		
	2021	2020	2019
Tax effect on changes in fair value of other investments	Rs. 293	Rs. -	Rs. 411
Tax effect on foreign currency translation differences	-	-	(14)
Tax effect on effective portion of change in fair value of cash flow hedges	319	(232)	69
Tax effect on actuarial gains/losses on defined benefit obligations	(73)	22	3
	Rs. 539	Rs. (210)	Rs. 469

c. Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended March 31, 2021, 2020 and 2019:

	For the Year Ended March 31,		
	2021	2020	2019
Profit before income taxes	Rs. 26,413	Rs. 18,032	Rs. 22,443
Enacted tax rate in India	34.94%	34.94%	34.94%
Computed expected tax expense	Rs. 9,229	Rs. 6,301	Rs. 7,842
Effect of:			
Differences between Indian and foreign tax rates	Rs. 810	Rs. 3,385	Rs. (734)
Unrecognized deferred tax assets/(recognition of previously unrecognized deferred tax assets, net)	1,220	(6,478)	482
Expenses not deductible for tax purposes	230	155	340
Reversal of earlier years' tax provisions	-	-	(282)
Income exempt from income taxes	(1,807)	(1,029)	(1,282)
Foreign exchange differences	(18)	(64)	(470)
Incremental deduction allowed for research and development costs ⁽¹⁾	-	(1,241)	(1,134)
Tax expense on distributed/undistributed earnings of subsidiary outside India	-	254	-
Write off of accounts receivables	-	-	(1,294)
Income from sale of capital assets	-	(2,620)	-
Effect of change in tax rate	(333)	(37)	3
Others	(156)	(92)	177
Income tax expense/(benefit)	Rs. 9,175	Rs. (1,466)	Rs. 3,648
Effective tax rate	35%	(8)%	16%

(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 April 1, 2017 and from 150% to 100% effective April 1, 2020.

The Company's effective tax rate for the year ended March 31, 2021 was higher as compared to the year ended March 31, 2020 primarily on account of:

- de-recognition of deferred tax asset during the year ended March 31, 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 March 31, 2020;
- weighted deduction on eligible research and development expenditure in Dr. Reddy's Laboratories Limited, India for the year ended March 31, 2020; and
- income from sale of capital assets during the year ended March 31, 2020, which was set off against the carried forward capital loss.

d. Unrecognized deferred tax assets

The details of unrecognized deferred tax assets are summarized below:

	As of March 31,	
	2021	2020
Deductible temporary differences, net	Rs. 738	Rs. 394
Operating tax loss carry-forward	4,742	3,926
	Rs. 5,480	Rs. 4,320

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25. Income taxes (continued)

During the year ended March 31, 2021, the Company recognized 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 utilized.

During the year ended March 31, 2021, the Company did not recognize 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 Rs.19,543 and Rs.22,988 as of March 31, 2021 and 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:

	As of March 31,			
	2021		2020	
Deferred tax assets/(liabilities):				
Inventory	Rs.	3,997	Rs.	3,216
Minimum Alternate Tax*		4,748		6,246
Trade and other receivables		569		369
Operating/other tax loss carry-forward		2,593		3,399
Other current assets and other current liabilities, net		1,404		1,448
Property, plant and equipment		(2,547)		(2,361)
Other intangible assets		(283)		(477)
Others		(189)		99
Net deferred tax assets	Rs.	10,292	Rs.	11,939

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT") when current tax, as computed under the provisions of the Income Tax Act, 1961 ("Tax Act"), is determined to be below the MAT computed under section 115JB of the Tax Act. If in any year the Company pays a MAT, then it is entitled to claim credit of the 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 realized, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization 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 realize the benefits of those recognized 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 March 31, 2021 and 2020.

	As of March 31, 2020		Recognized in income statement	Recognized in equity		As of March 31, 2021		
	Deferred tax assets/(liabilities):							
Inventory	Rs.	3,216	Rs.	781	Rs.	-	Rs.	3,997
Minimum Alternate Tax		6,246		(1,498)		-		4,748
Trade and other receivables		369		200		-		569
Operating/other tax loss carry-forward		3,399		(806)		-		2,593
Other current assets and other current liabilities, net		1,448		(44)		-		1,404
Property, plant and equipment		(2,361)		(187)		-		(2,548)
Other intangible assets		(477)		194		-		(283)
Others		99		252		(539)		(188)
Net deferred tax assets	Rs.	11,939	Rs.	(1,108)	Rs.	(539)	Rs.	10,292

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25. Income taxes (continued)

The details of movement in deferred tax assets and liabilities are summarized below:

	As of March 31, 2019	Recognized in income statement	Recognized in equity	As of March 31, 2020
Deferred tax assets/(liabilities):				
Inventory	Rs. 3,285	Rs. (69)	Rs. -	Rs. 3,216
Minimum Alternate Tax	1,630	4,616	-	6,246
Trade and other receivables:	316	53	-	369
Operating/other tax loss carry-forward	297	3,102	-	3,399
Other current assets and other current liabilities, net	1,315	133	-	1,448
Property, plant and equipment	(2,665)	304	-	(2,361)
Other intangible assets	(662)	185	-	(477)
Others	42	(153)	210	99
Net deferred tax assets	Rs. 3,558	Rs. 8,171	Rs. 210	Rs. 11,939

The amounts recognized in the consolidated income statement for the years ended March 31, 2021 and 2020 include Rs.(105) and Rs.89, 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 Rs.2,291, and accordingly, no provision is made in these consolidated financial statements as of March 31, 2021.

During the years ended March 31, 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 December 31, 2006, December 31, 2007 and December 31, 2008. The associated tax impact is Rs.801 (MXN 224) and profit share impact is Rs.89 (MXN 25). 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 March 31, 2021.

26. Nature of Expense

The following table shows supplemental information related to certain "nature of expense" items for the years ended March 31, 2021, 2020 and 2019:

	For the Year Ended March 31,		
	2021	2020	2019
Employee benefits			
Cost of revenues	Rs. 11,529	Rs. 10,643	Rs. 10,644
Selling, general and administrative expenses	20,052	18,658	18,291
Research and development expenses	4,718	4,501	4,627
	Rs. 36,299	Rs. 33,802	Rs. 33,562
Depreciation			
Cost of revenues	Rs. 6,061	Rs. 6,366	Rs. 6,484
Selling, general and administrative expenses	1,491	1,294	801
Research and development expenses	975	980	1,077
	Rs. 8,527	Rs. 8,640	Rs. 8,362
Amortization			
Cost of revenues	Rs. -	Rs. 175	Rs. 284
Selling, general and administrative expenses	4,171	3,547	3,421
Research and development expenses	98	110	123
	Rs. 4,269	Rs. 3,832	Rs. 3,828

In addition, for details relating to costs of material consumed, refer to Note 10 of these consolidated financial statements.

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27. Operating leases

The Company has leased offices and vehicles under various operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under these leases was Rs.905 for the year ended March 31, 2019.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

	As of March 31,		
	2021	2020	2019
Less than one year	Rs. -	Rs. -	Rs. 405
Between one and five years	-	-	797
More than five years	-	-	89
	Rs. -	Rs. -	Rs. 1,291

Commencing April 1, 2019, upon adoption of IFRS 16, majority of leases for which the Company is a lessee are recognized as a lease liability with corresponding right-of-use assets recognized in the statement of financial position.

Upon adoption of the new standard, a portion of the annual operating lease costs, which was previously fully recognized as a functional expense, is recorded as interest expense.

28. Employee benefits

Total employee benefit expenses, including share-based payments, incurred during the years ended March 31, 2021, 2020 and 2019 amounted to Rs.36,299, Rs.33,802 and Rs.33,562, respectively.

Gratuity benefits provided by the parent company

In accordance with applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Effective September 1, 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 recognized in the income statement for the years ended March 31, 2021, 2020 and 2019 consist of the following:

	For the Year Ended March 31,		
	2021	2020	2019
Current service cost	Rs. 281	Rs. 276	Rs. 265
Interest on defined benefit liability	8	(4)	(2)
Gratuity cost recognized in income statement	Rs. 289	Rs. 272	Rs. 263

Details of the employee benefits obligations and plan assets are provided below:

	As of March 31,	
	2021	2020
Present value of funded obligations	Rs. 2,628	Rs. 2,349
Fair value of plan assets	(1,997)	(2,160)
Net defined benefit liability recognized	Rs. 631	Rs. 189

Details of changes in the present value of defined benefit obligations are as follows:

	As of March 31,	
	2021	2020
Defined benefit obligations at the beginning of the year	Rs. 2,349	Rs. 2,200
Current service cost	281	276
Interest on defined obligations	140	152
Re-measurements due to:		
<i>Actuarial loss/(gain) due to change in financial assumptions</i>	153	(96)
<i>Actuarial loss/(gain) due to demographic assumptions</i>	(26)	(48)
<i>Actuarial loss/(gain) due to experience changes</i>	51	59
Benefits paid	(345)	(194)
Liabilities assumed/(transferred) ⁽¹⁾	25	-
Defined benefit obligations at the end of the year	Rs. 2,628	Rs. 2,349

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28. Employee benefits (continued)

(1) Liabilities assumed/transferred of Rs.25 is comprised of:

- a) Rs.70 increase in liabilities on account of the acquisition of employees pursuant to the Business Transfer Agreement with Wockhardt Limited. Refer to Note 6 of these consolidated financial statements for further details.
- b) Rs.45 transfer of liabilities on account of a 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:

	As of March 31,			
	2021		2020	
Fair value of plan assets at the beginning of the year	Rs.	2,160	Rs.	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) ⁽¹⁾		26		-
Plan assets at the end of the year	Rs.	1,997	Rs.	2,160

(1) Assets acquired/transferred of Rs.26 is comprised of:

- a) Rs.70 increase in assets on account of the acquisition of employees pursuant to the Business Transfer Agreement with Wockhardt Limited. Refer to Note 6 of these consolidated financial statements for further details.
- b) Rs.44 transfer of assets on account of a restructuring of the pharmaceutical services business between the parent company and its subsidiary.

Sensitivity Analysis:

	As of March 31, 2021
Defined benefit obligation without effect of projected salary growth	Rs. 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:

	For the Year Ended March 31,		
	2021	2020	2019
Discount rate	6.00%	6.65%	7.45%
			8% per annum for the first year and 9% per annum thereafter
Rate of compensation increase	8.00%	7.50%	

The assumptions used to determine gratuity cost:

	For the Year Ended March 31,		
	2021	2020	2019
Discount rate	6.65%	7.45%	7.75%
			7% per annum for the first year and 9% per annum thereafter
Rate of compensation increase	7.50%	8% per annum for the first year and 9% per annum thereafter	9% per annum thereafter

Contributions: The Company expects to contribute Rs.317 to the Gratuity Plan during the year ending March 31, 2022.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation as of March 31, 2021 and 2020, by asset category, was as follows:

	As of March 31,	
	2021	2020
Funds managed by insurers	100%	99%
Others	-	1%

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28. Employee benefits (continued)

The expected future cash flows in respect of gratuity as of March 31, 2021 were as follows:

Expected contribution	Amount
During the year ended March 31, 2022 (estimated)	Rs. 317
Expected future benefit payments	
March 31, 2022	452
March 31, 2023	390
March 31, 2024	361
March 31, 2025	339
March 31, 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 recognized in the income statement for the years ended March 31, 2021, 2020 and 2019 consist of the following:

	For the Year Ended March 31,		
	2021	2020	2019
Current service cost	Rs. 13	Rs. 11	Rs. 13
Interest on defined benefit liability	8	16	15
Total cost recognized in income statement	Rs. 21	Rs. 27	Rs. 28

Details of the employee benefits obligations and plan assets are provided below:

	As of March 31,	
	2021	2020
Present value of funded obligations	Rs. 307	Rs. 234
Fair value of plan assets	(169)	(128)
Net defined benefit liability recognized	Rs. 138	Rs. 106

Details of changes in the present value of defined benefit obligations are as follows:

	As of March 31,	
	2021	2020
Defined benefit obligations at the beginning of the year	Rs. 234	Rs. 223
Current service cost	13	11
Interest on defined obligations	21	25
Re-measurements due to:		
<i>Actuarial loss/(gain) due to change in financial assumptions</i>	24	50
<i>Actuarial loss/(gain) due to experience changes</i>	19	(8)
Benefits paid	(32)	(41)
Foreign exchanges differences	28	(26)
Defined benefit obligations at the end of the year	Rs. 307	Rs. 234

Details of changes in the fair value of plan assets are as follows:

	As of March 31,	
	2021	2020
Fair value of plan assets at the beginning of the year	Rs. 128	Rs. 70
Employer contributions	32	113
Interest on plan assets	13	9
Re-measurements due to:		
<i>Return on plan assets excluding interest on plan assets</i>	12	(7)
Benefits paid	(32)	(41)
Foreign exchanges differences	16	(16)
Plan assets at the end of the year	Rs. 169	Rs. 128

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28. Employee benefits (continued)

Sensitivity Analysis:

	As of
	March 31, 2021
Defined benefit obligation without effect of projected salary growth	Rs. 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:

	For the Year Ended March 31,		
	2021	2020	2019
Discount rate	7.75%	8.75%	11.25%
Rate of compensation increase	4.50%	4.50%	4.50%

The assumptions used to determine defined benefit cost:

	For the Year Ended March 31,		
	2021	2020	2019
Discount rate	8.75%	11.25%	9.00%
Rate of compensation increase	4.50%	4.50%	4.50%

Contributions: The Company expects to contribute Rs.36 to Falcon defined benefit plans during the year ending March 31, 2022.

Disaggregation of plan assets: The Falcon pension plan's weighted-average asset allocation as of March 31, 2021 and 2020, by asset category, was as follows:

	As of March 31,	
	2021	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 of March 31, 2021 were as follows:

Expected contribution	Amount
During the year ended March 31, 2022 (estimated)	Rs. 36
Expected future benefit payments	
March 31, 2022	6
March 31, 2023	6
March 31, 2024	12
March 31, 2025	16
March 31, 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 Rs.906, Rs.812 and Rs.740 to the provident fund plan during the years ended March 31, 2021, 2020 and 2019, respectively.

Superannuation benefits

Certain categories of employees of the Company participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. The Company makes monthly contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed Rs.84, Rs.82 and Rs.84 to the superannuation plan during the years ended March 31, 2021, 2020 and 2019, respectively.

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28. Employee benefits (continued)

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 Rs.139, Rs.177 and Rs.213 to the 401(k) retirement savings plan during the years ended March 31, 2021, 2020 and 2019, respectively. The Company has no further obligations under the plan beyond its monthly matching contributions.

In the United Kingdom, certain social security benefits (such as pension, unemployment and disability) are funded by employers and employees through mandatory National Insurance contributions. The contribution amounts are determined based upon the employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed Rs.143, Rs.135 and Rs.148 to the National Insurance during the years ended March 31, 2021, 2020 and 2019, respectively.

Compensated absences

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilized compensated absences and utilize 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 Rs.1,130 and Rs.1,161 as of March 31, 2021 and 2020, respectively.

29. Employee stock incentive plans

Dr. Reddy's Employees Stock Option Scheme, 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 September 24, 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 July 28, 2004 and on July 27, 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., Rs.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 January 29, 2012 by the shareholders at the Company's Annual General Meeting held on July 20, 2012.

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended March 31, 2021 and 2020 is as follows:

Category A — Fair Market Value Options: There was no stock activity under this category during the years ended March 31, 2021 and 2020, and there were no stock options outstanding under this category as of March 31, 2021 and 2020.

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29. Employee stock incentive plans (continued)

Category B — Par Value Options: Stock options activity under this category during the years ended March 31, 2021 and 2020 was as set forth in the below table.

	For the Year Ended March 31, 2021				Weighted average remaining useful life (months)
	Shares arising out of options	Range of exercise prices	Weighted average exercise price		
Category B — Par Value Options					
Outstanding at the beginning of the year	232,837	Rs. 5.00	Rs. 5.00	5.00	69
Granted during the year	92,092	5.00	5.00	5.00	93
Expired/forfeited during the year	(35,646)	5.00	5.00	5.00	-
Exercised during the year	(72,030)	5.00	5.00	5.00	-
Outstanding at the end of the year	217,253	Rs. 5.00	Rs. 5.00	5.00	69
Exercisable at the end of the year	46,130	Rs. 5.00	Rs. 5.00	5.00	44

	For the Year Ended March 31, 2020				Weighted average remaining useful life (months)
	Shares arising out of options	Range of exercise prices	Weighted average exercise price		
Category B — Par Value Options					
Outstanding at the beginning of the year	270,141	Rs. 5.00	Rs. 5.00	5.00	73
Granted during the year	49,796	5.00	5.00	5.00	90
Expired/forfeited during the year	(14,934)	5.00	5.00	5.00	-
Exercised during the year	(72,166)	5.00	5.00	5.00	-
Outstanding at the end of the year	232,837	Rs. 5.00	Rs. 5.00	5.00	69
Exercisable at the end of the year	40,548	Rs. 5.00	Rs. 5.00	5.00	43

The weighted average grant date fair value of options granted during the years ended March 31, 2021 and 2020 was Rs.3,677 and Rs.2,746 per option, respectively. The weighted average share price on the date of exercise of options during the years ended March 31, 2021 and 2020 was Rs.4,565 and Rs.2,681 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended March 31, 2021 and 2020 was Rs.328 and Rs.193, respectively. As of March 31, 2021, options outstanding had an aggregate intrinsic value of Rs.980 and options exercisable had an aggregate intrinsic value of Rs.208.

Dr. Reddy's Employees ADR Stock Option Scheme, 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 July 27, 2005. The DRL 2007 Plan became effective upon its approval by the Board of Directors on January 22, 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., Rs.5 per option).

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29. Employee stock incentive plans (continued)

Stock options activity under the DRL 2007 Plan for the above two categories of options during the years ended March 31, 2021 and 2020 was as follows:

Category A — Fair Market Value Options	For the Year Ended March 31, 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	202,760	Rs.1,982.00 to Rs.2,814.00	Rs.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	Rs.1,982.00 to Rs.3,679.00	Rs.2,791.65	67
Exercisable at the end of the year	69,530	Rs.1,982.00 to Rs.2,814.00	Rs.2,182.21	45
Category A — Fair Market Value Options	For the Year Ended March 31, 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	146,060	Rs.1,982.00/ Rs.2,607.00	Rs.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	Rs.1,982.00 to Rs.2,814.00	Rs.2,353.62	72
Exercisable at the end of the year	35,265	Rs.1,982.00/ Rs.2,607.00	Rs.2,150.81	51

The weighted average grant date fair value of options granted during the years ended March 31, 2021 and 2020 was Rs.1,255 and Rs.993 per option, respectively. The weighted average share price on the date of exercise of options during the year ended March 31, 2021 was Rs.4,506 per share..

The aggregate intrinsic value of options exercised during the year ended March 31, 2021 was Rs.28. As of March 31, 2021, options outstanding had an aggregate intrinsic value of Rs.466 and options exercisable had an aggregate intrinsic value of Rs.120.

Category B — Par Value Options	For the Year Ended March 31, 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	151,583	Rs. 5.00	Rs. 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	Rs. 5.00	Rs. 5.00	71
Exercisable at the end of the year	15,393	Rs. 5.00	Rs. 5.00	41

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29. Employee stock incentive plans (continued)

Category B — Par Value Options	For the Year Ended March 31, 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	115,155	Rs. 5.00	Rs. 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	Rs. 5.00	Rs. 5.00	73
Exercisable at the end of the year	14,166	Rs. 5.00	Rs. 5.00	44

The weighted average grant date fair value of options granted during the years ended March 31, 2021 and 2020 was Rs.3,631 and Rs.2,747, respectively. The weighted average share price on the date of exercise of options during the years ended March 31, 2021 and 2020 was Rs.4,334 and Rs.2,757, respectively.

The aggregate intrinsic value of options exercised during the years ended March 31, 2021 and 2020 was Rs.182 and Rs.93, respectively. As of March 31, 2021, options outstanding had an aggregate intrinsic value of Rs.641 and options exercisable had an aggregate intrinsic value of Rs.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 July 27, 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 of March 31, 2021, the outstanding shares purchased from secondary market are 575,201 shares for an aggregate consideration of Rs.1,967.

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29. Employee stock incentive plans (continued)

Stock option activity under the DRL 2018 Plan during the years ended March 31, 2021 and 2020 was as follows:

Fair Market Value Options	For the Year Ended March 31, 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	375,775	Rs.2,607.00/ Rs.2,814.00	Rs.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	Rs.2,607.00 to Rs.3,679.00	Rs.3,056.51	71
Exercisable at the end of the year	71,225	Rs.2,607.00/ Rs.2,814.00	Rs.2,665.63	51
Fair Market Value Options	For the Year Ended March 31, 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	229,600	Rs.2,607.00	Rs.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	Rs.2,607.00/ Rs.2814.00	Rs.2,697.12	75
Exercisable at the end of the year	53,100	Rs.2,607.00	Rs.2,607.00	53

The weighted average grant date fair value of options granted during the years ended March 31, 2021 and 2020 was Rs.1,255 and Rs.994 per option, respectively. The weighted average share price on the date of exercise of options during the years ended March 31, 2021 and 2020 was Rs.4,609 and Rs.2,914 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended March 31, 2021 and 2020 was Rs.165 and Rs.0.35, respectively. As of March 31, 2021, options outstanding had an aggregate intrinsic value of Rs.563 and options exercisable had an aggregate intrinsic value of Rs.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, 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.

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29. Employee stock incentive plans (continued)

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 recognized in the consolidated income statement 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:

	Grants made on		
	October 27, 2020	May 19, 2020	May 19, 2020
Expected volatility	30.81%	29.12%	30.47%
Exercise price	Rs. 5.00	Rs. 3,679.00	Rs. 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	Rs. 5,009.00	Rs. 3,700.00	Rs. 3,700.00

	Grants made on			
	January 26, 2020	October 31, 2019	May 16, 2019	May 16, 2019
Expected volatility	27.00%	27.10%	28.25%	29.29%
Exercise price	Rs. 3,031.00	Rs. 5.00	Rs. 2,814.00	Rs. 5.00
Option life	5.00 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	Rs. 3,031.00	Rs. 2,783.20	Rs. 2,801.00	Rs. 2,801.00

Share-based payment expense

	For the Year Ended March 31,		
	2021	2020	2019
Equity settled share-based payment expense ⁽¹⁾	Rs. 584	Rs. 521	Rs. 389
Cash settled share-based payment expense ⁽²⁾	157	94	85
	Rs. 741	Rs. 615	Rs. 474

(1) As of March 31, 2021 and 2020, there was Rs.612 and Rs.515, respectively, of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized 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 March 31, 2021 and 2020, there was Rs.126 and Rs.97, respectively of total unrecognized compensation cost related to unvested awards. This cost is expected to be recognized 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.

30. Related parties

The Company has entered into transactions with the following related parties:

- Green Park Hotel and Resorts Limited for hotel services;
- Green Park Hospitality Services Private Limited for catering and other services;
- Dr. Reddy's Foundation towards contributions for social development;
- Kunshan Rotam Reddy Pharmaceuticals Company Limited for sales of goods and for research and development services;
- Pudami Educational Society towards contributions for social development;
- Indus Projects Private Limited for engineering services relating to civil works;
- CERG Advisory Private Limited for professional consulting services;
- Dr. Reddy's Institute of Life Sciences for research and development services;
- AverQ Inc. for professional consulting services;
- Shravya Publications Private Limited for professional consulting services;
- Samarjita Management Consultancy Private Limited for professional consulting services;
- Cancelled Plans LLP for the sale of scrap materials;

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30. Related parties (continued)

- Araku Originals Private Limited for the purchase of coffee powder;
- DRES Energy Private Limited for the purchase of solar power; and
- Stamlo Industries Limited for hotel services.

These are enterprises over which key management personnel have control or significant influence. "Key management personnel" consists of the Company's Directors and members of the Company's Management Council.

The Company has also entered into cancellable operating lease transactions with key management personnel and close members of their families.

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. See Note 28 of these consolidated financial statements for information on transactions between the Company and the Gratuity Fund.

The following is a summary of significant related party transactions:

	For the Year Ended March 31,		
	2021	2020	2019
Research and development services received	Rs. 105	Rs. 105	Rs. 97
Sale of goods	22	14	23
Lease rentals received	1	1	-
Research and development services provided	93	58	103
Lease rentals paid	37	35	35
Catering expenses paid	301	344	270
Hotel expenses paid	8	22	26
Facility management services paid	36	24	-
Purchase of solar power	127	108	-
Civil works	55	101	106
Professional consultancy services paid	30	4	1
Contributions towards social development	232	233	220
Salaries to relatives of key management personnel	8	7	5
Others	-	-*	-

* Rounded to the nearest million.

The Company had the following amounts due from related parties:

	As of March 31,	
	2021	2020
Key management personnel and close members of their families	Rs. 8	Rs. 8
Other related parties	72	68

The Company had the following amounts due to related parties:

	As of March 31,	
	2021	2020
Due to related parties	Rs. 93	Rs. 91

The following table describes the components of compensation paid or payable to key management personnel for the services rendered during the applicable year ended:

	For the Year Ended March 31,		
	2021	2020	2019
Salaries and other benefits	Rs. 803	Rs. 684	Rs. 668
Contributions to defined contribution plans	34	34	35
Commission to directors	301	298	243
Share-based payments expense	259	165	99
	Rs. 1,397	Rs. 1,181	Rs. 1,045

Some of the key management 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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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31. Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments as of March 31, 2021 and 2020, respectively were as follows:

	As of March 31, 2021		As of March 31, 2020	
	Total carrying value	Total fair value	Total carrying value	Total fair value
Assets:				
Cash and cash equivalents	Rs. 14,829	Rs. 14,829	Rs. 2,053	Rs. 2,053
Other investments ⁽¹⁾	24,702	24,702	24,015	24,015
Trade and other receivables	49,759	49,759	52,015	52,015
Derivative financial instruments	1,218	1,218	1,105	1,105
Other assets ⁽²⁾	2,626	2,626	4,170	4,170
Total	Rs. 93,134	Rs. 93,134	Rs. 83,358	Rs. 83,358
Liabilities:				
Trade and other payables	Rs. 23,744	Rs. 23,744	Rs. 16,659	Rs. 16,659
Derivative financial instruments	326	326	1,602	1,602
Long-term borrowings	7,163	7,163	5,570	5,570
Short-term borrowings	23,136	23,136	16,441	16,441
Bank overdraft	9	9	91	91
Other liabilities and provisions ⁽³⁾	23,233	23,233	25,317	25,317
Total	Rs. 77,611	Rs. 77,611	Rs. 65,680	Rs. 65,680

(1) Interest accrued but not due on investments is included in other assets.

(2) Other assets that are not financial assets (such as receivables from statutory authorities, export benefit receivables, prepaid expenses, advances paid and certain other receivables) of Rs.12,717 and Rs.10,476 as of March 31, 2021 and 2020, respectively, are not included.

(3) Amounts as of March 31, 2021 includes contingent consideration of Rs.420 pursuant to the Business Transfer Agreement with Wockhardt Limited (Refer to Note 6 for details).

Other liabilities and provisions that are not financial liabilities (such as statutory dues payable, deferred revenue, advances from customers and certain other accruals) of Rs.13,091 and Rs.10,725 as of March 31, 2021 and 2020, respectively, are not included.

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 March 31, 2021:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	Rs. 13,263	Rs. -	Rs. -	Rs. 13,263
FVTPL - Financial asset - Investment in limited liability partnership firm	-	-	400	400
FVTPL - Financial asset - Investments in equity securities	-	-	1	1
FVTOCI - Financial asset - Investments 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 to Note 6 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 March 31, 2020:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	Rs. 13,832	Rs. -	Rs. -	Rs. 13,832
FVTPL - Financial asset - Investments in equity securities	-	-	1	1
FVTOCI - Financial asset - Investments in equity securities	303	-	-	303
FVTOCI - Financial asset - Investments 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)

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31. Financial instruments (continued)

(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 of March 31, 2021 and 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 recognized at fair value.

Derivative financial instruments

The Company had a derivative financial asset and derivative financial liability of Rs.1,218 and Rs.326, respectively, as of March 31, 2021, as compared to derivative financial asset and derivative financial liability of Rs.1,105 and Rs.1,602, respectively, as of March 31, 2020, towards these derivative financial instruments.

Details of gain/(loss) recognized in respect of derivative contracts

The following table presents details in respect of the gain/(loss) recognized in respect of derivative contracts during the applicable year ended:

	For the Year Ended March 31,					
	2021		2020		2019	
Net gain/(loss) recognized in finance costs in respect of foreign exchange derivative contracts and cross currency interest rate swaps contracts	Rs.	2,619	Rs.	155	Rs.	(257)
Net gain/(loss) recognized in equity in respect of hedges of highly probable forecast transactions, net of amounts reclassified from equity and recognized as component of revenue		1,123		(951)		180
Net gain/(loss) reclassified from equity and recognized as component of revenue occurrence of forecasted transaction		340		(50)		(524)

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a gain of Rs.401 as of March 31, 2021, as compared to a loss of Rs.722 as of March 31, 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 March 31, 2021.

Category	Instrument	Currency⁽¹⁾	Cross Currency⁽¹⁾	Amounts	Buy/Sell
Hedges of recognized 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	U.S.\$	INR	U.S.\$ 353	Sell
	Forward contract	U.S.\$	MXN	U.S.\$ 10	Buy
	Forward contract	U.S.\$	UAH	U.S.\$ 14	Buy
	Forward contract	ZAR	INR	ZAR 111	Sell
	Forward contract	U.S.\$	RUB	U.S.\$ 2	Buy
	Forward contract	U.S.\$	RON	U.S.\$ 12	Buy
	Forward contract	U.S.\$	AUD	U.S.\$ 3	Buy
	Forward contract	GBP	U.S.\$	GBP 48	Buy
	Forward contract	EUR	GBP	EUR 1	Sell
	Forward contract	EUR	U.S.\$	EUR 16	Buy
	Forward contract	CHF	U.S.\$	CHF200	Buy
	Forward contract	U.S.\$	KZT	U.S.\$ 4	Buy
	Forward contract	U.S.\$	CLP	U.S.\$ 3	Buy
	Forward contract	U.S.\$	COP	U.S.\$ 4	Buy
	Forward contract	U.S.\$	BRL	U.S.\$ 4	Buy
Forward contract	U.S.\$	KZT	U.S.\$ 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	U.S.\$	INR	U.S.\$ 645	Sell - Risk Reversal
	Forward contract	ZAR	INR	ZAR 148	Sell

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31. Financial instruments (continued)

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of March 31, 2020.

Category	Instrument	Currency ⁽¹⁾	Cross Currency ⁽¹⁾	Amounts	Buy/Sell
Hedges of recognized assets and liabilities	Forward contract	U.S.\$	INR	U.S.\$ 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	U.S.\$	CHF 200	Buy
	Forward contract	EUR	GBP	EUR 3	Sell
	Forward contract	EUR	U.S.\$	EUR 6	Buy
	Forward contract	GBP	U.S.\$	GBP 38	Buy
	Forward contract	U.S.\$	AUD	U.S.\$ 5	Buy
	Forward contract	U.S.\$	BRL	U.S.\$ 6	Buy
	Forward contract	U.S.\$	CLP	U.S.\$ 4	Buy
	Forward contract	U.S.\$	COP	U.S.\$ 4	Buy
	Forward contract	U.S.\$	KZT	U.S.\$ 11	Buy
	Forward contract	U.S.\$	MXN	U.S.\$ 2	Buy
	Forward contract	U.S.\$	RON	U.S.\$ 7	Buy
	Forward contract	U.S.\$	RUB	U.S.\$ 6	Buy
Forward contract	U.S.\$	UAH	U.S.\$ 19	Buy	
Forward contract	U.S.\$	INR	U.S.\$ 140	Sell	
Hedges of highly probable forecast transactions	Option contract	U.S.\$	INR	U.S.\$ 270	Sell

(1) "INR" means Indian rupees, "U.S.\$" means United States dollars, "RON" means Romanian new leus, "GBP" means U.K. pounds sterling, "AUD" means Australian dollars, "CHF" means Swiss francs, "ZAR" means South African rands, "EUR" means Euros, "BRL" means Brazilian reals, "CLP" means Chilean pesos, "COP" means Colombian pesos, "KZT" means Kazakhstan tenges, "MXN" means Mexican pesos, "UAH" means Ukrainian hryvnias and "RUB" means Russian roubles.

The table below summarizes the periods when the cash flows associated with highly probable forecast transactions that are classified as cash flow hedges are expected to occur:

	As of March 31,	
	2021	2020
Cash flows in U.S dollars		
Not later than one month	Rs. 3,656	Rs. 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
	Rs. 47,156	Rs. 20,430
Cash flows in Russian roubles		
Not later than one month	Rs. 437	Rs. -
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	-
	Rs. 6,651	Rs. -
Cash flows in Australian dollars		
Not later than one month	Rs. 46	Rs. -
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	-
	Rs. 555	Rs. -
Cash flows in South African rands		
Not later than one month	Rs. 61	Rs. -
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	-
	Rs. 728	Rs. -

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31. Financial instruments (continued)

Hedges of changes in the interest rates:

Consistent with its risk management policy, the Company uses interest rate swaps (including cross currency interest rate swaps) to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

A net gain/(loss) of Rs.Nil for each of the years ended March 31, 2021, 2020 and 2019, representing the changes in the fair value of interest rate swaps used as hedging instrument in a cash flow hedge is recognized in the statement of comprehensive income. For balance interest rate swaps, the changes in fair value (including cross currency interest rate swaps) are recognized as part of the finance costs. Accordingly the Company has recorded, as part of finance cost, a net gain of Rs.164, a net gain of Rs.33 and a net loss of Rs.-* for the years ended March 31, 2021, 2020 and 2019 respectively.

The Company had outstanding cross currency swap against INR borrowing of Rs.7,240 and Rs.Nil as of March 31, 2021 and 2020, respectively. The swap hedges the principal repayment of underlying INR liability and transforms it into U.S.\$ principal repayment liability.

* Rounded to nearest million.

32. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize 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 analyze 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 is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, U.K. 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 U.S. 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 recognized assets and liabilities.

The details in respect of the outstanding foreign exchange forward and option contracts are given in Note 31 to these consolidated financial statements.

In respect of the Company's forward and option contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- a Rs.4,824/(4,195) increase/(decrease) in the Company's hedging reserve and a Rs.2,658/(2,658) increase/(decrease) in the Company's profit from such contracts, as of March 31, 2021;
- a Rs.1,203/(1,740) increase/(decrease) in the Company's hedging reserve and a Rs.2,070/(1,745) increase/(decrease) in the Company's profit from such contracts, as of March 31, 2020; and
- a Rs.1,872/(1,349) increase/(decrease) in the Company's hedging reserve and a Rs.1,789/(1,873) increase/(decrease) in the Company's profit from such contracts, as of March 31, 2019.

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32. Financial risk management (continued)

The following table analyzes foreign currency risk from non-derivative financial instruments as of March 31, 2021:

	U.S. dollars		Euro		Russian roubles		Others ⁽¹⁾		Total	
Assets:										
Cash and cash equivalents	Rs.	12,643	Rs.	129	Rs.	30	Rs.	92	Rs.	12,894
Other investments		24		-		-		-		24
Trade and other receivables		30,247		841		721		101		31,910
Other assets		184		20		3		16		223
Total	Rs.	43,098	Rs.	990	Rs.	754	Rs.	209	Rs.	45,051
Liabilities:										
Trade and other payables	Rs.	4,207	Rs.	1,270	Rs.	-*	Rs.	210	Rs.	5,687
Long-term borrowings		2,216		52		18		43		2,329
Short-term borrowings		3,657		-		3,717		-		7,374
Other liabilities and provisions		4,665		65		81		292		5,103
Total	Rs.	14,745	Rs.	1,387	Rs.	3,816	Rs.	545	Rs.	20,493

The following table analyzes foreign currency risk from non-derivative financial instruments as of March 31, 2020:

	U.S. dollars		Euro		Russian roubles		Others ⁽¹⁾		Total	
Assets:										
Cash and cash equivalents	Rs.	365	Rs.	43	Rs.	4	Rs.	135	Rs.	547
Other investments		24		-		-		-		24
Trade and other receivables		31,931		705		989		317		33,942
Other assets		921		15		3		153		1,092
Total	Rs.	33,241	Rs.	763	Rs.	996	Rs.	605	Rs.	35,605
Liabilities:										
Trade and other payables	Rs.	1,857	Rs.	525	Rs.	-*	Rs.	73	Rs.	2,455
Long-term borrowings		4,401		2		3		77		4,483
Short-term borrowings		7,316		-		-		-		7,316
Other liabilities and provisions		5,534		60		52		400		6,046
Total	Rs.	19,108	Rs.	587	Rs.	55	Rs.	550	Rs.	20,300

* Rounded to the nearest million.

(1) Others primarily consists of U.K. pounds sterling, Swiss francs, Romanian new leus, Chinese yuans (Renminbi), Canadian dollars and Ukrainian hryvnia.

For the years ended March 31, 2021 and 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 Rs.2,456 and Rs.1,531, respectively.

Interest rate risk

As of March 31, 2021, the Company had loans with floating interest rates as follows: Rs.8,800 of loans carrying a floating interest rate of the 3 Months India Treasury Bill plus 30 bps and Rs.1,896 of loans carrying a floating interest rate of TIEE+1.20%.

As of March 31, 2020, the Company had loans with floating interest rates as follows: Rs.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; Rs.4,000 of loans carrying a floating interest rate of 1 Month India Treasury Bill plus 60 bps; Rs.1,627 of loans carrying a floating interest rate of 3 Month LIBOR plus 55 bps; Rs.1,579 of loans carrying a floating interest rate of TIEE+1.25%; and Rs.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 to Note 17 of these consolidated financial statements.

For the years ended March 31, 2021, 2020 and 2019, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR, JIBAR, Indian Treasury Bill and TIEE) applicable to its loans and borrowings would affect the Company's net profit by Rs.37, Rs.41 and Rs.93, respectively.

The carrying value of the Company's borrowings, interest component of which was designated in a cash flow hedge, was Rs.Nil as of March 31, 2021 and 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.

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32. Financial risk management (continued)

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 cost of revenues. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of March 31, 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 of March 31, 2021. The Company's credit period for trade and other receivables payable by its customers generally ranges from 20 - 180 days.

The aging of trade and other receivables is given below:

Particulars	As of March 31,	
	2021	2020
Neither past due nor impaired	Rs. 41,350	Rs. 45,864
Past due but not impaired		
Less than 365 days	8,598	6,305
More than 365 days	1,107	1,048
	Rs. 51,055	Rs. 53,217
Less : Allowance for credit losses	(1,296)	(1,202)
Total	Rs. 49,759	Rs. 52,015

See Note 9 of these consolidated financial statements for the activity in the allowance for credit losses on trade and other receivables.

Other than trade and other 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 March 31, 2021 and 2020, the Company had uncommitted lines of credit from banks of Rs.38,766 and Rs.39,374, respectively.

As of March 31, 2021, the Company had working capital of Rs.66,626 (excluding assets held for sale of Rs.151), including cash and cash equivalents of Rs.14,829, investments in term deposits with banks and bonds of Rs.6,481 and investments in units of mutual funds of Rs.13,263.

As of March 31, 2020, the Company had working capital of Rs.57,556, including cash and cash equivalents of Rs.2,053, investments in term deposits with banks, bonds and commercial paper of Rs.7,862, investments in marked linked debentures of Rs.1,993 and investments in units of mutual funds of Rs.13,832.

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32. Financial risk management (continued)

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 17 to these consolidated financial statements) as of March 31, 2021:

Particulars	2022		2023		2024		2025		Thereafter		Total
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.
Trade and other payables	23,744		-		-		-		-		23,744
Bank overdraft, short-term borrowings	23,145		-		-		-		-		23,145
Derivative financial instruments	326		-		-		-		-		326
Other liabilities and provisions	22,507		-		-		-		726		23,233

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 17 to these consolidated financial statements) as of March 31, 2020:

Particulars	2021		2022		2023		2024		Thereafter		Total
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.
Trade and other payables	16,659		-		-		-		-		16,659
Bank overdraft, short-term borrowings	16,532		-		-		-		-		16,532
Derivative financial instruments	1,602		-		-		-		-		1,602
Other liabilities and provisions	24,566		-		-		-		751		25,317

33. Contingencies

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 judgments against the Company, such judgments could be material to its results of operations in a given period.

Product and patent related matters

Launch of product

On June 14, 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 favorable 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 June 14, 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).

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 June 15, 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 July 14, 2018, the New Jersey District Court granted a preliminary injunction in favor of Indivior. Under the order, Indivior was required to and did post a bond of U.S.\$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 November 20, 2018, the Court of Appeals issued a decision vacating the preliminary injunction. The Court of Appeals denied Indivior's petition for rehearing on February 4, 2019.

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33. Contingencies (continued)

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 February 19, 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 February 19, 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 November 5, 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 January 8, 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 judgment in the Company's favor relating to the allegations of infringement of U.S. patent number 9,931,305, which the District Court denied without prejudice on August 24, 2020, pending resolution of Indivior's allegations relating to U.S. patent number 9,687,454.

On November 11, 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 August 24, 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 January 29, 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 March 24, 2021. Expert discovery is scheduled to close on or around September 1, 2021.

In addition to the District Court proceeding, on November 13, 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 June 13, 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 March 3, 2020.

On June 2, 2020, the PTAB issued a final written decision in the Company's favor 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 December 9, 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 February 18, 2021 and Indivior submitted its response and reply brief on March 30, 2021. The Company's reply brief was submitted on April 20, 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 favor 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 March 31, 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 Rs.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 Rs.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 Rs.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.

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33. Contingencies (continued)

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 July 20, 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 September 30, 2016, the Supreme Court dismissed the Special Leave Petition pertaining to the fixing of prices for Norfloxacin formulations.

During the three months ended December 31, 2016, a writ petition pertaining to Norfloxacin was filed by the Company with the Delhi High Court. The matter has been adjourned to July 29, 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 September 26, 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 October 25, 2016, the IPA filed a Special Leave Petition with the Supreme Court, which was dismissed by the Supreme Court.

During the three months ended December 31, 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 March 20, 2017, the IPA filed an application before the Bombay High Court for the recall of the judgment of the Bombay High Court dated September 26, 2016. This recall application filed by the IPA was dismissed by the Bombay High Court on October 4, 2017. Further, on December 13, 2017, the IPA filed a Special Leave Petition with the Supreme Court for the recall of the judgment of the Bombay High Court dated October 4, 2017, which was dismissed by Supreme Court on January 10, 2018.

During the three months ended March 31, 2017, the NPPA issued notices to the Company demanding payments relating to the foregoing products for the allegedly overcharged amounts, along with interest. On July 13, 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 July 21, 2017. On July 27, 2017, the NPPA passed a speaking order along with the demand notice directing the Company to pay an amount of Rs.776. On August 3, 2017, the Company filed a writ petition challenging the speaking order and the demand notice. Upon hearing the matter on August 8, 2017, the Delhi High Court stayed the operation of the demand order and directed the Company to deposit Rs.100 and furnish a bank guarantee for Rs.676. Pursuant to the order, the Company deposited Rs.100 on September 13, 2017 and submitted a bank guarantee of Rs.676 dated September 15, 2017 to the Registrar General, Delhi High Court. On November 22, 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 May 10, 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 August 3, 2021 for hearing.

Based on its best estimate, the Company has recorded a provision of Rs.310 under "Selling, general and administrative 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 April 30, 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 August 14, 2008 through June 1, 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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33. Contingencies (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 November 10, 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 February 23, 2016 in the form of a motion to dismiss for failure to state a claim upon which relief can be granted. On March 26, 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 March 29, 2017, the plaintiffs filed their final amended FCA Complaint, which the Company opposed and during the three months ended March 31, 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 January 18, 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 U.S.\$5 (Rs.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 March 31, 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 August 23, 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 U.S.\$0.4. The Company paid that amount into escrow. The Court preliminarily approved the settlement on October 5, 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 recognized such amount in the income statement for the three months ended September 30, 2020.

On November 5, 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 April 14, 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 November 30, 2015.

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33. Contingencies (continued)

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.

Ranitidine recall and litigation

On October 1, 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 November 1, 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 April 1, 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 December 31, 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 March 24, 2021. The briefings and arguments as to the latest round of motions to dismiss were completed and the parties 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 April 16, 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-2924 and subsequently was remanded to the Circuit Court of Maryland by the MDL-2924 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 May 7, 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 December 30, 2015 and on February 4, 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 September 25, 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.

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33. Contingencies (continued)

Further, on November 17, 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 these consolidated financial statements of the Company.

United States Antitrust Multi-District Litigations

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 October 30, 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 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 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 November 17, 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.

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c) Pravastatin Antitrust Class Action Cases Filed by Direct Payor Plaintiffs, End Payor Plaintiffs and Indirect Reseller Plaintiffs Classes:

Since November 17, 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.

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 January 22, 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 August 3, 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 December 15, 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, metoprolol 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 September 25, 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.

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h) Antitrust Case Filed by United Healthcare Services, Inc.:

On January 16, 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 July 19, 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 December 12, 2019, an Order of the Court of Common Pleas placed the matter "in Deferred Status Pending Further Developments in Related Federal Multidistrict Litigation." Because no Complaint has been filed setting forth any claims, and because the action has been placed into Deferred Status, no response is required by the Company's subsidiary at this time.

j) Antitrust Case Filed by United Healthcare Services, Inc.:

On October 11, 2019, United Healthcare Services, Inc. filed a second complaint (which substantially tracks the second complaint filed by the State Attorneys General on May 10, 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 December 19, 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, fluconazole, glimepiride, oxaprozine, paricalcitol, ranitidine HCL and tizanidine. The Company denies any wrongdoing and intends to vigorously defend against these claims.

On December 19, 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.

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l) Antitrust Case Filed by Fourteen New York State Counties:

On December 19, 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 December 11, 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 December 15, 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, metoprolol 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.

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 December 16, 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 December 27, 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 December 15, 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, metoprolol 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 County, Texas:

On March 1, 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-2724 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.

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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 Praecepte For a Writ of Summons Filed by 7 End Payor Entities consisting of Blue Cross Blue Shield entities and other health insurance companies:

On May 6, 2020, a Praecepte 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 Praecepte 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 June 9, 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 December 15, 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.

s) Antitrust Case Filed by Rite Aid Corporation and Rite Aid Hdqtrs. Corp.:

On July 9, 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 December 15, 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 August 27, 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 September 4, 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.

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33. Contingencies (continued)

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 December 11, 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 December 15, 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 December 15, 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.

Note on Antitrust Complaints

The Company believes that the aforesaid asserted claims in subsections a) through 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 June 3, 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 January 1, 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 January 15, 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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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33. Contingencies (continued)

Civil litigation with Mezzion

On January 13, 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 these consolidated financial statements of the Company.

Civil Litigation and Arbitration with Hatchtech Pty Limited

On September 7, 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 U.S.\$20 NDA approval milestone payment, a U.S.\$25 ovidical label approval milestone payment, and certain net sales milestone payments.

On July 24, 2020, the Company received the NDA approval from the U.S. FDA for the Xeglyze® product.

On September 25, 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 October 8, 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 U.S.\$20 for the NDA approval milestone and U.S.\$25 for the ovidical label approval milestone.

On January 25, 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 U.S.\$20 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 June 14, 2021, the Company received the arbitration decision and award issued by the AAA-ICDR in favor of Hatchtech in an amount of U.S.\$46.25 towards milestone payments, interest and fees.

As this constitutes an adjusting subsequent event, the consolidated financial statements for the year ended March 31, 2021 were adjusted to reflect the impact of this event by recognizing the balance amount of U.S.\$26.25 in the consolidated income statement.

Of the total amount of U.S.\$46.25 awarded to Hatchtech, the amount of U.S.\$45 (Rs.3,291) was recognized in the consolidated income statement under the heading "Impairment of non-current assets" and the balance of U.S.\$1.25 (Rs.91) was recognized under the heading, "Selling, general and administrative expenses".

Securities Class Action Litigation

On August 25, 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 May 9, 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 June 25, 2018, the plaintiffs filed an opposition to the motion to dismiss and, on July 25, 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 March 21, 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.

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33. Contingencies (continued)

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 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 U.S.\$9.

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, 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.

As the Company is adequately insured with respect to the aforesaid liability, the settlement did not have any impact on the Company's consolidated income statement for the year ended March 31, 2020.

The amount payable to the plaintiffs on account of the settlement and the corresponding receivable from the insurer have been presented under "other current assets" and "other current liabilities", respectively, in the consolidated statement of financial position of the Company as of March 31, 2020.

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 transfer of funds to the final escrow account constitutes settlement of liability, the amount of liability has been derecognized during the three months ended March 31, 2021.

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 U.S. 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 U.S. 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.

Other matters

Civil Investigative Demand from the Office of the Attorney General, State of Texas

On or about November 10, 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 January 1, 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 November 3, 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 July 18, 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 July 6, 2016 and August 7, 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 May 15, 2018, another subpoena was served on Dr. Reddy's Laboratories, Inc. by the DOJ (False Claims Division) seeking similar information. The Company has been cooperating, and intends to continue to fully cooperate, with these inquiries.

Civil Investigative Demand from Civil Division of the DOJ

On May 15, 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.

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33. Contingencies (continued)

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 Rs.0.0013 per acre for dry land and Rs.0.0017 per acre for wet land. Accordingly, the Company has paid a total compensation of Rs.3. The Andhra Pradesh High Court disposed of the writ petition on February 12, 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 October 30, 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 judgment dated October 24, 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 judgment on various aspects.

The NGT, Delhi, in a judgment dated November 16, 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 judgment.

The High Court of Hyderabad heard the Company's appeal challenging this judgment in July 2018 and directed the respondents to file their response within a period of four weeks. During the three months ended September 30, 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 October 25, 2018 and has been adjourned for further hearing.

On April 24, 2019, based upon the judgment of the NGT, Chennai dated October 24, 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., March 31, 2019. Accordingly, the Company made a provision of Rs.29.4, representing the probable cost of expansion, during the year ended March 31, 2019.

During the three months ended September, 2019, the Telangana State Pollution Control Board ("TSPCB") has issued Operational Guidelines basis the NGT, Chennai Order dated October 24, 2017, G.O.Ms. No. 24 dated April 24, 2019 and G.O.Ms. No. 31 dated May 24, 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 August 3, 2019 issued by TSPCB under the guise of G.O.Ms No. 24 dated April 24, 2019 and G.O.Ms No. 31 dated May 24, 2019 and basis the judgment of NGT, Chennai dated October 24, 2017 for the fiscal years 2015-2016 to 2018-2019 received by CTO-1, CTO-2 and CTO-3 of the Company.

On November 22, 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 Rs.60 as the remediation fee for the fiscal year 2018-2019 payable in the fiscal year 2019-2020. The deposit of Rs.60 was made and the Interim Order is continuing. The matter was adjourned to April 22, 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 March 31, 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.

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33. Contingencies (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 July 25, 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.

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 April 1, 2008 to March 31, 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 April 1, 2008 to March 31, 2013 is Rs.482. After taking into account all of the available information and legal provisions, the Company has recorded Rs.219 as the potential liability towards FSA charges.

However, the Company has paid, under protest, an amount of Rs.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 June 30, 2016, the Supreme Court of India dismissed the Special Leave Petition filed by the Company in this regard for the period from April 1, 2012 to March 31, 2013. As a result, for the quarter ended June 30, 2016, the Company recognized an expenditure of Rs.55 (by de-recognizing the payments under protest) representing the FSA charges for the period from April 1, 2012 to March 31, 2013.

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	Rs.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	Rs.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 March 31, 2010.
April 2011 to March 2014	Rs.27 plus 10% penalty	The Appellate Deputy Commissioner issued an order partially in favor of the Company

The Company has recorded a provision of Rs.51 as of March 31, 2021 and believes that the likelihood of any further liability that may arise on account of the ongoing litigation is not probable.

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33. Contingencies (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 Rs.307. The Company has received order dropping the demand.

The Company has recorded a provision of Rs.31 as of March 31, 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 Rs.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 March 31, 2021.

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.

34. Collaboration, License and Option Agreement with Curis, Inc.

On January 18, 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 commercialize 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 commercialization 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 recognized 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:

	Number of Curis shares (pre-split)	Fair value
Pursuant to the collaboration agreement dated January 18, 2015	17.1 million	Rs.1,452 (U.S.\$23.5)
Pursuant to an amendment to collaboration agreement dated September 7, 2016 (Common stock in lieu of receiving up to U.S.\$24.5 of milestone and other payments)	10.2 million	Rs.1,247 (U.S.\$18.8)

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.

The following table is a summary of the details of cost, fair value, and the amount recognized in OCI of the fair value changes:

	As of March 31, 2021		
	Cost	Unrealized gain	Fair value
Received on January 18, 2015	Rs. 1,452	Rs. 1,382	Rs. 2,834
Received on September 7, 2016	1,247	442	1,689
	Rs. 2,699	Rs. 1,824	Rs. 4,523

35. Merger of Dr. Reddy's Holdings Limited into Dr. Reddy's Laboratories Limited

The Board of Directors, at its meeting held on July 29, 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 ("NCLT") 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 authorized 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 March 31, 2020, the Scheme 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 April 20, 2021, and the Hon’ble NCLT reserved the issuance of an order pending its review and further analysis of the matter.

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36. Secondary listing of the Company's ADR on NSE IFSC Limited

The Company completed the secondary listing of its American Depositary Receipts ("ADRs") on NSE IFSC Limited under the symbol 'DRREDDY' on December 9, 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 Depositary Receipts can be listed in India. This listing provides 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.

37. 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 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.

38. Update on Cyber Incident

On October 22, 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.

39. 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.

40. Update on the warning letter from the U.S. FDA

The Company received a warning letter dated November 5, 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.

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40. Update on the warning letter from the U.S. FDA (continued)

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 January 28, 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 the 2015 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.

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40. Update on the warning letter from the U.S. FDA (continued)

Month and year	Unit	Details of observations
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 March 31, 2021.

41. Subsequent events

Please refer to Notes 6, 20 and 33 of these consolidated financial statements for the details of subsequent events relating to the business transfer agreement with Wockhardt Limited, proposed dividend and contingencies, respectively.

On June 3, 2021, the Company allotted 43,083 equity shares to various employees with an exercise price of Rs.5 each (34,610 equity shares for Rs.5 each pursuant to the DRL 2002 Plan and 8,473 equity shares for Rs.5 each underlying 8,473 ADRs pursuant to the DRL 2007 plan).

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42. Organizational structure

Dr. Reddy's Laboratories Limited is the parent company. Tabulated below is the list of subsidiaries and joint ventures as of March 31, 2021:

Name of the subsidiary/joint venture	Country of Incorporation	Percentage of Direct/Indirect Ownership Interest
Aurigene Discovery Technologies (Malaysia) Sdn. Bhd.	Malaysia	100% ⁽³⁾
Aurigene Discovery Technologies, Inc.	U.S.A.	100% ⁽³⁾
Aurigene Discovery Technologies Limited	India	100%
Aurigene Pharmaceutical Services Limited (from September 16, 2019)	India	100% ⁽³⁾
beta Institut gemeinnützige GmbH	Germany	100% ⁽⁸⁾
betapharm Arzneimittel GmbH	Germany	100% ⁽⁸⁾
Cheminor Investments Limited	India	100%
Cheminor Employees Welfare Trust	India	Refer to below footnote ⁽¹⁶⁾
Chirotech Technology Limited	United Kingdom	100% ⁽²⁾⁽⁵⁾
Dr. Reddy's Research Foundation	India	Refer to below footnote ⁽¹⁶⁾
Dr. Reddy's Employees ESOS Trust (from July 27, 2018)	India	Refer to below footnote ⁽¹⁶⁾
Dr. Reddy's Farmaceutica Do Brasil Ltda.	Brazil	100%
Dr. Reddy's Laboratories (EU) Limited	United Kingdom	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories (Proprietary) Limited	South Africa	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories (UK) Limited	United Kingdom	100% ⁽⁵⁾
Dr. Reddy's Laboratories Canada, Inc.	Canada	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Chile SPA.	Chile	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories, Inc.	U.S.A.	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Japan KK	Japan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Kazakhstan LLP	Kazakhstan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Louisiana, LLC	U.S.A.	100% ⁽⁶⁾
Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	Malaysia	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories New York, LLC	U.S.A.	100% ⁽¹⁾
Dr. Reddy's Laboratories Philippines Inc. (from May 9, 2018)	Philippines	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Romania S.R.L.	Romania	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories SA	Switzerland	100%
Dr. Reddy's Laboratories Taiwan Limited	Taiwan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories (Thailand) Limited (from June 13, 2018)	Thailand	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories, LLC	Ukraine	100% ⁽¹⁰⁾
Dr. Reddy's New Zealand Limited	New Zealand	100% ⁽¹⁰⁾
Dr. Reddy's S.R.L.	Italy	100% ⁽¹¹⁾
Dr. Reddy's Bio-Sciences Limited	India	100%
Dr. Reddy's Laboratories (Australia) Pty. Limited	Australia	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories S.A.S.	Colombia	100% ⁽¹⁰⁾
Dr. Reddy's Research and Development B.V. (formerly Octoplus B.V.)	Netherlands	100% ⁽¹²⁾
Dr. Reddy's Venezuela, C.A.	Venezuela	100% ⁽¹⁰⁾
Dr. Reddy's (WUXI) Pharmaceutical Company Limited	China	100% ⁽¹⁰⁾
Dr. Reddy's (Beijing) Pharmaceutical Co. Limited (from August 19, 2020)	China	100% ⁽¹⁰⁾
DRANU LLC	U.S.A.	50% ⁽¹⁴⁾⁽¹⁷⁾
DRES Energy Private Limited	India	26% ⁽¹⁵⁾
DRL Impex Limited	India	100% ⁽¹³⁾
Dr. Reddy's Laboratories B.V. (formerly Eurobridge Consulting B.V.)	Netherlands	100% ⁽¹²⁾
Dr. Reddy's Formulations Limited (from March 11, 2021)	India	100%
Idea2Enterprises (India) Private Limited	India	100%
Imperial Credit Private Limited	India	100%
Industrias Químicas Falcon de Mexico, S.A. de CV	Mexico	100%
Kunshan Rotam Reddy Pharmaceutical Co. Limited	China	51.33% ⁽⁴⁾
Lacock Holdings Limited	Cyprus	100% ⁽¹⁰⁾
OOO Dr. Reddy's Laboratories Limited	Russia	100% ⁽¹⁰⁾
OOO DRS LLC	Russia	100% ⁽⁹⁾
Promius Pharma, LLC	U.S.A.	100% ⁽⁶⁾
Reddy Holding GmbH	Germany	100% ⁽¹⁰⁾
Reddy Netherlands B.V.	Netherlands	100% ⁽¹⁰⁾
Reddy Pharma Iberia S.A.U.	Spain	100% ⁽¹⁰⁾
Reddy Pharma Italia S.R.L.	Italy	100% ⁽⁷⁾
Reddy Pharma SAS	France	100% ⁽¹⁰⁾

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42. Organizational structure (continued)

Name of the subsidiary/joint venture	Country of Incorporation	Percentage of Direct/Indirect Ownership Interest
Svaas Wellness Limited (formerly Regkinetics Services Limited)	India	100%

- (1) Indirectly owned through Dr. Reddy's Laboratories, Inc. (from October 29, 2020), formerly a subsidiary of Dr. Reddy's Laboratories SA. Also, conversion from corporation to limited liability company is effective October 30, 2020.
- (2) Entity 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 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.
- (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) Indirectly owned through Idea2Enterprises (India) Pvt. Limited.
- (14) DRANU LLC is consolidated in accordance with guidance available in IFRS 10, "Consolidated Financial Statements".
- (15) Accounted in accordance with IFRS 11, "Joint Arrangements".
- (16) The Company does not have any equity interests in this entity, but has significant influence or control over it.
- (17) Pursuant to the sale of the membership interests in DRANU, LLC, it ceased to be a joint venture effective March 31, 2021.

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ITEM 19. EXHIBITS

Exhibit Number	Description of Exhibits	Footnotes
1.1	Memorandum and Articles of Association of the Registrant dated February 4, 1984.	(1)(3)(4)
1.2	Certificate of Incorporation of the Registrant dated February 24, 1984.	(1)(3)
1.3	Amended Certificate of Incorporation of the Registrant dated December 6, 1985.	(1)(3)
1.4	Amendment to Memorandum and Articles of Association of the Registrant dated June 12, 2009 (regarding an increase in our authorized share capital pursuant to the amalgamation of Perlecan Pharma Private Limited into Dr. Reddy's Laboratories Limited, its parent company).	(5)
1.5	Amendment to Memorandum and Articles of Association of the Registrant dated July 19, 2010 Order of the Hon'bl High Court of Andhra Pradesh, India dated July 19, 2010 (regarding Amendment to Memorandum and Articles of Association of the Registrant and capitalization or utilization of undistributed profit or retained earnings or security premium account or any other reserve or fund in connection with our bonus debentures).	(7)
1.6	Amended and Restated Articles of Association of the Registrant dated September 17, 2015.	(8)
2.1	Form of Deposit Agreement, including the form of American Depositary Receipt, among Registrant, Morgan Guaranty Trust Company as Depositary, and holders from time to time of American Depositary Receipts Issued there under, including the form of American Depositary.	(1)
2.2	Description of Securities registered under Section 12 of the Exchange Act.	
2.3	Dr. Reddy's Laboratories Limited Employee Stock Option Scheme, 2002.	(2)
2.4	Dr. Reddy's Employees ADR Stock Option Scheme, 2007.	(6)
2.5	Dr. Reddy's Employees Stock Option Scheme, 2018.	(9)
4.1	Agreement by and between Dr. Reddy's Laboratories Limited and Dr. Reddy's Research Foundation regarding the undertaking of research dated February 27, 1997.	(1)
4.2.1#	Business Transfer Agreement with Wockhardt Limited and Dr. Reddy's Laboratories Limited dated as of February 12, 2020.	
4.2.2#	Letter Agreements for the amendment of the Business Transfer Agreement dated as of April 28, 2020.	
4.2.3#	Letter Agreements for the amendment of the Business Transfer Agreement dated as of June 9, 2020.	
4.2.4#	Letter Agreements for the amendment of the Business Transfer Agreement dated as of June 9, 2021.	
8	List of subsidiaries, associates and joint ventures of the Registrant.	
12.1	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
12.2	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
13.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
13.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
15.1	Consent of Independent Registered Public Accounting Firm (Ernst & Young Associates LLP).	

- (1) Previously filed on March 26, 2001 with the SEC along with Form F-1.
(2) Previously filed on October 31, 2002 with the SEC along with Form S-8.
(3) Previously filed with the Company's Form 20-F for the fiscal year ended March 31, 2003.
(4) Previously filed with the Company's Form 20-F for the fiscal year ended March 31, 2006.
(5) Previously filed with the Company's Form 20-F for the fiscal year ended March 31, 2010.
(6) Previously filed on March 5, 2007 with the SEC along with Form S-8.
(7) Previously filed with the Company's Form 20-F for the fiscal year ended March 31, 2011.
(8) Incorporated by reference to Exhibit 99.1 to the Company's Form 6-K dated September 25, 2015.
(9) Previously filed on September 5, 2018 with the SEC along with Form S-8.

Certain confidential portions of this Exhibit were omitted because they both (i) are not material and (ii) are of the type that the Registrant treats as private and confidential.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

DR. REDDY'S LABORATORIES LIMITED

By: /s/Erez Israeli
Erez Israeli
Chief Executive Officer

By: /s/Parag Agarwal
Parag Agarwal
Chief Financial Officer

Hyderabad, India

June 30, 2021

DESCRIPTION OF SECURITIES

REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of March 31, 2021, Dr. Reddy's Laboratories Limited ("we," "us," and "our") had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
American depositary shares, each representing one equity share	RDY	New York Stock Exchange

Our equity shares are traded on the BSE Limited (formerly known as the Bombay Stock Exchange Limited) ("BSE") and National Stock Exchange of India Limited ("NSE"), (collectively, the "Indian Stock Exchanges") under the ticker symbols "500124" and "DRREDDY", respectively. Our American Depositary Shares (or "ADSs"), as evidenced by American Depositary Receipts (or "ADRs"), are traded in the United States on the New York Stock Exchange ("NYSE") under the ticker symbol "RDY" and on NSE IFSC Limited under the ticker symbol "DRREDDY". Each ADS represents one equity share. Our ADSs, as evidenced by ADRs, began trading on the NYSE and NSE IFSC Limited on April 11, 2001 and December 9, 2020, respectively.

In connection with the registration of our ADSs pursuant to the requirements of the Securities and Exchange Commission (but not for trading), our equity shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of shares and (ii) ADR holders. Shares underlying the ADSs are held by J.P. Morgan Chase Bank, N.A., the depository, and holders of ADSs will not be treated as holders of the shares.

The following summary is subject to and qualified in its entirety by our Memorandum and Articles of Association, as amended, and by Indian law, particularly the Indian Companies Act, 2013, as amended (the "Companies Act").

This is not a summary of all the significant provisions of our Memorandum and Articles of Association, or of Indian law and does not purport to be complete. Capitalized terms used but not defined herein have the meanings given to them in our annual report on Form 20-F for the fiscal year ended March 31, 2021.

ORDINARY SHARES

ITEM 9. General**9.A.3. Pre-emptive rights**

A company incorporated in India must offer its holders of shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any shares, unless these rights have been waived by at least 75% of its shareholders present and voting at a shareholders' general meeting.

U.S. investors in our ADSs may be unable to exercise preemptive rights for the shares underlying our ADSs unless a registration statement under the Securities Act of 1933 is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with a registration statement as well as the perceived benefits of enabling U.S. investors in our ADSs to exercise their preemptive rights and any other factors we consider appropriate at the time. We might choose not to file a registration statement under these circumstances. If we issue any of these securities in the future, such securities may be issued to the depository, which may sell them in the securities markets in India for the benefit of the investors in our ADSs. There can be no assurances as to the value, if any, the depository would receive upon the sale of these securities. If the depository determines that the rights could not be sold, the depository might allow such rights to lapse. To the extent that U.S. investors in our ADSs are unable to exercise preemptive rights, their proportional interests in us would be reduced.

9.A.5. Type and class of securities*(a) Generally*

One ADS represents one equity share of Rs.5 par value per share. As of March 31, 2021, we had 166,301,231 outstanding equity shares. As of March 31, 2021, 12.21% of our issued and outstanding equity shares were held by holders of our ADSs, as evidenced by ADRs. Our equity shares and their holders are registered in a registry of members. All of our shares have equal voting rights and carry equal entitlements to dividends.

Under certain circumstances, the Reserve Bank of India must approve the sale of equity shares underlying ADSs by a non-resident of India to a resident of India. The Reserve Bank of India has given general permission to effect sales of existing shares or convertible debentures of an Indian company by a resident to a non-resident, subject to certain conditions, including the price at which the shares must be sold.

Additionally, except under certain limited circumstances, if an investor seeks to convert the Indian rupee proceeds from a sale of equity shares in India into foreign currency and then repatriate that foreign currency from India, he or she will have to obtain an additional approval from the Reserve Bank of India for each such transaction. Required approval from the Reserve Bank of India or any other government agency may not be obtained on terms favorable to a non-resident investor or at all.

Investors who exchange our ADSs for our underlying equity shares may be subject to the provisions of the Companies Act and to the disclosure obligations that may be necessary pursuant to the Deposit Agreement with our depository. The Companies Act requires that, where the registered owner of shares does not hold the beneficial interest in such shares, both the registered owner and the beneficial owner of such equity shares are required to disclose to the company the nature of their interest, particulars of the registered owner and certain other details.

(b) Restrictions on transfer

Foreign investment in Indian securities, whether in the form of foreign direct investment or in the form of portfolio investment, is governed by the Foreign Exchange Management Act, 1999, as amended (“FEMA”), and the rules, regulations and notifications issued thereunder. Set forth below is a summary of the restrictions on transfers applicable to both foreign direct investments and portfolio investments, including the requirements under Indian law applicable to the issuance and transfer of ADSs.

Foreign Direct Investment

FEMA empowers the Reserve Bank of India (the “RBI”) to frame regulations to prohibit, restrict or regulate the transfer or issuance of any security by a person resident outside India. These regulations were published as the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017. The Central Government superseded these regulations on October 17, 2019 through its notification of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

As per these regulations, foreign direct investments can be made in India, other than in certain prohibited sectors, through the “automatic route” or, if the sectors or activities are not permitted under the automatic route, then under the “government route”. If the automatic route applies, then the non-resident investor or the Indian company does not require any approval from Government of India for the investment. If the government route applies, then prior approval of the Government of India is required. Proposals for foreign investment under the government route, are considered by the respective administrative ministry or department.

These regulations also contain provisions regarding sector specific guidelines for foreign direct investment and the levels of permitted equity participation. The total foreign investment shall not exceed the sectoral or statutory cap limit indicated for each sector. In sectors or activities for which no sectoral or statutory cap limit is indicated or not prohibited under these regulations, foreign investment is permitted up to 100% under the automatic route, subject to applicable laws/regulations, security and other conditions.

In May 1994, the Government of India announced that purchases by foreign investors of ADSs, as evidenced by ADRs, and foreign currency convertible bonds of Indian companies would be treated as foreign direct investment in the equity issued by Indian companies for such offerings. Therefore, offerings that involve the issuance of equity that results in Foreign Direct Investors holding more than the stipulated percentage of direct foreign investments (which depends on the category of industry) would require approval from the Foreign Investment Promotion Board.

For investments in the pharmaceutical sector, the Foreign Direct Investment limit is 100%. However, unlike Foreign Direct Investments in new pharmaceutical projects (sometimes called “greenfield” investments), Foreign Direct Investments in existing Indian pharmaceutical companies (sometimes called “brownfield” investments) are nonetheless subject to approval by the Foreign Investment Promotion Board in excess of 74% (which can incorporate conditions for its approval at the time of grant). Thus, foreign ownership of in excess of 74% of our equity shares would be allowed but would require certain approvals.

The Ministry of Finance abolished the Foreign Investment Promotion Board in May 2017 and the processing of applications for Foreign Direct Investment and approval of the Government thereon under the Policy and FEMA, was transferred to be handled by the concerned Ministries/Departments in consultation with the Department for Promotion of Industry and Internal Trade.

Portfolio Investment Scheme

Under Indian law, persons or entities residing outside of India cannot acquire securities of an Indian company listed on a stock exchange (“Portfolio Investments”) unless such non-residents are (a) persons of Indian nationality or origin residing outside of India (also known as Non-Resident Indians or “NRIs”) or (b) registered Foreign Institutional Investors (“FIIs”) or Foreign Portfolio Investors (“FPIs”).

Portfolio Investments by NRIs

A variety of methods for investing in shares of Indian companies are available to NRIs. These methods allow NRIs to make Portfolio Investments in existing shares and other securities of Indian companies on a basis not generally available to other foreign investors.

Portfolio Investments by FIIs

In September 1992, the Government of India issued guidelines that enable FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all of the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the Securities and Exchange Board of India ("SEBI"), and a general permission from the RBI to engage in transactions regulated under the Foreign Exchange Management Act. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors Regulations) 1995. When it receives the initial registration, the FII also obtains general permission from the RBI to engage in transactions regulated under the Foreign Exchange Management Act. Together, the initial registration and the RBI's general permission enable the registered FII to: (i) buy (subject to the ownership restrictions discussed below) and sell unrestricted securities issued by Indian companies; (ii) realize capital gains on investments made through the initial amount invested in India; (iii) participate in rights offerings for shares; (iv) appoint a domestic custodian for custody of investments held; and (v) repatriate the capital, capital gains, dividends, interest income and any other compensation received pursuant to rights offerings of shares.

Portfolio Investments by FPIs

The regime permitting Portfolio Investments by FIIs was previously governed by the SEBI (Foreign Portfolio Investors) Regulations, 2014 (the "2014 FPI Regulations"). Further with a view to ease investments by FPIs, the 2014 FPI Regulations were amended through the SEBI (Foreign Portfolio Investors) Regulations, 2019, which was notified on September 23, 2019 (the "2019 FPI Regulations" and, together with the 2014 FPI Regulations, the "FPI Regulations").

A person which has been registered as a FPI under chapter II of the 2019 FPI Regulations may purchase or sell capital instruments of an Indian company on a recognized stock exchange in India as well as purchase shares and convertible debentures offered to the public under the FPI Regulations.

A FPI is defined as any investment made by a person resident outside India in capital instruments where such investment is (a) less than 10% of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company or (b) less than 10% of the paid up value of each series of capital instruments of a listed Indian company. FPIs are subject to ownership limits in Portfolio Investments, as further described below, and only certain categories of FPIs may invest or deal in exchange traded derivative contracts approved by SEBI from time to time. FPIs are required to be registered with the designated depository participant on behalf of SEBI subject to compliance with "Know Your Customer" rules.

The 2019 FPI Regulations have categorized FPIs based on regulatory status and country of residence — that is, whether the entity is from a Financial Action Task Force ("FATF") member country. The operating guidelines have provided guidance on re-categorization of FPIs. While Category-I FPIs under the 2014 FPI Regulations would remain the same, the former Category-II FPIs have been re-characterized under the 2019 FPI Regulations as Category-I or -II, depending upon their eligibility.

A FPI may purchase or sell capital instruments of an Indian company on a recognized stock exchange in India as well as purchase shares and convertible debentures offered to the public under the FPI Regulations.

Further, a FPI may sell shares or convertible debentures so acquired (i) in an open offer in accordance with the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; or (ii) in an open offer in accordance with the Securities Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; or (iii) through buyback of shares by a listed Indian company in accordance with the Securities Exchange Board of India (Buy-back of Securities) Regulations, 2018. A FPI may also acquire shares or convertible debentures (i) in any bid for, or acquisition of securities in response to an offer for disinvestment of shares made by the central government or any state government of India; or (ii) in any transaction in securities pursuant to an agreement entered into with merchant banker in the process of market making or subscribing to unsubscribed portion of the issue in accordance with SEBI (ICDR) Regulations, 2018.

Ownership restrictions

The SEBI and the RBI regulations restrict portfolio investments in Indian companies by FIIs, NRIs and FPIs, all of which we refer to as "foreign portfolio investors." Under current Indian law, FPIs may in the aggregate hold not more than 24.0% of the equity shares of an Indian company, and NRIs in the aggregate may hold not more than 10.0% of the shares of a publicly traded Indian company through portfolio investments.

The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (the "NDI Rules") has brought about a substantial change in the Schedule II to the NDI Rules, stating that effective as of April 1, 2020, the aggregate limit would be the sectoral cap applicable to such Indian company. An Indian company may, with the approval by resolution of its board of directors and by special resolution of its members: (i) decrease the aggregate limit before March 31, 2020 to a lower threshold of 24%, 49% or 74%, as it deems fit, or (ii) increase the aggregate limit to 49% or 74%, or the sectoral cap or statutory ceiling, as it deems fit. However, once the aggregate limit is increased, the limit cannot be reduced later. Our shareholders on September 24, 2001 had passed a resolution enhancing the limits of portfolio investment by FIIs in the aggregate to 49%, and NRIs in the aggregate may hold not more than 10.0% of our equity shares through portfolio investments. However pursuant to the applicability of NDI rules, the sectoral cap applicable to our company is 74%. Holders of ADSs are not subject to the rules governing FPIs unless they convert their ADSs into equity shares.

If a FPI's investments exceed the prescribed limits, the FPI will have the option to divest its excess holdings within 5 trading days, failing which the entire investment in the company will be considered a Foreign Direct Investment ("FDI"). If the investment falls under a category where FDI is prohibited, the aggregate FPI limit is capped at 24%.

No single FPI may hold more than 10.0% of the shares of an Indian company and no single NRI may hold more than 5.0% of the shares of an Indian company. If multiple entities have at least 50% overlap in their ownership (direct or ultimate beneficial owners), then such entities shall be treated as part of the same group and the above percentage of FPI investment limit shall apply to the entire group as if they were a single FPI.

As of March 31, 2021, FIIs and FPIs collectively held 29.03% of our equity shares and NRIs held 1.00% of our equity shares.

In September 2011, the Securities and Exchange Board of India ("SEBI") enacted the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the "2011 Takeover Code"), which replaces the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The 2011 Takeover Code was thereafter amended from time to time.

Under the 2011 Takeover Code, upon acquisition of shares or voting rights in a publicly listed Indian company (the "target company") such that the aggregate shareholding of the acquirer (meaning a person who directly or indirectly, acquires or agrees to acquire shares or voting rights in the target company, or acquires or agrees to acquire control over the target company, either alone or together with any persons acting in concert), is 5% or more of the shares of the target company, the acquirer is required to, within two working days of such acquisition, disclose the aggregate shareholding and voting rights in the target company to the target company and to the stock exchanges in which the shares of the target company are listed.

Furthermore, an acquirer who, together with persons acting in concert with such acquirer, holds shares or voting rights entitling them to 5% or more of the shares or voting rights in a target company must disclose every sale or acquisition of shares representing 2% or more of the shares or voting rights of the target company to the target company and to the stock exchanges in which the shares of the target company are listed within two working days of such acquisition or sale or receipt of intimation of allotment of such shares.

Every acquirer, who together with persons acting in concert with such acquirer, holds shares or voting rights entitling such acquirer to exercise 25% or more of the voting rights in a target company, has to disclose to the target company and to stock exchanges in which the shares of the target company are listed, their aggregate shareholding and voting rights as of the thirty-first day of March, in such target company within seven working days from the end of the fiscal year of that company.

The acquisition of shares or voting rights that entitles the acquirer to exercise 25% or more of the voting rights in or control over the target company triggers a requirement for the acquirer to make an open offer to acquire additional shares representing at least 26% of the total shares of the target company for an offer price determined as per the provisions of the 2011 Takeover Code. The acquirer is required to make a public announcement for an open offer on the date on which it is agreed to acquire such shares or voting rights. Such open offer shall only be for such number of shares as is required to adhere to the maximum permitted non-public shareholding.

Since we are a listed company in India, the provisions of the 2011 Takeover Code will apply to us and to any person acquiring our ADSs, equity shares or voting rights in our company.

Pursuant to the 2011 Takeover Code, we must report to the Indian stock exchanges on which our equity shares are listed, any disclosures made to us under 2011 Takeover Code.

Holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Deposit Agreement entered into by such holders, our company and the depository of our ADRs.

Subsequent transfer of shares

A person resident outside India holding the shares or debentures of an Indian company may transfer the equity instruments held by him, in compliance with the conditions specified in the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ("NDI Rules"), as follows:

- (i) A person resident outside India who is not a NRI, an overseas citizen of India or a former Overseas Corporate Body ("OCB"), may transfer by way of sale or gift, the equity instruments held by him to any person resident outside India;
 - (ii) A NRI may transfer by way of sale or gift, the equity instruments held by that person to another NRI or to any person resident outside India;
or
 - (iii) A person resident outside India holding the equity instruments of an Indian company in accordance with the NDI Rules, (a) may transfer such equity instrument to a person resident in India by way of sale or gift; or (b) may sell such equity instrument on a recognized Stock Exchange in India through a registered broker.
-

In enacting the NDI Rules, the Central Government superseded the Foreign Exchange Management (Transfer or Issue of Securities by a person Resident Outside India) Regulations, 2017.

The NDI Rules give the readers a consolidated view of the transfer or issue of securities by a person resident outside India and also clarifies several aspects of FDI. These regulations aim towards further simplification and provide greater clarity on differentiation between FDI and FPI.

ADS guidelines

Shares of Indian companies represented by ADSs may be approved for issuance to foreign investors by the Government of India under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 (the “1993 Scheme”), as modified from time to time, promulgated by the Government of India. The 1993 Scheme is in addition but without prejudice to the other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the 1993 Scheme also affords to holders of the ADSs the benefits of Section 115AC of the Income Tax Act, 1961 for purpose of the application of Indian tax laws. In March 2001, the RBI issued a notification permitting, subject to certain conditions, two-way fungibility of ADSs. This notification provides that ADSs converted into Indian shares can be converted back into ADSs, subject to compliance with certain requirements and the limits of sectorial caps.

The Ministry of Finance, Government of India, enacted The Depository Receipts Scheme, 2014 (the “Depository Receipts Scheme”) effective as of December 15, 2014. In order to facilitate the issuance of depository receipts by Indian companies outside India, the Depository Receipts Scheme repeals the former provisions dealing with depository receipts in the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993. The Depository Receipts Scheme now governs the issue or transfer of permissible securities to a foreign depository by eligible persons and defines the rights and duties of a foreign depository and obligations of a domestic custodian.

There are certain relaxations provided under the Depository Receipts Scheme subject to prior approval of the Ministry of Finance. For example, a registered broker is permitted to purchase shares of an Indian company on behalf of a person resident outside of India for the purpose of converting those shares into ADSs. However, such conversion is subject to compliance with the provisions of the Depository Receipts Scheme and the periodic guidelines issued by the regulatory authorities. Therefore depository receipts converted into Indian shares may be converted back into depository receipts, subject to certain limits of sectorial caps.

Under the Depository Receipts Scheme, a foreign depository may take instructions from depository receipts holders to exercise the voting rights with respect to the underlying equity securities. Additionally, a domestic custodian has been defined to include a custodian of securities, an Indian depository, a depository participant or a bank having permission from SEBI to provide services as custodian. Further, the Depository Receipts Scheme provides that the aggregate of permissible securities which may be issued or transferred to foreign depositories for issue of depository receipts, along with permissible securities already held by persons resident outside India, shall not exceed the limit on foreign holding of such permissible securities under the Foreign Exchange Management Act, 1999.

The Securities and Exchange Board of India (“SEBI”) introduced a framework for the issuance of Depository Receipts (“DRs”) by companies listed on stock exchanges in India and for the “permissible securities” underlying any such DR issuance (“DR Framework”), pursuant to its circular dated October 10, 2019. Further, the SEBI issued amendments dated November 28, 2019 and December 18, 2020, on the framework for issuance of DRs and amended the scope and process for permissible holder of DRs, respectively. The requirements for issuance of DRs set out in the DR Framework are in addition to the requirements under the Companies Act, 2013 and rules thereunder, the 2014 Scheme and the foreign exchange regulations. The key aspects provided under the DR framework are:

- **Eligible Issuer** – Only a company incorporated in India and listed on a recognized stock exchange in India is allowed to issue the underlying securities for issuance of DRs, which must be permissible securities (as discussed below), and only their holders may transfer such underlying securities.
 - **Permissible Holders** – Indian residents and NRIs are not allowed to be permissible holders or beneficial owners of DRs. However, this restriction is not applicable in case the DRs are issued to NRIs pursuant to any share-based employee benefit scheme(s), that are implemented by the listed company in line with the SEBI (Share Based Employee Benefits) Regulations, 2014, or any bonus issue or any rights issue of shares.
 - **Obligations of Listed Company** – The listed company must comply with applicable laws and regulations and ensure that only permissible securities are issued as the underlying securities for any DR issuance. Further, the listed company must issue such permissible securities only to the permissible holders. The listed company shall be responsible for identification of any holder (like NRI), who are issued DRs in terms of any share-based employee benefit scheme(s). Further, the listed company must provide the information of NRI DR holders to the designated depository in India, for the purpose of monitoring foreign investment limits.
-

- **Minimum Public Shareholding** – In the case of issuance of new DRs, the listed company shall ensure that the limit on foreign holding of permissible securities as prescribed under applicable FEMA regulations is not exceeded and shall comply with the minimum public shareholding norms in India, after excluding the permissible securities held by the depository.
- **Minimum Price** - The minimum price for the issuance or transfer of permissible securities is the price applicable to the corresponding mode of issue (i.e., public offer, preferential allotment or qualified institutions placement) to domestic investors in India under applicable laws.

The jurisdictions where DRs may be issued and exchanges where DRs may be listed pursuant to the DR Framework were notified pursuant to a circular dated November 28, 2019. While the DR framework for listed entities has been operationalized, further amendments and requirements may be notified from time to time.

Under the DR framework, ‘permissible securities’ has also been defined to mean “equity shares and debt securities, which are in a dematerialized form and rank pari passu with the securities issued and listed on a Recognized stock exchange“. Previously, under the 2014 Depository Receipts Scheme, companies were only required to comply with eligibility requirements pertaining to prohibition from accessing capital markets or dealing in securities.

The Department of Economic Affairs, Ministry of Finance made amendments to certain provisions of the Securities Contracts (Regulation) Rules, 1957 pursuant to Securities Contracts (Regulation) (Amendment) Rules, 2015, on February 25, 2015. An amended, the “public shareholding” for our equity shares held by the public includes shares underlying depository receipts if the holder of such depository receipts has the right to issue voting instruction and such depository receipts are listed on an international stock exchange in accordance with the Depository Receipts Scheme.

Fungibility of ADSs

A registered broker in India can purchase shares of an Indian company that issued ADSs, on behalf of a person residing outside India, for the purposes of converting the shares into ADSs.

The Depository Receipts Scheme states that the aggregate of permissible securities which may be issued or transferred to foreign depositories for issue of depository receipts, along with permissible securities already held by persons resident outside India, shall not exceed the limit on foreign holding of such permissible securities under the Foreign Exchange Management Act, 1999.

Transfer of ADSs

A person resident outside India may transfer ADSs held in an Indian company to another person resident outside India without any permission. A person resident in India is not permitted to hold ADSs of an Indian company, except in connection with the exercise of stock options.

Shareholders resident outside India who intend to sell or otherwise transfer equity shares within India should seek the advice of Indian counsel to understand the requirements applicable at that time.

9.A.6. Limitations or qualifications

Not applicable.

9.A.7. Other rights

Not applicable.

ITEM 10.B. Memorandum and articles of association

10.B.3. Shareholder rights

(a) Dividend rights.

Our board of directors recommends the payment of a dividend which is then declared by our shareholders in a general meeting. However, the board is not obliged to recommend a dividend. Similarly, under our Articles of Association and the Companies Act, our shareholders may, at the Annual General Meeting, declare a dividend in an amount less than that recommended by the board of directors, but they cannot increase the amount of the dividend. The dividend declared by the shareholders, if any, is required to be distributed and paid to shareholders in proportion to the paid up value of their shares within 30 days of the declaration by the shareholders at the Annual General Meeting. Pursuant to our Articles of Association, our board of directors has discretion to declare and pay interim dividends without shareholder approval.

Under the Companies Act, 2013 and rules made thereunder, dividends may be paid out of profits of a company in that financial year in which the dividend is declared after providing for depreciation or out of the undistributed profits of previous fiscal years after providing for depreciation. Before declaring any dividend in any financial year, company may transfer a percentage of its profits which it considers appropriate to its reserves.

The Companies Act, 2013 further provides that in case of an inadequacy or absence of profits in any year, a maximum of 10% of paid-up capital can be declared as dividend, subject to other provisions contained in the Companies (Declaration and Payment of Dividend) Rules, 2014.

The Companies Act, 2013 provides that any dividends that remain unpaid or unclaimed after a period of 30 days from the date of their declaration are to be transferred to a special bank account opened by the company at an approved bank. We transfer any dividends that remain unpaid or unclaimed within 7 days from the date of expiration of such 30 days period to such account. If any amount in this account has not been claimed by the eligible shareholders within seven years from the date of the transfer, we transfer the unclaimed dividends to an Investor Education and Protection Fund established by the Government of India under the provisions of the Companies Act, 2013.

(b) Voting rights.

All of our equity shares have the same voting rights. 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. There are no cumulative voting rights. If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. After receiving voting materials from us, the depositary will notify the ADR holders of any shareholder meeting or solicitation of consents or proxies. This notice will describe how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote.

As per SEBI (Listing Obligations and Disclosure Requirements) Regulations it is mandatory for e-voting facilities to be provided to all shareholders in respect of all shareholders' resolutions in accordance with the procedure prescribed in the Companies (Management and Administration) Rules, 2014. Our procedures comply with such rules and provide the opportunity for electronic voting by shareholders.

The Companies Act, 2013 and our Articles of Association require that at least two-thirds of our directors be subject to re-election by our shareholders in rotation and that, at every annual general meeting, one-third of the directors who are subject to re-election must retire from the Board. However, if eligible for re-election, they may be re-elected by our shareholders at the annual general meeting.

Due to India's adoption of the Companies Act, 2013, effective as of April 1, 2014, non-full time independent directors are no longer required to retire from the Board by rotation. As a result, at annual general meetings held after April 1, 2014, our non-full time independent directors are excluded from the calculation of the two-thirds directors who are subject to re-election by our shareholders in rotation.

Our non-full time independent directors hold office for a term of up to 5 consecutive years from the date of initial appointment under the provisions of the Companies Act, 2013. Each such non-full time independent director shall be eligible for re-appointment for a second term of up to 5 consecutive years if determined in a special resolution passed by our shareholders.

(c) Rights to share in our profits.

See "Dividend Rights" in subsection (a) above.

(d) Rights to share in any surplus in the event of our liquidation.

As per the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016, certain payments have preference over payments to be made to equity shareholders. These payments having preference include payments to be made by us to our employees, taxes, payments to secured and unsecured lenders and payments to holders of any shares entitled by their terms to preferential repayment over the equity shares.

In the event of our company's liquidation, all preferential amounts, if any, shall be discharged by us. Our remaining assets shall be distributed to the holders of our equity shares based upon the proportion of the number of shares held to the total equity shares outstanding as on that date.

(e) Redemption provisions.

Not applicable.

(f) Sinking fund provisions.

Not applicable.

(g) Liability to further capital calls by us.

Although our Memorandum and articles of association do provide for certain capital call obligations in respect of any monies unpaid on the shares of a shareholder, all of our issued and outstanding shares have been fully paid in. Accordingly, our shareholders are not obliged to make further contributions with respect to their shares.

(h) Any provision discriminating against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares.

No such provisions are applicable under our Memorandum and articles of association. However, for a summary of the restrictions under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the “2011 Takeover Code”), see item 9.A.5. “Type and class of securities” set forth above.

10.B.4. Changes to shareholder rights

Currently, only one class of equity shares is authorized and outstanding under our Memorandum and articles of association. However, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of such proportion of the issued shares of that class as maybe specified in the Companies Act or rules made thereunder, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. If a capital increase is approved, then our shareholders would generally have certain pre-emptive rights as described above.

10.B.6. Limitations on rights to own securities

No limitations on the rights to own securities are applicable under our memorandum and articles of association. However, for a summary of the restrictions on transfers applicable to both foreign direct investments and portfolio investments, including the requirements under Indian law applicable to the issuance and transfer of ADSs, see item 9.A.5. “Type and class of securities” set forth above.

10.B.7 Change in control

No provisions that would have an effect of delaying, deferring or preventing a change in control of the company are applicable under our Memorandum and articles of association. However, for a summary of the restrictions under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, see item 9.A.5. “Type and class of securities” set forth above.

10.B.8 Disclosure of shareholdings

The Companies Act requires that, where the registered owner of shares does not hold the beneficial interest in such shares, both the registered owner and the beneficial owner of such equity shares are required to disclose to the company the nature of their interest, particulars of the registered owner and certain other details.

10.B.9 Differences in the law

See the references to Indian law throughout this “Item 10.B Memorandum and articles of association.”

10.B.10 Changes in capital

The requirements of the memorandum and articles of association regarding changes in capital are not more stringent than the requirements of Indian law.

ITEM 12. Description of Securities Other than Equity Securities

12.A Debt Securities.

Not applicable.

12.B Warrants and Rights

Not applicable.

12.C Other securities

Not applicable.

12.D American Depositary Shares

J.P. Morgan Chase Bank, N.A. has been appointed as the depository pursuant to the Deposit Agreement. J.P. Morgan Chase Bank, N.A.'s principal executive office is located at 4 New York Plaza, New York, New York 10004.

Each of our American Depositary Shares (or "ADSs"), as evidenced by American Depositary Receipts (or "ADRs"), represents one of our equity shares. Our ADRs are issued by the depository, and not by us. The ADR is vested with rights defined and enumerated in the Deposit Agreement (such as the rights to vote, to receive a dividend and to receive an equity share of our company in exchange for a certain number of ADRs). Only the depository is registered as shareholder in our share register. An ADR is not an equity share and an ADR holder is not a shareholder of our company.

For a summary of the material provisions of the Deposit Agreement, see the "DESCRIPTION OF AMERICAN DEPOSITARY SHARES," beginning on page S-153 of our Supplement To Prospectus Dated November 13, 2006 filed pursuant to Rule 424(b)(3) with the SEC on November 17, 2006.

महाराष्ट्र शासन
GOVERNMENT OF MAHARASHTRA
ई-सुरक्षित बैंक व कोषागार पावती
e-SECURED BANK & TREASURY RECEIPT (e-SBTR)

16274741797740 

Bank/Branch: PNB/PNB House(0062) Stationery No: 16274741797740
Pm Txn id : 130220M247829 Print DtTime: 13-02-2020@16:34:05
Pmt DtTime : 13-02-2020@11:35:52 GRAS GRN : MH012042373201920S
ChallanIdNo: 03006172020021350001 Office Name : IGR182/BCML_MUMBAI CITY 1
District : 7101/MUMBAI

StDuty Schm: 0030045501-75/Sale of Other NonJudicial Stamps SoS
StDuty Amt : R 3,70,01,000/- (Rs Three, Seven Zero, Zero One, Zero Zero Zero only)
RgnFee Schm:
RgnFee Amt :

Article : S(h) (A) (iv)/Agreement creation right and having monetary value
Prop Mvblty: N.A Consideration: R 18,50,00,00,000/-
Prop Descr : Business,Transfer,Agreement,Maharashtra

Duty Payer: (PAN-AAACD7999Q) Dr Reddy s Laboratories Limited
Other Party: (PAN-AAACW2472M) Wockhardt Limited

Bank official Name & Signature   

Bank official2 Name & Signature
--- Space for customer/office use - - - Please write below this line ---

e-SBTR IS VALID UPTO SIX MONTHS FROM THE DATE OF PAYMENT.

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Execution Version

DATED FEBRUARY 12,2020

BUSINESS TRANSFER AGREEMENT

WOCKHARDT LIMITED
as the Seller

AND

DR. REDDY'S LABORATORIES LIMITED
as the Purchaser



vyadimarchandimangaldine
pharmaceuticals

A handwritten signature in black ink, appearing to be 'S' followed by a flourish.



A handwritten signature in black ink, appearing to be a stylized 'R' followed by a flourish.

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BUSINESS TRANSFER AGREEMENT

This **BUSINESS TRANSFER AGREEMENT** is made on this 12th day of February, 2020 at Mumbai, India, by and between:

1. **WOCKHARDT LIMITED**, a company incorporated under the Companies Act, 1956 and an existing company under the Companies Act, 2013, listed on the National Stock Exchange of India Limited and the BSE Limited, bearing corporate identification number L24230MH1999PLC120720 and having its registered office situated at D-4, M.I.D.C. Chikalthana, Aurangabad, Maharashtra - 431006, India (hereinafter referred to as the “**Seller**”, which expression shall, unless inconsistent with the meaning or context thereof, be deemed to include its successors and permitted assigns) of the **FIRST PART**; and
2. **DR. REDDY’S LABORATORIES LIMITED**, a company incorporated under the Companies Act, 1956 and an existing company under the Companies Act, 2013, bearing corporate identification number L85195AP1984PLC004507 and having its registered office situated at 8-2-337, Road no. 3, Banjara Hills, Hyderabad 500 034, Telangana, India (hereinafter referred to as the “**Purchaser**”, which expression shall, unless inconsistent with the meaning or context thereof, be deemed to include its successors and permitted assigns) of the **SECOND PART**;

The Seller and the Purchaser are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**”.

WHEREAS:

- (A) The Seller is engaged *inter alia* in the business of manufacturing, marketing and distributing the Products (*as defined hereinafter*) in the Territory (*as defined hereinafter*). The Seller proposes to divest the Business Undertaking (*as defined hereinafter*) in accordance with the terms and conditions set out in this Agreement.
- (B) The Purchaser is engaged in the business *inter alia* of manufacture, sale and distribution of pharmaceutical products. The Purchaser proposes to acquire the Business Undertaking in accordance with the terms and conditions set out in this Agreement.
- (C) The Seller proposes to sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser proposes to purchase from the Seller, the Business Undertaking as a going concern, on a “slump sale” basis (as defined in Section 2(42C) read with Explanation 1 to Section 2(19AA) of the IT Act (*as defined hereinafter*)), free and clear of Encumbrances (other than under sub-clause (b) of the definition of Permitted Encumbrances) (*as defined hereinafter*), on a cash-free and debt-free basis, in accordance with the terms and conditions set out in this Agreement.
- (D) Accordingly, the Parties are now desirous of entering into this Agreement for the purposes of setting out the terms and conditions on which the Business Undertaking shall be transferred by the Seller to the Purchaser.

DRL IRN: 100029724



NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND PROMISES CONTAINED HEREIN, AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND ADEQUACY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES, WITH THE INTENT TO BE LEGALLY BOUND, HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

The following words and expressions used in this Agreement shall, to the extent not inconsistent with the context thereof, have the following meanings respectively:

“**Accounting Principles**” shall mean the most recent edition of the Indian Accounting Standards or any other accounting standards prescribed under the Act.

“**Accounts**” shall mean the unaudited carved-out financial statements of the Business, comprising a statement of the Business Current Assets and the Business Current Liabilities as of the Accounts Date, together with any trial balance, schedules or documents included in or annexed to them, a copy of which has been attached hereto as **Annexure 1 (Accounts)**.

“**Accounts Date**” shall mean December 31,2019.

“**Actuary**” shall mean an independent actuary, mutually agreed by the Parties.

“**Act**” shall mean the Companies Act, 2013, along with any amendments, modifications, etc., thereto and the rules, regulations and circulars issued thereunder.

“**Affiliate**” shall mean, in respect of any specified Person (other than a natural Person), any other Person that directly or indirectly, through one or more intermediate Persons, Controls, is Controlled by, or is under common Control with, such specified Person; and where the specified Person is a natural Person, any Relative of such specified Person or any Person (other than a natural Person) Controlled by or under common Control of such specified Person.

“**Agreement**” shall mean this business transfer agreement and includes the preamble, recitals, annexures and schedules attached to it, and any amendments made hereto and thereto in accordance with the provisions hereof.

“**Ancillary Agreements**” shall mean: (a) the agreements listed in **Schedule B (List of Ancillary Agreements)**, and (b) any other agreement that is mutually designated by the Parties, in writing, to be an ancillary agreement for the purpose of this Agreement.

“**API Supply Agreement**” shall mean the agreement to be entered into between the Parties in the agreed form for the continued supply of the active pharmaceutical ingredients (API) currently supplied by the Seller from its in-house API manufacturing sites for the use of the Business Undertaking at the Baddi Facility for the manufacture of the Products.



“**Applicable Law**” shall mean: (a) all applicable national, state, local or other law, statute, enactments, acts of legislature or parliament, rule of common law, ordinances, rules, bye-laws, regulations, circulars, notifications, press notes issued by the government, listing agreements, guidelines or policies issued by any Authority of any applicable country and/ or jurisdiction; and (b) writ, injunction, direction, directive, judgment, arbitral award, decree, order or governmental approval of, or agreement with, agreement by, ruling or decision of, any Authority, in each case having the force of law and applicable to the subject matter in question.

“**Assigned Trade Marks and Patents**” shall mean the Business Intellectual Property specified in **Part A of Schedule F** (*Trade Marks and Patents*) and assigned by the Seller to the Purchaser with effect from the Closing Date, by way of the Deed(s) of Trade Mark and Patent Assignment,

“**Authority**” shall mean any governmental, regulatory, statutory or administrative authority, agency, branch, department, commission or instrumentality (whether local, municipal, provincial, state, national or otherwise), domestic or foreign court, judicial body, stock exchange, board or tribunal or other law, rule or regulation making entity and shall include any non-governmental regulatory or administrative authority, body or other organization to the extent that the rules, regulations, standards, requirements, procedures or orders of such authority, body or other organization have the force of law.

“**Authorization**” shall mean any consent, registration, certificate, license, approval, permit, ratification or exemption from, by or with any Authority or Person or under Applicable Law, and includes all corporate, creditors’ and shareholders’ approvals and consents.

“**Baddi Facility**” shall mean the manufacturing facility owned by the Seller and situated on the freehold land bearing Khewat/ Khatoni numbers [***]/ [***] comprised under Khasras number [***], kitats - 4 and Khewat/ Khatoni numbers [***]/ [***] comprised under Khasra numbers [***], kitat 9 at Village Kunjahal, Hadbast No. 216, Pargana Dharampur, Tehsil Nalagarh Baddi, District Solan, Himachal Pradesh and the buildings, plants and machinery which are embedded into the earth thereat or attached to whatever is so embedded.

“**Big Five**” shall mean KPMG, PricewaterhouseCoopers, Ernst & Young, Grant Thornton and Deloitte Touche Tohmatsu and their respective Affiliates in India.

“**Break Fee**” shall have the meaning ascribed to it in Clause 5.7.2.

“**Business**” shall mean the business of manufacture, import, storage, sale, marketing and distribution of the Products by or on behalf of Seller in the Territory

“**Business Accounts Receivable**” shall mean all amounts owing to the Seller by trade debtors, which relate exclusively to the Business, in respect of goods or services supplied by the Seller (whether or not due and payable at that time).

“**Business Assets**” shall mean the Business Movable Assets, the Business Immovable Assets and the Business Current Assets of the Seller.



“**Business Contracts**” shall mean all purchase orders, manufacture and supply agreements, bids, tenders, in-licensing contracts, loan license contracts, logistics agreements, agreements with customers and distributors, purchasers and other agreements with the suppliers/manufacturers of goods or service providers, and all rights, title, interests, claims and benefits thereunder in each case entered into by the Seller, each of which relates exclusively to the Business. The Business Contracts as of Execution Date are listed out in **Schedule C** (*Business Contracts*). The Business Contracts shall not include contracts with C&F agents.

“**Business Current Assets**” shall mean all Inventory, Business Accounts Receivables, the benefit of any deposits including earnest, suppliers and security deposits, of the Seller, each of which relates exclusively to the Business.

“**Business Current Liabilities**” shall mean all amounts owed by the Seller to the trade creditors relating exclusively to the Business, in respect of goods or services supplied to the Seller (whether or not due and payable at that time).

“**Business Day**” shall mean a day on which commercial banks are open for normal banking business in Mumbai and Hyderabad, India.

“**Business Employees**” shall mean all Persons set out in **Schedule D** (*Business Employees*) which schedule shall stand updated in accordance with Clause 6.5.1(h).

“**Business Immovable Assets**” shall mean the Baddi Facility. A list of all the Business Immovable Assets is set out in **Schedule E** (*Business Immovable Assets*).

“**Business Intellectual Property**” shall mean all rights, title and interest of the Seller whether owned or permitted to be used by or licensed to it, in, under or in respect of the following arising under Applicable Law, whether or not filed, perfected, registered or recorded:

- (a) the trade marks, service marks, brand names, trade dress, logos, slogans, industrial designs, internet domain names and all other indicia of origin, together with all translations, adaptations, derivations, and combinations thereof, and all registrations, applications for registration thereof and social media handles associated therewith, together with any extensions and renewals thereof and all goodwill associated therewith including for the sake of clarity, Unregistered Trademarks (collectively, the “**Trade Marks**”);
- (b) all patents (including the benefits of any patent applications and statutory invention registrations, together with any reissues, divisionals, continuations, continuations-in-part, extensions, provisional or supplemental protection certificates, renewals and re-examinations thereof) (collectively, “**Patents**”);
- (c) all information relating to the Trade Marks and Patents, know-how, inventions (whether patented or not), copyrights (including for sake of clarity, Unregistered Copyrights), derivative works, get up, product **packaging**, colour scheme, technology, technical data, trade secrets, **manufacturing** and service processes, systems and techniques, product recipes, protocols, research and development information (including all research and development data, experimental and project plans), formulas, business and marketing plans, industrial models, technical drawings, statistical models, development tools and other documentation; and



(d) all copies and tangible embodiments of any of the foregoing (in whatever form or medium),

each of which relates exclusively to the Business. The list of all Trade Marks And Patents is set out in **Schedule F** (*Trade Marks and Patents*).

“Business Movable Assets” shall mean all movable assets, movable properties, facilities, accessories, utilities, services, all instruments, vehicles, spares, tools, vessels, stabilizers, furniture and fixtures, office equipment, communication facilities, communication devices and other tangible movable properties; each of which (i) relate exclusively to the Business and / or (ii) pertain to the Baddi Facility (except the Excluded Baddi Lines). A list of all the Business Movable Assets is set out in **Schedule G** (*Business Movable Assets*).

“Business Permits and Licenses” shall mean:

- (a) Product Registrations;
- (b) all Authorizations and clearances, including the benefit of any applications made for any of the aforesaid, each of which relate exclusively to the Business; and
- (c) in case any Authorizations and/ or clearances relate both to the Business and any part of the other businesses of the Seller (within or outside the Territory), or to any product other than the Products or to any Excluded Asset, then the relevant part of such Authorizations and clearances, including the benefit of any applications made for any of the aforesaid, which relates exclusively to the Business,

and which are required to operate the Business in the Territory as conducted by the Seller. A list of all the Business Permits and Licenses as of Execution Date is set out in **Schedule H** (*Business Permits and Licenses*) hereto.

“Business Records” shall mean the original of all records (including records of Transferring Employees), written or electronic information, files, papers, manuals, data, catalogues, quotations, sales and advertising materials, promotional literature, list of doctors (and only to the extent that such list relates to the Business), distributors, stockists, institutions (if any), agents and suppliers, customer pricing information, Business Contracts, Business Permits and Licenses, Authorizations, Dossier including but not limited to the DMF, vouchers, registers, ledgers, documents, and customer and supplier correspondence, all records and documents related to product development, Technology Transfer Document, validations (process, method, cleaning) equipment /utility/facility qualifications, entire GMP/manufacturing/quality data, formulae, designs, specifications, drawings, data manuals, instructions, forecasts, sales and market share statistics and also records maintained under record keeping or reporting requirements of any Authority or in relation to the Authorizations and Business Permits and Licenses and other books and records for the preceeding 3 (three) financial years and which are reasonably necessary to conduct the Business in the Territory, as conducted by the Seller as on or immediately preceding the Closing Date, in any media or format that is available with the Seller, including but not limited to machine readable or electronic media/ format.



For the avoidance of doubt and subject to Clause 14, it is clarified that in relation to (a) common ledgers, registers, databases, books or other documents which also relate to any part of the other businesses of the Seller, or to any product other than the Products or to any Excluded Asset or in relation to any Excluded Liability; (b) records of the Seller pertaining to the accounting, tax or regulatory affairs of the Business Undertaking which are required to be kept only in the control of the Seller pursuant to the provisions of any Applicable Law, “**Business Records**” shall only include certified extracts and/or read-only copies (as may be practicable) of such documents; and the Purchaser may retain copies of such Business Records, subject to the confidentiality provisions specified in Clause 14.1.

“**Business Undertaking**” shall mean all the businesses, undertakings, activities, operations and properties primarily and substantially forming part of the Business, as a going concern along with related goodwill, as set out below:

- (a) the Products and all line extensions, improvements and developments of or in relation to the Products that are as on the Execution Date in existence or in progress or expected to be commenced within 6 (six) months from the Execution Date;
- (b) the Business Assets (*i.e. the Business Immovable Assets, Business Movable Assets and the Business Current Assets*);
- (c) the Business Contracts (and the relevant parts of the Shared Contracts which relate exclusively to the Business);
- (d) the Business Permits and Licenses which are capable of being transferred under Applicable Law;
- (e) the Business Intellectual Property;
- (f) Transferring Employees;
- (g) the Business Current Liabilities;
- (h) the Business Records.

“**Claim Notice**” shall have the meaning ascribed to it in Paragraph 5.1 of **Schedule Q** (*Limitations on Liability*).

“**Closing**” shall mean the completion of the sale and purchase of the Business Undertaking in accordance with Clause 7.

“**Closing Date**” shall have the meaning ascribed to it in Clause 7.1.



“Closing Date Employee Dues” shall have the meaning ascribed to it in Clause 3.6.1,

“Closing Date Net Working Capital” shall have the meaning ascribed to it in Clause 3.5.1.

“Closing Date Payment” shall have the meaning ascribed to it in Clause 3.1(a).

“Conditions Precedent” shall mean the Seller Conditions Precedent, the Purchaser Conditions Precedent and the Joint Conditions Precedent, collectively.

“Confidential Information” shall have the meaning ascribed to it in Clause 14.1.1.

“Consideration” shall have the meaning ascribed to it in Clause 3.

“Control” shall have the meaning ascribed to it in Regulation 2(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and the words “Controlling” or “Controlled by” shall be construed accordingly.

“Data Room” shall mean the electronic data room hosted by EthosData, comprising the documents and other information relating to the Business made available by the Seller from 2000 Hours IST on October 01, 2019 until 0000 Hours IST on January 31, 2020, and any additional documents uploaded in folders 1.32 (Balance Documents), 1.34 (Relevant back-up documents against Disclosure Letter), 1.35 (Information requested on January 31, 2020), 1.36 (Information requested on February 03, 2020), 1.37 (CP documents uploaded on February 05, 2020) and 1.38 (DL documents uploaded on February 05, 2020) of the Data Room between 0000 Hours on January 31, 2020 and 2359 Hours on February 10, 2020, pursuant to specific requests from the Purchaser.

“Deed of Conveyance” shall mean the deed of conveyance for the sale and transfer of the Business Immovable Assets from the Seller to the Purchaser with effect from the Closing Date, in agreed form.

“Deed(s) of Novation/ Assignment” shall mean the deeds of novation/ assignment to be executed between the Seller and the Purchaser, and also by the relevant counterparty to a Material Business Contract, which shall be substantially similar to the form set out in **Schedule I** (*Deed of Novation/ Assignment*), for the novation or assignment, as applicable, of such Material Business Contracts, on the Closing Date.

“Deed(s) of Trade Mark and Patent Assignment” shall mean the intellectual property assignment deed to be executed on the Closing Date between the Seller and the Purchaser, for the assignment of the Business Intellectual Property specified in **Part A of Schedule F** (*Trade Marks and Patents*), which shall be in agreed form.

“Disclosed Materials” shall mean information Fairly Disclosed in, collectively:

- (a) the Transaction Documents; and



- (b) the Disclosure Letter and any document contained in and/ or specified in the Data Room or the legal due diligence report dated October 19, 2019, the supplementary due diligence report dated December 7, 2019, the financial due diligence report dated September 26, 2019 (as updated by the supplementary financial due diligence report October 09, 2019), as applicable, only to the extent listed out and referred to in the Disclosure Letter,

provided that the disclosure therein (in each of (a) and (b) above) shall be reasonably apparent therefrom.

“**Disclosing Party**” shall have the meaning ascribed to it in Clause 14.1.3(a).

“**Disclosure Letter**” shall mean the letter from the Seller to the Purchaser, containing a description of the matters disclosed against the Seller Warranties:

- (a) as on the Execution Date; and
- (b) as may be updated by the Seller, in accordance with Clause 6.6, in relation to the events or circumstances which relate to the period between the Execution Date and the Closing Date and which shall be in form mutually agreed between Parties, acting reasonably and in good faith.

“**Dispute**” shall have the meaning ascribed to it in Clause 13.2.1.

“**Dossier**” means in relation to the Product, such package of technical or clinical information in relation to that Product (including any and all information, processes, techniques, data and intellectual property rights) which allows for compilation into the relevant country format according to the regulatory requirements necessary to obtain and maintain marketing authorizations for the relevant Product in any country in the Territory and includes information about the chemistry, formulation, manufacture, toxicology, pharmacology, pharmacokinetics related to a drug, analytical methods, stability and pharmaceutical data concerning the Product, bioequivalence data, the administrative, safety, efficacy, quality, non-clinical and clinical data for the Product as it may change from time to time and all regulatory filings and supporting documents created, submitted to an Authority and all data contained therein, including, without limitation, any investigator’s brochures, study protocols, DMF (drug master file), correspondence to and from an Authority, registrations and licences, regulatory drug lists, advertising and promotion documents shared with Authorities, adverse event files, complaint files, clinical studies and pre-clinical studies to the extent related to the Product and manufacturing records.

“**DMF**” means that part of the Dossier comprising the drug master file filed with the applicable regulatory Authority in the Territory relating to a Product.

“**Encumbrance**” shall mean any (a) security interest, claim, mortgage, pledge, charge, hypothecation, lien, lease, assignment, deposit by way of security, beneficial ownership (including usufruct and similar entitlements), or any other interest held by a third Person or any of the foregoing having a similar economic effect recognised under Applicable Law; (b) encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any Person, (c) any interest, option, right of first offer, refusal or transfer restriction in favour of any Person, or any other preferential arrangement having a similar effect, of any kind or nature, whether arising by agreement or by Applicable Law; (d) any adverse claim as to title, possession or use; or (e) an agreement to create any of the foregoing over or in respect of the relevant asset or right, and the term “**Encumbered**” shall be construed accordingly.



“**Escrow Account**” shall mean a cash escrow account maintained with the Escrow Agent, in terms of the Escrow Agreement, in which the Escrow Amount shall be deposited by the Purchaser on the Closing Date.

“**Escrow Amount**” shall have the meaning ascribed to it in Clause 3.1(b).

“**Escrow Agent**” shall mean a bank in India, as specified by the Seller.

“**Escrow Agreement**” shall mean the agreement to be entered into between the Seller, the Purchaser and the Escrow Agent, in agreed form.

“**Estimated Employee Dues**” shall have the meaning ascribed to it in Clause 3.4.1(b).

“**Estimated Net Working Capital**” shall have the meaning ascribed to it in Clause 3.4.1(a).

“**Excluded Assets**” shall mean all assets (whether owned, used or held for use) and rights relating to the business of the Seller and/or its Affiliates and related goodwill other than the Business Undertaking, including:

- (a) the Wockhardt Names and Marks;
- (b) all cash, marketable securities and negotiable instruments, and all other cash equivalents;
- (c) any permits and licenses which do not pertain to the Business Undertaking and such Business Permits and Licenses which are not transferrable under Applicable Law;
- (d) any of the manufacturing facilities or immovable assets owned by the Seller;
- (e) all policies of or agreements for insurance and interests in insurance pools and programs and all rights of any nature with respect to the foregoing;
- (f) any books and records pertaining to the other businesses of the Seller;
- (g) the Excluded Baddi Lines; and
- (h) any licenses, contracts or intellectual property of the Seller which are related to, or used or held for use in connection with the other businesses of the Seller other than the Business.

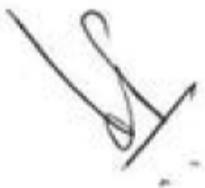


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“**Excluded Baddi Lines**” shall mean (i) the capsule lines and the laser line machines as specified in **Schedule S** (*Excluded Baddi Lines*) installed at the Baddi Facility; and (ii) all inventories at the Baddi Facility including all semi-finished and finished products, drugs, injectables, nutraceuticals, work in process, raw materials, components, samples, packaging materials and all other materials and supplies, in each case, to be used for any of the Seller’s businesses other than the Business.

“**Excluded Liabilities**” shall mean any liability of the Seller, other than the Business Current Liabilities, and shall include without limitation, the following:

- (a) all Liabilities in relation to or arising out of the Excluded Assets;
- (b) any Tax of Seller arising out of, relating to or in respect of the Business Undertaking for the period prior to Closing Date or any income tax liabilities imposed on amounts payable to the Seller under this Agreement;
- (c) any Liabilities arising out of or relating to employment, compensation, employee benefits or termination of any current or former Business Employees, officers, consultants or independent contractors and their respective dependents and beneficiaries, for and until the Closing Date and also such Liabilities that are expressly retained by Seller, other than and only to the extent of:
 - (i) Liability for provident fund for which funds have been transferred in accordance with Clause 8.1.4; and
 - (ii) the leave encashment liability, accumulated leave balance, sick leave or unencashed leave, long term service award, unfunded gratuity, unpaid salary, unpaid variable pay, provident fund shortfall (if any) and unpaid proportionate incentives) which have been adjusted from the Consideration in accordance with Clause 3;
- (d) all Liabilities arising out of, relating to or in respect of the Business Contracts to the extent such Liabilities arise out of a breach or default by Seller;
- (e) any Liabilities arising out of or relating to any litigation pursued by or against the Seller or relating to or affecting the Business, whether initiated before or after the Closing Date but, arising out of the facts and circumstances which took place on or before the Closing Date, other than any litigation in respect of which the name of the Seller is substituted (as a plaintiff) with the name of the Purchaser in accordance with Clause 8.5 of this Agreement; or
- (f) all Liabilities in relation to Products manufactured, sold or transferred prior to the Closing (other than the Business Current Liabilities) and the return costs and any refunds of the purchase price associated with any customer or wholesaler returns of expired, damaged, defective, or otherwise unsalable Product for any Product manufactured and sold on or prior to the Closing Date.



“**Execution Date**” shall mean the date of execution of this Agreement.

“**Existing Stock**” shall have the meaning ascribed to it in Clause 8.2.2.

“**Fairly Disclosed**” shall mean fairly and specifically disclosed in the Disclosed Materials and by reference to a particular Seller Warranty. For the avoidance of doubt, any information contained in the Disclosure Letter is to be treated as being disclosed in respect of the Seller Warranty against which it is referenced.

“**Group**” means in relation to a company (wherever incorporated), that company, any company of which it is a subsidiary from time to time (its holding company) and any other subsidiaries from time to time of that company or its holding company.

“**Independent Auditor**” shall mean one of the Big Five appointed by the Purchaser, not being the statutory auditor of the Purchaser or the Seller at the time of such appointment.

“**Independent Auditor’s Report**” shall have the meaning ascribed to it in Clause 3.5.2.

“**Initial Actuarial Assessment**” shall have the meaning ascribed to it in Clause 3.4.1(b).

“**Inventory**” shall mean all inventories including all semi-finished and finished Products, drugs, injectables, nutraceuticals, work in process, raw materials, components, samples, packaging materials and all other materials and supplies to be used in the production of the finished Products, each of which relates exclusively to the Business, wherever located within the Territory or in transit, including at the manufacturing facilities, warehouses, customs depots.

“**Inventory Criteria**” shall mean the Inventory whose remaining shelf life as on the Closing Date, shall in the case of finished goods, be not less than [***] and in respect of all other components of Inventory, be not less than [***].

“**IT Act**” shall mean the (Indian) Income Tax Act, 1961 and any modifications or amendments made thereto.

“**Joint Conditions Precedent**” shall have the meaning ascribed to it in Clause 5.1.

“**Key Employees**” shall mean such of the Business Employees specified in **Part A of Schedule D** (*Business Employees*).

“**Knowledge of the Seller**” shall mean the actual knowledge of the following persons and shall include such knowledge that a person occupying such roles shall while holding such office, be reasonably expected to have or could have with reasonable enquiry, had, towards the discharge of his/her work responsibilities:

- (a) each of the directors on the board of directors of the Seller;
- (b) [***], President – India & ROW business;



- (c) [***], President - Global Supply Chain & Generics business;
- (d) [***], Chief Financial Officer;
- (e) [***], Company Secretary and compliance officer;
- (f) [***], Associate Vice President - Corporate Strategy, M&A & Business Development;
- (g) [***], Vice President Legal & GC;
- (h) [***], General Manager and Plant Head, only in relation to the Baddi Facility;
- (i) [***], Senior Vice President - Manufacturing;
- (j) [***], Vice President, Human Resources;
- (k) [***], Vice President - Clinical, Regulatory and Medical Affairs, India and ROW; and
- (l) [***], Sr. General Manager - Patents.

“**Liability**” shall mean any obligation or liability whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due, and whether as principal or surety, including any undertaking for the payment or repayment of money (whether in respect of interest, principal or otherwise) of monies borrowed or raised; any acceptance credit, bill discounting, note to purchase, factoring or documentary credit; any financing lease, bond, bank guarantees, letter of credit or other instrument issued in connection with the performance of any contract.

“**License Period**” shall have the meaning ascribed to it in Clause 8.2.2.

“**Long Stop Date**” shall have the meaning ascribed to it in Clause 5.3.

“**Loss**” shall mean any and all direct and/ or actual losses, damages, costs and expenses (including reasonable legal fees) on an after tax basis.

“**Material Adverse Effect**” means any fact, event, circumstance or condition or series of facts, circumstances or conditions occurring after the Execution Date but before the Closing Date, that:

- (a) prohibits or prevents the Seiler’s ability to consummate the sale and purchase of the Business Undertaking (taken as a whole) in terms of this Agreement; or
- (b) renders this Agreement invalid or unenforceable; or



- (c) prohibits or prevents the Seller from manufacturing, selling, marketing or distributing any Product or combination of Products, which results in an adverse impact on the aggregate sales turnover of the Business by an amount equal to or exceeding INR 96.00.00,000 (Rupees ninety six crores only). For purposes of this clause (c), the aggregate sales turnover of the Product or combination of Products so prohibited or prevented, in the 12 months period leading up to the date of such prohibition or prevention, shall be deemed to be the amount of adverse impact on the aggregate sales turnover of the Business.

and in each case, which is not remedied by the Long Stop Date.

Provided, however, that notwithstanding the foregoing, any event, fact, effect, change or occurrence resulting from any of the following shall not be construed, either alone or in combination, to constitute a Material Adverse Effect, or be taken into account in determining whether there has been a Material Adverse Effect:

- (i) any change in Applicable Law generally applicable to the sector in which the Seller and/or the Purchaser operates, provided that this sub-clause (i) shall not apply to sub-clause (c) of the definition of Material Adverse Effect;
- (ii) changes or effects that are generally applicable to the economy or industry, industry sector or any geographic market in which the Products are sold or in which the Seller operates, or worldwide economy generally or the securities, syndicated loan, credit or other financial markets generally, including changes in interest or exchange rates;
- (iii) changes or effects that arise out of or are attributable to (I) the acts or omissions of, or circumstances affecting, Purchaser and/or its Affiliates, or (II) actions undertaken pursuant to the performance of this Agreement; (III) any existing event or occurrence or circumstance as Fairly Disclosed in the Disclosed Materials of which Purchaser has actual (but not deemed or constructive) knowledge as of the date hereof;
- (iv) any action by the Seller: (I) which the Purchaser has expressly requested in writing post the Execution Date; or (II) to which the Purchaser has consented to in writing;
- (v) political conditions, including the worsening of any existing conditions;
- (vi) any delay or failure of the Seller to obtain approval from any Authority in relation to the Business for manufacturing, marketing or sale of any new product (other than products manufactured, marketed or sold by the Seller as on the Execution Date) in the Territory;
- (vii) any natural disaster or pandemic or any acts of terrorism, sabotage, military action or war (whether or not declared), or any escalation or worsening thereof, or any other force majeure event, whether or not caused by any Person, or any national or international calamity or crisis;
- (viii) any failure of the Seller to meet internal or public forecasts, projections, predictions, guidance, estimates, milestones or budgets; or



- (ix) non-completion of any actions required to be completed as Seller Conditions Precedent or Joint Conditions Precedent, which have been waived by the Purchaser in terms of this Agreement.

“**Master Batch Record**” shall mean the document, as may be amended from time to time, specifying: (a) specifications of the active pharmaceutical ingredient (API) used in the Products, (b) the procedures for testing and releasing the APIs, (iii) the excipients, and such other detail as recorded in the said document.

“**Material Business Contracts**” shall mean the Business Contracts identified as material Business Contracts in **Part A of Schedule C** (*Business Contracts*).

“**Master Formula Record**” shall mean a document or set of documents specifying the starting materials with their quantities and the packaging materials, together with a description of the procedures and precautions required to produce a specified quantity of a finished product as well as the processing instructions, including the in-process controls, list of specified equipments and their capacities, list of packing material with quantities, packing process, storage conditions, special instructions and atmospheric conditions in any stage of the manufacturing process along with process time and yield.

“**Material Shared Contracts**” shall mean the Shared Contracts identified as material Shared Contracts in **Part A of Schedule J** (*Shared Contracts*).

“**Negative CEL Adjustment Amounts**” shall have the meaning ascribed to it in Clause 3.6.2(b).

“**Negative CWC Adjustment Amounts**” shall have the meaning ascribed to it in Clause 3.5.3(b).

“**Net Working Capital**” shall mean the working capital of the Business and the Parties agree that in relation to Net Working Capital, and Inventory for the purposes of this definition shall only mean and refer to the Inventory that meets the Inventory Criteria.

“**Ordinary Course**” shall mean any action taken by or on behalf of the Seller that is taken in the ordinary course of the Seller’s normal day-to-day operations in relation to the Business and is substantially consistent with past practice and in either case, on an arm’s length basis or on terms not prejudicial to the Business.

“**Permitted Encumbrances**” shall mean; (a) Encumbrances arising under contracts which pertain to the Business, entered into in the Ordinary Course as Fairly Disclosed in the Disclosed Materials; (b) Encumbrances for Taxes and other governmental charges arising in the Ordinary Course that may thereafter be paid without penalty.

“**Person**” shall mean any individual, partnership, corporation, company, unincorporated organization, association, joint venture, trust, society or other entity (whether or not having a separate legal personality) and includes an Authority.

“**Positive CEL Adjustment Amounts**” shall have the meaning ascribed to it in Clause 3.6.2(a).



“**Positive CWC Adjustment Amounts**” shall have the meaning ascribed to it in Clause 3.5.3(a).

“**Product Registrations**” shall mean all Authorizations and comparable regulatory filings granted to a Seller by or applications therefor in the name of the Seller that are pending with, any governmental Authority (including applications that are in the process of being prepared by the Seller) required to manufacture, commercialize, develop, package, label, store, use, market, import, export, distribute and/or sell any of the Products.

“**Products**” shall mean the pharmaceutical products set out in **Schedule A (Products)**.

“**Purchaser Conditions Precedent**” shall have the meaning ascribed to it in Clause 5.2.

“**Purchaser CP Certificate**” shall have the meaning ascribed to it in Clause 5.5.2.

“**Purchaser Trade Mark and Patent License Agreement(s)**” shall mean the license agreement to be executed on the Closing Date between the Seller and the Purchaser, for the perpetual, sub-licensable, irrevocable, royalty-free license of the Assigned Trade Marks and Patents, by the Purchaser to the Seller, for use in relation to the other businesses of the Seller (including manufacturing or labelling any of the Products within the Territory for sale and distribution outside the Territory), in agreed form.

“**Purchaser Warranties**” shall have the meaning ascribed to it in Clause 9.2.1.

“**Qualifying Loss**” shall have the meaning ascribed to it in Paragraph 2.1(a) of **Schedule Q (Limitations on Liability)**.

“**Receiving Party**” shall mean the Party receiving any Confidential Information from the Disclosing Party.

“**Related Party**” shall have the meaning ascribed to such term under the Act or under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

“**Relative**” shall have the meaning ascribed to it in Section 2(77) of the Act;

“**Representatives**” shall have the meaning ascribed to it in Clause 14.1.3(b).

“**Restricted Molecule(s)**” shall mean each of the molecule (or combination thereof) set out in **Part A** and **Part B** of **Schedule U (List of Restricted Molecule(s) and Restricted Periods)**.

“**Restricted Period**” shall mean the period specified in **Part A** and **Part B** of **Schedule U (List of Restricted Molecule(s) and Restricted Periods)** against each of the Restricted Molecule(s), in each case commencing from the Closing Date.

“**Resultant Amount**” shall have the meaning ascribed to it in Clause 3.7.1(a).



“**Seller Bank Account**” shall mean bank account of the Seller at [***].

“**Seller Business Warranties**” shall have the meaning ascribed to it in Clause 9.1.2,

“**Seller Conditions Precedent**” shall have the meaning ascribed to it in Clause 5.1.

“**Seller CP Certificate**” shall have the meaning ascribed to it in Clause 5.5.1.

“**Seller Fundamental Warranties**” shall have the meaning ascribed to it in Clause 9.1.1.

“**Seller Trade Mark License Agreement(s)**” shall mean the license agreement to be executed on the Closing Date between the Seller and the Purchaser, for the perpetual, sub-licensable, irrevocable, royalty-free license of the Business Intellectual Property specified in **Part B of Schedule F** (*Trade Marks and Patents*), by the Seller to the Purchaser, in agreed form.

“**Seller Representatives**” shall have the meaning ascribed to it in Clause 6.5.4(b).

“**Seller Warranties**” shall mean collectively, the Seller Fundamental Warranties and the Seller Business Warranties.

“**Shared Contracts**” shall mean all purchase orders, manufacture and supply agreements, bids, tenders, lease agreements, leave and license agreements, logistics and warehousing agreements, agreements with customers, purchasers and other agreements with the suppliers/manufacturers of goods or service providers, and all rights, title, interests, claims and benefits thereunder in each case entered into by the Seller, which relates both to:

- (a) the Business or any part of the Business to be transferred to the Purchaser at Closing; and
- (b) any part of the other businesses of the Seller (within or outside the Territory), or to any product other than the Products or to any Excluded Asset.

A list of all the Shared Contracts is set out in **Schedule J** (*Shared Contracts*). The Business Contracts shall not include contracts with C&F agents.

“**Specific Indemnity Events**” shall have the meaning ascribed to it in **Schedule R** (*Specific Indemnity Events*);

“**Target Net Working Capital**” shall mean [***].

“**Tax**” shall mean all forms of present and future taxation (including but not limited to direct and indirect taxes such as income-tax, documentary stamps, goods and services tax or other similar taxes), deductions, withholdings, duties, cess, surcharge, imposts, levies, fees, charges, social security contributions and rates imposed, levied, collected, withheld or assessed by any Taxing Authority or other taxing authority in the Territory, in relation to the Business Undertaking and any interest, additional taxation penalty, surcharge or fine in connection therewith and “**Taxes**” shall be construed accordingly.



“**Taxing Authority**” shall mean any Authority or other authority competent to impose Tax, including the assessing officer appointed under the provisions of the IT Act and the assessing officer under the provisions of Applicable Law pertaining to indirect Taxes.

“**Technology Transfer**” shall mean the transfer by the Seller to the satisfaction of the Purchaser, of any technology for the commercial manufacture of the Products, its documentation and all analysis methods, processes and manufacturing formula, methods, trade-secrets, know-how and processes which are useful or necessary for the manufacture of the Products by the Purchaser at its/designated site on or after the Closing Date and so as to not cause any disruption in the Business on account of the transfer of the Business Undertaking between the Parties.

“**Technology Transfer Document**” shall mean, in each case relating to Technology Transfer, the methods, standard operating procedures, guidelines, checklists, protocols, manuals, drawings, flow-charts, specifications and other written/documentary record of the step-by-step and detailed description of the manufacturing process of or in relation to each of the Products and includes without limitation, data on analytical method for the active pharmaceutical ingredients inclusive of critical tests like assay, related substances and residual solvents, in- process analytical methods, finished product analytical methods including critical tests like assay, dissolution, related substances and dissolution profile and Master Formula Record and process instructions, Master Batch Records, validation protocol, batch packaging records and specifications for APIs, excipients, in- process and finished products. It is clarified that Technology Transfer Document shall also include training material and supporting literature (if any) for provision of necessary training to the people involved in the process of manufacture.

“**Territory**” shall mean all or any of the territories of India, Nepal, Bhutan, Sri Lanka and Maldives.

“**Threshold Loss**” shall have the meaning ascribed to it in Paragraph 2.1(b) of **Schedule Q** (*Limitations on Liability*).

“**Transaction Costs**” shall mean the aggregate of all the costs and expenses incurred, paid or payable, for or in connection with the Transaction Documents and the transfer of the Business Undertaking to the Purchaser.

“**Transaction Documents**” shall mean this Agreement and the Ancillary Agreements.

“**Transfer Letter**” shall have the meaning ascribed to it in Clause 6.5.1(b).

“**Transferring Employees**” shall have the meaning ascribed to it in Clause 6.5.1 (e).



“**Transitional Manufacturing Agreement**” shall mean the agreement to be executed between the Seller and the Purchaser, in relation to the manufacture by the Purchaser of certain product(s) for the Seller at the Baddi Facility, in agreed form.

“**Transitional Services Agreement**” shall mean the transitional services agreement to be executed between the Seller and the Purchaser, for provision by the Seller of certain services to the Purchaser in connection with the Business for the Transition Term, in agreed form.

“**Transition Period Assets**” shall have the meaning ascribed to it in Clause 6.5.5(a).

“**Transition Term**” shall mean a period of [***] from the Closing Date, or as otherwise mutually agreed to in writing between the Parties in respect of specified services under the Transitional Services Agreement.

“**Unregistered Copyrights**” means those copyrights that are not the subject of a pending application for registration with, or that are not registered with any copyright office.

“**Unregistered Trademarks**” shall mean those trademarks that are not the subject of a pending application for registration, or that are not registered, with any trademark or intellectual property office.

“**Wockhardt Names and Marks**” shall have the meaning ascribed to it in Clause 8.2.1.

1.2 Interpretation

1.2.1 Words and expressions used in this Agreement but not defined in Clause 1.1 shall, to the extent not inconsistent with the context thereof, have the meanings as ascribed thereof.

1.2.2 In this Agreement, unless the context otherwise requires:

- (a) references to the masculine, the feminine or the neuter gender shall include each of the other genders;
- (b) any reference to the singular shall include the plural and vice-versa;
- (c) the terms “hereof”, “herein”, “hereby”, “hereto” and derivative or similar words refer to this entire Agreement or specified Clauses, as the case may be;
- (d) recitals, headings, sub-headings and bold typeface are only for convenience and shall be ignored for the purposes of interpretation;
- (e) references to any legislation or law or to any provision thereof shall include references to any such law or provisions as it may, after the Execution Date, from time to time, be amended, supplemented or re-enacted, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision;



- (f) references to the words “include” or “including” shall be construed without limitation;
- (g) Schedules and Annexures form an integral part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement and any reference to this Agreement shall include a reference to the Schedules and Annexures attached to it. Any references to Recitals, Clauses, Annexures and Schedules are to Recitals of, Clauses of, Annexures and Schedules to this Agreement. Any references to parts or paragraphs are, unless otherwise stated, references to parts or paragraphs of the Annexures or Schedule in which the reference appears;
- (h) any reference in this Agreement, to consent or approval or similar connotation, unless expressly stated otherwise, shall be in writing, and shall include electronic mail communications followed by physical delivery through first class courier / registered post;
- (i) any reference to a document in an “agreed form” is to a document in a form agreed between the Parties and identified, by reference and in writing (in each case with such amendments as may be agreed in writing by or on behalf of the Parties);
- (j) when any number of days or any period of time is prescribed in any document, the same shall be reckoned exclusively of the first and inclusively of the last day unless the last day does not fall on a Business Day, in which case the last day shall be the next succeeding day that is a Business Day;
- (k) Where any obligation in this Agreement is expressed to be undertaken or assumed by any Party, that obligation is to be construed as requiring the Party concerned to exercise all rights and powers of control over the affairs of any other Person which it is legally entitled to exercise (whether directly or indirectly) in order to secure performance of the obligation. Any obligation in this agreement on a Party not to do something includes an obligation not to agree or allow that thing to be done;
- (l) the words “directly or indirectly” mean directly, or indirectly through one or more intermediary Persons, or through contractual or other legal arrangements, and “direct or indirect” shall have the correlative meanings.

2. SALE AND PURCHASE OF THE BUSINESS UNDERTAKING

2.1 Subject to the terms and conditions of this Agreement and placing reliance on the representations, warranties provided by and covenants of the other Party, the Seller hereby agrees to sell, transfer, convey, assign and deliver to the Purchaser, and the Purchaser, hereby agrees to purchase from the Seller on the Closing Date, as a going concern, on a slump sale basis, on a cash-free and debt-free basis, free and clear of all Encumbrances (except under sub-clause (b) of the definition of Permitted Encumbrances), all right, title and interest of the Seller (existing as of the Closing Date) in and to the Business Undertaking, such that on the Closing Date:

- (a) the Business Undertaking shall be deemed to have been transferred to and vested in the Purchaser, free of all Encumbrances (other than under subclause (b) of the definition of Permitted Encumbrances), on a cash-free and debt-free basis;



- (b) the Purchaser would be entitled to all rights, title, interest and rewards and shall assume and perform all obligations, liabilities and risks in and to the Business Undertaking as set out herein, completely and absolutely; and
- (c) the Purchaser shall have the full ability, rights, power and authority, necessary for conducting and carrying on the business of the Business Undertaking as a going concern in the same manner, in which the Seller has conducted and carried on the business of the Business Undertaking, in continuation of, and as successor to the Seller in relation to the Business.

2.2 The Seller agrees that the Business Assets, the Business Intellectual Property, the Business Contracts, the Shared Contracts and the Business Permits and Licenses (which are capable of being transferred under Applicable Law) if any, that are owned by or are otherwise in possession or in control of any Person other than the Seller and set out in the relevant Schedules, shall be acquired by the Seller prior to the Closing Date, so that it may perform its obligations towards the transfer of the Business Assets, the Business Intellectual Property, Business Contracts and the Business Permits and Licenses to the Purchaser at Closing.

2.3 Without derogation to and other than such rights and benefits comprised in the Business Undertaking, the Seller shall be entitled to, and shall retain only such of the rights and benefits in relation to the Business Undertaking:

- (a) pursuant to any claims made by the Seller (including any insurance claims) prior to the Closing Date; or
- (b) to the extent of statutory rights and benefits which have accrued, or relate to any act or event that has occurred, or relate to any period, prior to the Closing (including any duty drawback benefits in respect of the Products exported by the Seller prior to the Closing Date),

received by it or which may become due to it whether prior to or following the Closing Date. The Seller shall not be entitled to any dues arising or pertaining to the period on or after the Closing Date.

In the event that the Purchaser receives after the Closing Date, any sums that the Seller is entitled to retain under this Clause 2.3, it shall promptly refund the same to the Seller in accordance with the provisions of Clause 8.4.3.

2.4 For the avoidance of doubt, the Parties acknowledge that the Excluded Assets and Excluded Liabilities do not form a part of the Business Undertaking and are accordingly not being sold, assigned, transferred, conveyed or delivered to the Purchaser and the Purchaser is not purchasing, acquiring or accepting from the Seller, the Excluded Assets and Excluded Liabilities, which shall be retained and paid, performed and discharged when due by Seller out of its own sources and without recourse to the Purchaser.



- 2.5 All the right, title or interest over or with respect to the Business Undertaking and possession of the Business Undertaking shall remain vested with the Seller, until the occurrence of Closing in accordance with Clause 7 and other applicable terms of this Agreement, notwithstanding any provision to the contrary, and nothing in this Agreement shall be construed as a transfer of the Business Undertaking, or as creating any right, title or interest of any nature in such Business Undertaking in favour of the Purchaser prior to such Closing Date.
- 2.6 Subject to the provisions of this Clause 2, the Purchaser agrees, confirms and acknowledges that with effect from the Closing Date, all right, title, interest, risks and obligations of the Seller comprised in the Business Undertaking, shall be assigned and transferred from the Seller to the Purchaser completely and absolutely and the Seller shall not in any manner whatsoever, be responsible, liable or obliged (whether financially or otherwise) towards the Purchaser or to a third party in relation to the Business Undertaking in respect of the foregoing.
- 2.7 All:
- (a) periodical charges and periodical outgoings of the Business Undertaking or related to Business Assets, including rents, rates and non-customer rebates, insurance, gas, electricity, telephone and water charges;
 - (b) liabilities in relation to the Transferring Employees including salaries, wages, entitlement to paid holiday, employee bonus, expenses, pension contributions, except to the extent that (i) such liability has been adjusted from the Consideration in accordance with Clause 3; or (ii) the liability for provident fund for which funds have been transferred in accordance with Clause 8.1.4; and
 - (c) liability to Tax relating to the Business,
- shall be apportioned on a time basis, so that such part of the relevant charges attributable to the period ending on the Closing Date shall be borne by the Seller and such part of the relevant charges attributable to the period commencing on the Closing Date shall be borne by the Purchaser. All rents, licence fees, royalties and other periodical receipts of the Business shall be apportioned between the Seller and the Purchaser on a like basis.
- 2.8 In the event that any periodical charges and periodical outgoings and/ or periodical receipts for the period commencing on the Closing Date relate both to the Business Undertaking as well as the other businesses of the Seller, then:
- (a) such part of the relevant charges or receipts attributable to the Business Undertaking shall be borne or received by the Purchaser; and
 - (b) such part of the relevant charges or receipts attributable to the other businesses of the Seller shall be borne or received by the Seller.
- 2.9 The Parties shall not take any action which may prevent or restrict the transfer of the Business Undertaking from the Seller to the Purchaser in accordance with the terms of this Agreement.



3. CONSIDERATION

3.1 In consideration of the transfer of the Business Undertaking by the Seller to the Purchaser as a going concern on a slump sale basis, and on a cash-free and debt-free basis, the Purchaser shall pay the Seller in accordance with the terms of this Agreement lump sum consideration of INR 1,850,00,00,000/- (Rupees one thousand eight hundred and fifty crores only) (“**Consideration**”), which shall be paid as follows:

- (a) an amount of [***] (“**Closing Date Payment**”) shall be paid on the Closing Date by way of a wire transfer by the Purchaser to the Seller Bank Account, subject only to the adjustments specified in Clause 3.4; and
- (b) an amount of [***] (“**Escrow Amount**”) shall be paid by way of wire transfer, to the Escrow Account which shall be dealt with in accordance with Clause 3.7.

3.2 No Allocation

The Parties agree and acknowledge that the transaction contemplated in this Agreement is a purchase and sale of the Business Undertaking free and clear of any Encumbrances (other than under sub-clause (b) of the definition of Permitted Encumbrance) as a going concern on a slump sale basis, and the Consideration is a lump sum consideration *in lieu* thereof, and no specific part of the Consideration is (nor can it be) allocated to any specific asset or right of the Seller comprised in the Business Undertaking. Determination of the value of any Business Asset or Business Current Liabilities for the purpose of payment of stamp duty, registration fees or other similar taxes or fees, shall not be regarded as assignment of values to any Business Asset or Business Current Liabilities.

3.3 All sums payable by the Parties under this Agreement shall be paid free and clear of all deductions or withholdings whatsoever including on account of set-off or counterclaim.

3.4 Closing Date Consideration Adjustments

3.4.1 At least 3 (three) Business Days prior to the Closing Date, the Seller shall deliver to the Purchaser:

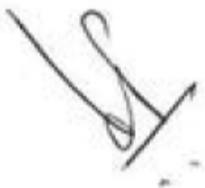
- (a) a good-faith estimate, which shall be accompanied by reasonable supporting documentation, of the Net Working Capital as of the Closing Date and calculated in accordance with the Accounting Principles (“**Estimated Net Working Capital**”); and
- (b) an actuarial assesment report (“**Initial Actuarial Assessment**”) relating to the leave encashment liability, accumulated leave balance, sick leave or unencashed leave, long term service award, unfunded gratuity, unpaid salary, unpaid variable pay, provident fund shortfall (if any) and unpaid proportionate incentives, in each case, for and until the Closing Date in respect of the Business Employees (“**Estimated Employee Dues**”) prepared by the Actuary.



- 3.4.2 The Consideration to be paid by the Purchaser to the Seller on the Closing Date in accordance with Clause 7 shall be adjusted and determined in the following manner:
- (a) In the event the Estimated Net Working Capital determined in accordance with this Clause 3.4 is higher than the Target Net Working Capital, the Closing Date Payment shall be enhanced by an amount which is equal to the difference between the Estimated Net Working Capital and the Target Net Working Capital; or
 - (b) In the event the Estimated Net Working Capital determined in accordance with this Clause 3.4 is lower than the Target Net Working Capital, the Closing Date Payment shall be reduced by an amount which is equal to the difference between the Target Net Working Capital and the Estimated Net Working Capital; and
 - (c) The Closing Date Payment shall be reduced by an amount which is equal to the Estimated Employee Dues.

3.5 Post-Closing Consideration Adjustment for Working Capital

- 3.5.1 Within 3 (three) Business Days from the Closing Date, the Purchaser shall appoint an Independent Auditor, in consultation with the Seller, for the purposes of determining the Net Working Capital of the Business Undertaking as of the Closing Date and calculated in accordance with the Accounting Principles ("**Closing Date Net Working Capital**"). The Seller shall provide access and co-operation to the necessary data, documents as may be reasonably requested for by such Independent Auditor for the aforesaid determination.
- 3.5.2 The Independent Auditor shall within a period not exceeding 30 (thirty) Business Days from the date of his appointment, provide a report (the "**Independent Auditor's Report**"), simultaneously to the Purchaser and the Seller specifying the calculation of the Closing Date Net Working Capital, which shall be accompanied by reasonable supporting documentation thereof. The Closing Date Net Working Capital as specified in the Independent Auditor's report shall be final and binding on both Parties.
- 3.5.3 The Parties hereby agree that:
- (a) In the event the Closing Date Net Working Capital is higher than the Estimated Net Working Capital, the Purchaser shall be liable to pay to the Seller an amount equal to the difference between the Closing Date Net Working Capital and the Estimated Net Working Capital ("**Positive CWC Adjustment Amounts**"); or
 - (b) In the event the Closing Date Net Working Capital is lower than the Estimated Net Working Capital, the Seller shall be liable to pay an amount equal to the difference between the Estimated Net Working Capital and the Closing Date Net Working Capital ("**Negative CWC Adjustment Amounts**").



3.6 Post Closing Adjustment For Employee Liabilities

3.6.1 Within 15 (fifteen) Business Days from the Closing Date, the Actuary shall undertake an actuarial assessment of the leave encashment liability, accumulated leave balance, sick leave or unencashed leave, long term service award, unfunded gratuity, unpaid salary, unpaid variable pay, provident fund shortfall (if any) and unpaid proportionate incentives for and until the Closing Date (whether or not the same shall have accrued for payment) in respect of the Transferring Employees as on the Closing Date (**“Closing Date Employee Dues”**) and provide a report simultaneously to the Purchaser and the Seller. The Closing Date Employee Dues specified in such report shall be final and binding on both Parties.

3.6.2 The Parties hereby agree:

- (a) In the event the Closing Date Employee Dues determined is lower than the Estimated Employee Dues, the Purchaser shall be liable to pay to the Seller an amount equal to the difference between the Estimated Employee Dues and the Closing Date Employee Dues (**“Positive CEL Adjustment Amounts”**); or
- (b) In the event the Closing Date Employee Dues is higher than the Estimated Employee Dues, the Seller shall be liable to pay to the Purchaser, an amount equal to the difference between the Closing Date Employee Dues and the Estimated Employee Dues (**“Negative CEL Adjustment Amounts”**).

3.7 Escrow Amount

3.7.1 Upon finalization of the amounts specified in Clauses 3.5.3 and 3.6.2, the Parties shall perform and cause the Escrow Agent to perform necessary actions to give effect to the following:

- (a) the Positive CWC Adjustment Amounts or Negative CWC Adjustment Amounts (as the case may be), on the one hand, and the Positive CEL Adjustment Amount or the Negative CEL Adjustment Amounts (as the case may be), on the other hand, shall be set off or aggregated, as the case may be, against each other (**“Resultant Amount”**);
- (b) If the Resultant Amount is a positive number, then the Purchaser shall forthwith and without requiring further demand or other action of the Seller, transfer such amounts to the bank account of the Seller and the Parties shall require the Escrow Agent to transfer the Escrow Amount to the Seller;
- (c) If the Resultant Amount is a negative number, then the Escrow Amount shall be accordingly reduced and such Resultant Amount shall be forthwith paid by the Escrow Agent to the Purchaser and the balance (if any) in the Escrow Account shall be paid by the Escrow Agent to the Seller;
- (d) If the Resultant Amount is a negative number and is more than the Escrow Amount, then the Parties shall require the Escrow Agent to transfer the Escrow Amount to the Purchaser and the Seller shall, forthwith and without requiring further demand or other action of the Purchaser, pay the difference between the Resultant Amount and the Escrow Amount to the Purchaser.



The foregoing mechanism and the manner of instructions to the Escrow Agent to give effect to the agreed principles as set out above shall be elaborated in the Escrow Agreement.

3.7.2 Notwithstanding anything to the contrary, in case the Escrow Account is an interest bearing account, the interest on the entire Escrow Amount shall accrue directly to the Seller and shall be remitted to the Seller upon the closure of the Escrow Account. It is clarified that such interest shall not be subject to or utilized in relation to the adjustments contemplated in this Clause 3.7. The Parties agree that Tax, if any, on the interest on the entire Escrow Amount shall be borne by the Seller.

4. ACTIONS ON THE EXECUTION DATE

On the Execution Date:

- (a) the Seller shall deliver to the Purchaser, a certified true copy of the resolution passed by the board of directors of the Seller, authorizing the execution, delivery and performance of this Agreement and other Transaction Documents and authorizing its respective officer(s) to execute this Agreement and other Transaction Documents on its behalf;
- (b) the Seller shall deliver to the Purchaser the executed copy of the Disclosure Letter as on the Execution Date; and
- (c) the Purchaser shall deliver to the Seller, a certified true copy of the resolution passed by the board of directors of the Purchaser, authorizing the execution, delivery and performance of this Agreement and other Transaction Documents authorizing its respective officer(s) to execute this Agreement and other Transaction Documents on its behalf.

5. CONDITIONS PRECEDENT TO CLOSING

5.1 Seller Conditions Precedent

The obligation of the Purchaser to purchase the Business Undertaking from the Seller on the Closing Date in accordance with the terms of this Agreement is subject to the fulfillment of the conditions listed in **Part C of Schedule L (Joint Conditions Precedent)** (“**Joint Conditions Precedent**”) by the Parties and the following conditions (“**Seller Conditions Precedent**”) by the Seller, any one or more of which may be waived in writing by the Purchaser (in whole or in part), conditionally or unconditionally, at its sole discretion but subject to Applicable Law:

- (a) all the conditions precedent set out in **Part A of Schedule L (Seller Conditions Precedent)** having been fulfilled to the satisfaction of the Purchaser;



- (b) the Seller Fundamental Warranties being true and correct and not misleading in all respects as of the Closing Date, except for matters Fairly Disclosed in the updates to the Disclosed Materials;

Provided that only events or circumstances approved by the Purchaser in accordance with Clause 6 shall constitute a disclosure against a Seller Fundamental Warranties; and

- (c) No Material Adverse Effect has taken place.

5.2 Purchaser Conditions Precedent

The obligation of the Seller to sell the Business Undertaking to the Purchaser on the Closing Date is subject to the fulfillment of the Joint Conditions Precedent by the Parties and the following conditions (“**Purchaser Conditions Precedent**”) by the Purchaser, any one or more of which may be waived in writing by the Seller (in whole or in part), conditionally or unconditionally, at its sole discretion but subject to Applicable Law:

- (a) All the conditions precedent set out in **Part B of Schedule L** (*Purchaser Conditions Precedent*);
- (b) The Purchaser Warranties being true and correct and not misleading as on the Closing Date.

5.3 Long Stop Date

Each of the Parties undertake to use best efforts to ensure satisfaction of the Conditions Precedent applicable to them, as soon as practicable, and in any event not later than 3 (three) months from the Execution Date, or such extended date as may be mutually agreed to by the Parties in writing (“**Long Stop Date**”).

5.4 Co-operation

Each Party shall provide all reasonable information and co-operation required by the other Party for the consummation of the transactions contemplated by this Agreement, including for the purposes of preparing and filing of any applications or intimations to any Authority or for preparing responses to any queries raised by such Authorities. If any Party becomes aware of anything which could, will or may prevent any of the Conditions Precedent from being satisfied, before the Long Stop Date, the relevant Party shall notify the other in writing as soon as practicable.

5.5 CP Certificates

- 5.5.1 Within a period of 2 (two) Business Days from the fulfillment (or waiver, as the case maybe) of the last of the Seller Conditions Precedent and the Joint Conditions Precedent, the Seller shall deliver to the Purchaser a certificate (“**Seller CP Certificate**”) in the form set out in **Schedule M** (*Form of CP Certificate*), to the effect that all the Seller Conditions Precedent and the Joint Conditions Precedent have been completed (unless duly waived by the Purchaser in accordance with this Agreement), attaching thereto certified true copies of the relevant supporting documents evidencing completion of each of the Seller Conditions Precedent and the Joint Conditions Precedent.



- 5.5.2 Within a period of 2 (two) Business Days from the fulfillment (or waiver, as the case maybe) of the last of the Purchaser Conditions Precedent and the Joint Conditions Precedent, the Purchaser shall deliver to the Seller a certificate (“**Purchaser CP Certificate**”) in the form set out in **Schedule M (Form of CP Certificate)** to the effect that all the Purchaser Conditions Precedent and the Joint Conditions Precedent have been completed (unless duly waived by the Seller in accordance with this Agreement), attaching thereto certified true copies of the relevant supporting documents evidencing completion of each of the Purchaser Conditions Precedent and the Joint Conditions Precedent.
- 5.6 Upon delivery of the Seller CP Certificate to the Purchaser and of the Purchaser CP Certificate to the Seller, the Closing shall occur in accordance with Clause 7 hereto, subject to no Material Adverse Effect having occurred.
- 5.7 **Non-fulfillment of Conditions Precedent**
- 5.7.1 If any of the Seller Conditions Precedent or the Purchaser Conditions Precedent or the Joint Conditions Precedent (as the case may be) are not fulfilled or duly waived by the Long Stop Date, then in case of the Purchaser Conditions Precedent and the Joint Conditions Precedent, the Seller may, and in case of the Seller Conditions Precedent and the Joint Conditions Precedent, the Purchaser, may:
- (a) to the extent permissible under Applicable Law, and subject to Clauses 5.1 and 5.2, convert the outstanding Conditions Precedent of the other Party to a condition subsequent, by giving notice; and/or
 - (b) to the extent permissible under the Applicable Law, and subject to Clauses 5.1 and 5.2, waive in writing, in whole or in part, conditionally or unconditionally, the outstanding Conditions Precedent; and/or
 - (c) mutually agree in writing to extend the Long Stop Date by a further period as it deems fit and if so done, the provisions of this Agreement shall apply as if such extended date is the Long Stop Date; and/ or
 - (d) terminate this Agreement in accordance with Clause 12.2, by giving a notice in writing to the other Party, in which event this Agreement shall terminate with effect from the date of such notice, unless prior thereto, the outstanding Conditions Precedent shall have been fulfilled by the other Party to the satisfaction of the Party issuing the notice hereto.
- 5.7.2 In the event that the Seller has delivered to the Purchaser the Seller CP Certificate in terms of Clause 5.5.1 and subject to no Material Adverse Effect subsisting, the Purchaser fails to, undertake the payment obligation as set out in Clause 7.2(a), then the Purchaser undertakes to pay to the Seller an amount of [***] (“**Break Fee**”). The Purchaser shall pay the Break Fee to the Seller within 35 (thirty five) Business Days of the delivery of the Seller CP Certificate. Payment shall be made in cash in immediately available funds to the Seller Bank Account. It is agreed by the Parties that the Break Fee represents a genuine pre-estimate of losses that would be suffered by the Seller as foreseen by the Parties and is not in the nature of a penalty. The right of the Seller under this Clause 5.7.2 to recover the Break Fee shall be the sole monetary remedy available to the Seller on the occurrence of the events specified herein.



6. PRE-CLOSING COVENANTS

- 6.1** From the Execution Date until the Closing Date, the Seller shall, subject to the provisions of this Agreement or unless otherwise agreed with the Purchaser in writing, continue to conduct and operate the Business Undertaking in the Ordinary Course, and shall take all commercially reasonable efforts to preserve the value and goodwill of the Business Undertaking.
- 6.2** Without limiting the generality of Clause 6.1, from the Execution Date until Closing, the Seller shall use commercially reasonable efforts to:
- (a) maintain the Business as a going concern and not discontinue or cease to operate all or a material part of the Business other than as specifically required under this Agreement;
 - (b) preserve and maintain all Business Permits and Licenses required to conduct the Business as currently operated;
 - (c) perform all of its material obligations under all Business Contracts and Shared Contracts to the extent relating to or affecting the Business;
 - (d) comply in all material respects with all Applicable Laws;
 - (e) maintain the material insurance policies relating to the Business or Business Undertaking;
 - (f) maintain the Inventory at levels consistent with past practice; and
 - (g) give notice as soon as may be reasonably practicable to the Purchaser in writing of (i) the occurrence of any matter or event which in the sole opinion of the Seller is likely to result in a Material Adverse Effect or result in any Seller Fundamental Warranty becoming untrue or inaccurate; and (ii) any breach of any material covenant or obligation of the Seller contained in this Agreement or (iii) any written notice or other communication from any Person or Authority alleging that the consent of such Person or Authority is or may be required in connection with the transactions contemplated by this Agreement.
- 6.3** Without prejudice to the foregoing and provided that such actions do not breach or would not cause or result in a breach of any of the terms of this Agreement or other Transaction Documents, the Seller may take the following actions:
- (a) any action required to give effect to, in preparation of or otherwise in connection with the transfer of the Business Undertaking to the Purchaser as envisaged under this Agreement and the transactions contemplated under the Ancillary Agreements;



- (b) any action to the extent it is required to be undertaken to comply with Applicable Law;
- (c) any matter undertaken by the Seller which in the opinion of the Seller is necessary or desirable in an emergency or disaster situation;
- (d) the appointment to a vacancy (other than in respect of Key Employees, for which the Seller shall consult with the Purchaser) or termination for cause of employees engaged in the Business or any related actions (including payments to such employees) for the conduct of the Business;
- (e) any action for the operation of the other businesses of the Seller in the Ordinary Course; or
- (f) **subject to** Applicable Law, any action for declaring, authorising, making or **paying any** dividend in cash or other distribution in cash or reducing, purchasing or redeeming a part of its share capital,

6.4 Negative Covenants

Without prejudice to the generality of Clause 6.1, during the period between the Execution Date and the Closing Date, the Seller shall not do or agree to do, any of the following in relation to the Business Undertaking (other than those actions specifically set out in Clause 6.1 and 6.3 above), without the prior written consent of the Purchaser which consent shall not be unreasonably withheld and shall be provided within 5 (five) Business Days from the date of the request by the Seller:

- (a) create, extend, grant any Encumbrances or permit to subsist any Encumbrance (other than Permitted Encumbrance) over the Business Assets;
- (b) sell, lease, license or otherwise dispose of any Business Asset exceeding a value of INR 20,00,000 and / or in aggregate exceeding a value of INR 50,00,000 or the Business Intellectual Property;
- (c) enter into a contract exceeding a value of INR 20,00,000, other than solely renewals to any Business Contract that would lapse before Closing or within 3 (three) months thereof;
- (d) enter into any settlement agreement with any trade or labour union in relation to the Business Employees;
- (e) amend or terminate any collective bargaining agreement where such agreement or amendment imposes additional financial burden on the Business;
- (f) (I) terminate or dismiss, other than on disciplinary grounds, or change any material terms of employment of the Business Employees including the roles and responsibilities, in each case other than changes to roles in the Ordinary Course and consistent with past practice or cause any movement of Business Employees between the Business and other businesses units of the Seller; or (II) or change any material terms of employment (including granting any increase in the compensation or benefits) of the Business Employees, other than changes in the Ordinary Course and consistent with past practice;



- (g) agree to any exclusivity, non-competition or similar provision or covenant restricting Seller (with respect to the Business) from competing in any line of business or with any Person or in any area or engaging in any activity or business (including with respect to the development, manufacture, marketing or distribution of the products or services of the Business) which would have any adverse effect on the Business after the Closing;
- (h) bring, file, cancel, compromise or settle any material claim, or intentionally waive or release any material rights that relate to the Business or the Business Assets, in a manner that would materially adversely affect the Business after Closing;
- (i) make any commitment for capital expenditures in the Business in excess of INR 1,00,00,000 (Rupees One Crore only) in the aggregate that would be payable after the Closing Date;
- (j) adopt any plan of or agreement of liquidation, dissolution, restructuring, merger, demerger, consolidation, slump sale, recapitalization or other reorganization of the Seller as would affect the transfer of the Business under this Agreement;
- (k) enter into any agreement or arrangement, pass any shareholder resolution or take any definitive steps to give effect to any of the foregoing matters or agree to take any of the foregoing actions;
- (l) negotiate, engage in, solicit, encourage, invite or initiate discussions, negotiations or submissions of proposals, indications of interest or offers in respect of a transaction that on the whole or in part, involves the Business Undertaking, and/or furnish or cause to be furnished to any person any information in furtherance of any such proposed transaction;
- (m) [***]

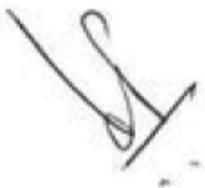
6.5 Pre-Closing Actions for Transfer

6.5.1 Employees

- (a) The Seller will, prior to the Closing Date, notify the Business Employees of the proposed transfer of the Business Undertaking by the Seller to the Purchaser, the consequent transfer of their employment to the Purchaser with effect from the Closing Date on the terms set out in Clause 6.5.1(c) below. No communications shall be made by the Purchaser to any Business Employees prior to the Closing Date, other than with the prior written consent of the Seller or as otherwise provided for in this Agreement.



- (b) On or prior to the Closing Date, each of the Business Employees shall be issued a transfer letter jointly from the Seller and the Purchaser, in a format mutually agreed between the Parties, confirming (i) the transfer of their employment to the Purchaser with effect from the Closing Date, *inter alia* on the terms set out in Clause 6.5.1(c) below; and (ii) that they have no claims against the Seller (“**Transfer Letter**”) and requesting that they each signify their acceptance by signing on triplicate copies thereof and returning the same to the Seller.
- (c) The Purchaser shall ensure that the transfer of all the Transferring Employees shall be on such terms that:
 - (i) the service of the Transferring Employees shall not be interrupted by the transfer of their employment from the Seller to the Purchaser;
 - (ii) the terms and conditions of employment applicable to the Transferring Employees after the transfer of their employment from the Seller to the Purchaser (effective from the Closing Date), shall not, be less favourable than those applicable to such Transferring Employees immediately before such transfer of their employment from the Seller to the Purchaser; and
 - (iii) in the event any Transferring Employee is terminated from his/ her employment after the transfer of their employment to the Purchaser, the Purchaser shall pay compensation on the basis that such Transferring Employee’s employment has been continuous and has not been interrupted by the transfer of his/ her employment from the Seller to the Purchaser (effective from the Closing Date).
- (d) The Purchaser shall not be required to grant or provide any equity entitlement, options, awards, interests, or such other similar equity linked financial incentive schemes to any Transferring Employee.
- (e) Business Employees who return signed copies of the Transfer Letters in accordance with Clause 6.5.1(b) above will become the employees of the Purchaser on and from the Closing Date (“**Transferring Employees**”).
- (f) With immediate effect from the Closing Date, the Purchaser shall take over the employment of the Transferring Employees and shall be solely responsible for the due fulfilment and maintenance of all employee related obligations, including their salaries, employment benefits, severance, or other termination pay, etc. as falls due and becomes payable after the Closing Date in each case pertaining to (i) the period post Closing and (ii) the period pre-Closing, to the extent that such liability / obligation has been adjusted from the Consideration in accordance with Clause 3 above or funds in respect of which have been transferred by the Seller in accordance with Clause 8.1.4 below. Subject to Clause 6.5.1(c) above, all obligations, liabilities, costs, related expenses and commitments in respect of claims made by any Business Employee, not being a Transferring Employee, for severance shall be retained and assumed by the Seller.



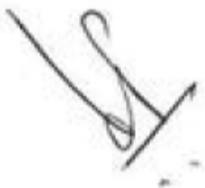
- (g) The Seller shall provide all such support as may be reasonably required by the Purchaser, and shall use best endeavors to facilitate the acceptance of the Transfer Letter by the Business Employee and the consequent transfer of the Transferring Employees to the rolls of the Purchaser with effect from the Closing Date, such that at least 60% of the Business Employees shall also be Transferring Employees.
- (h) The Seller shall take endeavors to cause each of the Key Employees to accept in writing, the Transfer Letter and to join the employment of the Purchaser on and with effect of the Closing Date.
[***]
- (i) If any one or more persons are employed by the Seller to replace any existing employees who have resigned or are terminated for cause, in the Business during the period between the Execution Date and the Closing Date or if the employment of any one or more Business Employees terminates during the period between the Execution Date and Closing Date, in each case in accordance with and subject to the provisions of Clause 6 above, the names of such Business Employees shall be deemed to have been added to, or as the case may be, deleted from **Schedule D (Business Employees)**, and **Schedule D (Business Employees)** shall stand modified to such extent.
- (j) Any employment offered by the Purchaser to the Business Employees pursuant to the terms of this Agreement shall be conditional on Closing (however the employment to the Transferring Employee will be un-interrupted by the transfer) and the letters executed by the Transferring Employees or the fresh offer of employment or equivalent document issued by the Purchaser to the Transferring Employee on the terms and conditions of service applicable after such transfer shall not be less favorable to the Transferring Employees than those applicable to him immediately before the transfer.

6.5.2 Business Contracts and Shared Contracts

- (a) At such time as may be mutually agreed in writing between the Parties during the period between the Execution Date and Closing Date, the Seller shall involve the Purchaser and engage in joint discussions with the contractual counterparties to:



- (i) the Material Business Contracts, for execution of Deed(s) of Novation/ Assignment (effective from the Closing Date); and
- (ii) the Shared Contracts, for the amendment and restatement of the Shared Contracts and/ or the execution of agreement(s), the effect of which shall be that:
 - (A) the benefit and burden of the relevant part of the Shared Contract (which relates exclusively to the Business or any part of the Business to be transferred to the Purchaser) is severed from such Shared Contract with effect from the Closing Date; and
 - (B) an arrangement equivalent to such Shared Contract is entered into between the relevant counterparty and the Purchaser with effect from the Closing Date.
- (b) If any of the Business Contracts identified in **Schedule C (Business Contracts)** are terminated or expire and are replaced by a contract with another Person of equivalent good standing on terms no less favorable for the Business, subject to and in accordance with the provisions of Clause 6.4, then the references in this Agreement to 'Business Contracts' shall be construed excluding or including such Business Contracts (as the case may be), and such Business Contracts shall be deemed to have been deleted or added to (as the case may be) from **Schedule C (Business Contracts)**, **Schedule C (Business Contracts)** shall stand modified to such extent.
- (c) If any of the Shared Contracts identified in **Schedule J (Shared Contracts)** are terminated or expire and are replaced by a contract with another Person of equivalent good standing on no less favorable terms for the Business, subject to and in accordance with the provisions of Clause 6.4, then the references in this Agreement to 'Shared Contracts' shall be construed excluding or including such Shared Contracts (as the case may be), and such Shared Contracts shall be deemed to have been deleted or added to (as the case may be) from **Schedule J (Shared Contracts)**, **Schedule J (Shared Contracts)** shall stand modified to such extent.
- (d) Neither this Agreement nor any action carried out under any Ancillary Agreements shall constitute:
 - (i) an assignment or attempted assignment of any of the Business Contracts which are not assignable without the consent of another Person if such assignment or attempted assignment would constitute a breach of such Business Contracts, except to the extent that such prior written consent is obtained of the relevant counterparty; or
 - (ii) a transfer or attempted transfer of the relevant part of the Shared Contract (which relates exclusively to the Business or any part of the Business to be transferred to the Purchaser), except to the extent that requisite agreements are executed with the relevant counterparty.



- (e) If any of the Business Contracts or Shared Contracts cannot be novated as required, despite the best efforts of the Seller, in accordance with Paragraph 4 of Part A of **Schedule L** (*Conditions Precedent*), then the Seller, with the prior written consent of the Purchaser, shall be permitted to replace such Business Contract or Shared Contract with another contract with a Person of at least equivalent good standing on terms no less favorable for the Business.
- (f) In relation to the Business Contracts and Shared Contracts, the Seller shall take best efforts to procure from the counter parties thereto, the copies of the applicable licenses and permits of the counterparties to the Business Contracts and Shared Contracts, as may be reasonably requested by the Purchaser.

6.5.3 **Substitution of guarantees**

On or prior to the Closing Date, the Purchaser shall, with effect from the Closing Date, have procured or furnished guarantees in substitution of any guarantees, letters of comfort, indemnities or similar arrangements entered into by the Seller to the extent the same relates exclusively to the Business, a list of which shall be provided to the Purchaser at least 5 (five) Business Days prior to Closing Date.

6.5.4 **Business Permits and Licenses**

- (a) As soon as reasonably practicable after the Execution Date, the Purchaser shall take or cause to be taken, all such actions as may be necessary, including making any applications with the relevant governmental Authorities,
 - (i) for the transfer of the Business Permits and Licenses (to the extent the same are capable of being transferred under Applicable Law) from the Seller to the Purchaser; and
 - (ii) for obtaining in the Purchaser's name, new Authorizations, consents and licenses in place of the Business Permits and Licenses which are not capable of being transferred to the Purchaser;

and the Seller shall offer and provide all reasonable support and assistance, to the Purchaser for the foregoing and shall, if required under Applicable Law, also cause to be submitted to the Authorities, an intimation in writing of the transfer of the Business Undertaking from it to the Purchaser, such intimation to be in agreed form.

- (b) The Seller and its directors, officers, employees, agents, third party consultants and other advisors and representatives ("**Seller Representatives**") shall, to the extent permitted by Applicable Law, attend with Purchaser any meeting between the Purchaser and any Authority on a matter regarding the transfer of any Business Permits and Licenses, where so reasonably requested for by the Purchaser; and at the Purchaser's request, provide to the Purchaser, information and data in its possession or knowledge, with respect to any matters discussed at any such meeting. The Purchaser shall provide the Seller Representatives with prior written notice of at least 7 (seven) Business Days or such shorter period specified by the relevant Authority, prior to any such meeting. All requests and inquiries from any Authority regarding the Business Permits and Licenses prior to the Closing Date shall be dealt with by the Purchaser in consultation with the Seller.



6.5.5 Transition Period Assets

At the Seller's request, the Purchaser may elect to:

- (a) allow the Seller to retain the possession of any Business Assets that are required or reasonably necessary to enable the Seller to comply with its obligations under the Transition Services Agreement (the "**Transition Period Assets**") during the Transition Term solely for the purposes of enabling the Seller to satisfy its obligations under the Transition Services Agreement, in which case, as soon as practicable following the expiration of the Transition Term, the Seller shall convey such Transition Period Assets to the Purchaser for no additional consideration; or
- (b) include any Transition Period Assets in the Business Assets at Closing, in which case the Seller shall not be required to provide any service under the Transition Services Agreement where it is not reasonably practicable to provide such service without such Transition Period Asset.

6.6 The Seller shall be entitled to update the Disclosure Letter for matters occurring between the Execution Date and the Closing Date which shall be furnished at least 3 (three) Business Days prior to the Closing Date, and any such matters included in the Disclosure Letter shall be deemed to have been disclosed against the Seller Warranties if such updated disclosures are in a form mutually agreed between Parties, acting reasonably and in good faith.

6.7 The Seller shall procure that, during the period on and from the Execution Date and until Closing, the Purchaser and its directors, officers, employees, representatives and advisors shall be given on request access at reasonable times to (i) all documents and information with respect to the Business as the Purchaser may request; (ii) the representatives and Key Employees of the Seller, with respect to correspondence with Authorities, Authorizations, registrations; and (iii) the Business Records and such further facilities and information relating to the Business as they may reasonably require. Any information or documents accessed in accordance with this clause shall be considered "**Confidential Information**" in accordance with Clause 14.

6.8 On or prior to the Closing Date, the Seller shall require the prospective purchasers of the Business to destroy all confidential information or documents in accordance with the confidentiality agreements/undertakings executed with such counterparties and shall provide a written confirmation of the foregoing.

6.9 The Seller shall continue to carry on the Business for its own benefit and at its own risk up to the end of day on the Closing Date, after which time the risk in and ownership of the Business Undertaking shall pass to the Purchaser.



6.10 [***]

7. CLOSING

7.1 Closing Date

The Closing shall take place on the 5th (fifth) day (or such extended date as the Parties may mutually agree in writing) from the date of delivery of the Seller CP Certificate to the Purchaser or the Purchaser CP Certificate to the Seller in accordance with the terms of this Agreement, whichever is later and in any event prior to the Long Stop Date (“Closing Date”), at Mumbai or at a place mutually agreed to in writing between the Parties.

7.2 Closing Actions

On the Closing Date, the following actions shall take place simultaneously:

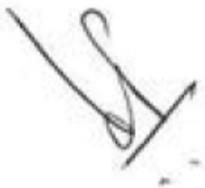
(a) *Consideration*

The Purchaser shall remit through wire transfer the Closing Date Payment (after making the adjustments specified in Clause 3.4) to the Seller Bank Account and the Escrow Amount to the Escrow Account.

(b) *Transfer of Business Undertaking*

The Seller shall transfer the Business Undertaking to the Purchaser in the following manner and perform the following actions:

- (i) Transfer of Business Immovable Assets: The Seller and the Purchaser shall execute the Deed of Conveyance for transfer of the Business Immovable Assets to the Purchaser and submit the same for registration, as required under Applicable Laws;
- (ii) Transfer of Business Movable Assets: The Business Movable Assets, wherever located on the Closing Date, being entirely of a movable nature, shall be transferred to the Purchaser (or to the carrying and forwarding agents of the Purchaser, as notified by the Purchaser) by physical and/ or constructive delivery of possession thereof to the Purchaser and the Purchaser shall acknowledge receipt thereof to the Seller by executing the form of delivery and acceptance in the form set out in **Schedule N (Form Of Protocol Of Delivery And Acceptance)** and there shall be no further act or deed required for this purpose by or between the Seller and the Purchaser;
- (iii) Transfer of Business Records. - The Business Records, wherever located on the Closing Date, being entirely of a movable nature, shall be transferred to the Purchaser by physical and/or constructive delivery of possession thereof to the Purchaser and the Purchaser shall acknowledge receipt thereof to the Seller by executing the form of delivery and acceptance in the form set out in **Schedule N (Form Of Protocol Of Delivery And Acceptance)** and there shall be no further act or deed required for this purpose by or between the Seller and the Purchaser;



- (iv) Assignment/ Licensing of Business Intellectual Property:
- (A) The Business Intellectual Property set out in **Part A of Schedule F (Trade Marks and Patents)** shall be assigned to the Purchaser in accordance with and subject to the terms of the Deed(s) of Trade Mark and Patent Assignment, to be executed between the Seller and the Purchaser on the Closing Date.
- (B) The Business Intellectual Property set out in **Part B of Schedule F (Trade Marks and Patents)** shall be perpetually and irrevocably licensed to the Purchaser in accordance with the terms of the Seller Trade Mark License Agreement(s), to be executed between and Seller and the Purchaser on the Closing Date;
- (v) Transfer of Transferring Employees: The Transferring Employees shall submit or shall have submitted their acceptance of the Transfer Letters, one original of each of which shall be handed over to the Purchaser;
- (vi) Revocation of subsisting powers of attorney: The Seller shall undertake all necessary actions to revoke all the powers of attorney relating to the operation of the Business Undertaking subsisting as of the Closing Date and provide the Purchaser with a written confirmation of the same.
- (vii) Transfer of Business Contracts and Shared Contracts: The Deed(s) of Novation/ Assignment specified in Clause 6.5.2(a)(i), and the relevant amendments/ agreements specified in Clause 6.5.2(a)(ii), executed between the Seller, the Purchaser and the relevant counterparties prior to the Closing Date, shall become effective from the Closing Date.
- 7.3 Any Liability incurred in respect of the Business Undertaking that relates to the period after Closing shall be the responsibility of the Purchaser, subject to and in accordance with Clause 2 above.
- 7.4 All actions contemplated by this Agreement to be consummated at Closing shall be deemed to occur simultaneously and no such action shall be consummated unless all such actions are consummated.
- 7.5 All documents and items delivered at Closing pursuant to this Clause 7 shall be held, in good faith, by the recipient to the order of and in trust for the Party delivering the same until such time as Closing shall be deemed to have taken place.



7.6 The Seller shall, at its own cost, cause the Excluded Baddi Lines to be relocated to a location as it may determine, either prior to Closing or reasonably soon thereafter. Any relocation occurring after the Closing Date shall be completed with minimum disruption to the Business and subject to prior reasonable notice to the Purchaser. The Purchaser shall cooperate with the Seller for such relocation after the Closing Date.

8. POST CLOSING ACTIONS & COVENANTS

8.1 Employees

8.1.1 With effect from the Closing Date, and to the extent permitted by Applicable Law, the liability for payment of dues, wages, salaries (including variable pay and incentives), allowances, costs towards all employment and terminal benefits including but not limited to accumulated leave balance, sick leave, long term service award, provident fund, gratuity, bonus, encashment of leave, wherever applicable, for the Transferring Employees attributable to:

- (a) the period following such Closing Date; and
- (b) the period upto the Closing Date, to the extent that such liability has been adjusted from the Consideration in accordance with Clause 3 above or funds in respect of which have been transferred by the Seller in accordance with Clause 8.1.4 below,

shall be to the account of and the sole responsibility of the Purchaser.

8.1.2 Nothing contained in this Clause, express or implied, is intended to confer upon any Person not a party hereto any right (including any third-party beneficiary rights), benefit or remedy of any nature whatsoever, including any right to employment or continued employment for any period of time by reason of this Agreement, or any right to a particular term or condition of employment.

8.1.3 Save as provided under Applicable Law, the period of employment of the Transferring Employees with the Purchaser shall be deemed as continuous and uninterrupted for the purposes of determining the business employee benefits

8.1.4 *Transfer of provident fund*

The provident fond balance of the Transferring Employees with the Seller shall be transferred to the Purchaser in a manner mutually agreed between the Parties and subject to Applicable Law.

8.1.5 On the Closing Date, the Seller shall provide duly executed, complete forms and such other supporting documents as may be necessary under Applicable Law, for the transfer of accumulated balances and interests in respect of provident fond, gratuity and employee state insurance benefits maintained by the Seller in respect of the Transferring Employees;



8.2 Use of Wockhardt Names and Marks

- 8.2.1 The Purchaser hereby acknowledges that the Seller owns all right, title and interest in and to the trade marks, service marks, domain names, corporate names, social media identifiers, handles and tags, logos and names, as set out in **Schedule O (Wockhardt Names and Marks)**, together with all variations and acronyms thereof and all trade marks, service marks, corporate names, internet domain names, logos, trade names, trade dress, packaging, labeling, company names, social media identifiers, handles and tags, and other identifiers of source or goodwill containing, incorporating, based on or associated with any of the foregoing (collectively, the **“Wockhardt Names and Marks”**), and that, except as expressly provided below, any and all right of the Business Undertaking to use the Wockhardt Names and Marks shall terminate on the Closing Date and shall immediately revert to the Seller, along with any and all goodwill associated therewith. The Purchaser further acknowledges that the Purchaser has no right or interest, and is not acquiring any right or interest to use the Wockhardt Names and Marks, except as expressly provided herein.
- 8.2.2 The Seller hereby grants, with effect from the Closing Date, to the Purchaser a royalty-free, non-exclusive, non-transferable, non-sub-licensable license to use the Wockhardt Names and Marks, (i) solely as they appear or are incorporated in the Business Undertaking’s existing stocks of Inventory, product labeling, packaging materials, signs, billboards, letterheads, invoices, advertisements and promotional materials and other documents and materials in existence and used by the Business Undertaking as of the Closing Date (collectively, the **“Existing Stock”**), as used solely in connection with the operation of the Business as operated immediately prior to Closing Date; and (ii) in such further Inventory produced or held by the Purchaser, provided that 12 (twelve) months after the Closing Date (**“License Period”**) such license shall expire. Upon the expiry of the License Period, the Purchaser shall cause the removal or obliteration of all Wockhardt Names and Marks from such Existing Stock or other Inventory or cease using such Existing Stock or Inventory bearing Wockhardt Names and Marks.
- 8.2.3 Except as expressly provided in this Clause 8.2, no other right to use the Wockhardt Names and Marks is granted by the Seller to the Purchaser, whether by implication or otherwise, and nothing hereunder permits the Purchaser to use the Wockhardt Names and Marks in any manner, other than as set forth in this Clause 8.2, or to register or seek to register, or to permit, cause or assist any third party to register or to seek to register, any of the Wockhardt Names and Marks in any jurisdiction. The Purchaser shall ensure that all use of the Wockhardt Names and Marks by the Purchaser as provided in this Clause 8.2 shall be only with respect to goods and services of a level of quality equal to or greater than the quality of goods and services with respect to which the Business Undertaking used the Wockhardt Names and Marks prior to the Closing. Any and all goodwill generated by the use of the Wockhardt Names and Marks, including under this Clause 8.2, by the Purchaser shall inure solely to the benefit of the Seller. In any event, the Purchaser shall not use the Wockhardt Names and Marks in any manner that may damage or tarnish the reputation of the Seller or the goodwill associated with the Wockhardt Names and Marks.



- 8.2.4 The Purchaser agrees that the Seller shall not have any responsibility for claims by third parties arising out of, or relating to, the use by the Purchaser of any Wockhardt Names and Marks.
- 8.2.5 The Purchaser shall defend, indemnify and hold harmless the Seller and its Affiliates and their respective directors, officers and employees from and against any and all Loss that may arise out of the use of the Wockhardt Names and Marks:
- (a) by the Business Undertaking in accordance with the terms and conditions of this Clause 8.2; or
 - (b) by the Purchaser in violation of or outside the scope permitted by this Clause 8.2.

Notwithstanding anything in this Agreement to the contrary, the Purchaser hereby acknowledges and agrees that in the event of any breach or threatened breach of this Clause 8.2, the Seller shall suffer irreparable harm, and the Seller in addition to any other remedies available to it (including a claim for damages) shall be entitled to a preliminary injunction, temporary restraining order or other equivalent relief restraining the Purchaser from committing any such breach or threatened breach.

8.3 Tax Returns

- 8.3.1 The Seller shall furnish to the Purchaser, upon request and at the cost of the Purchaser, as promptly as practicable, such information in the possession of the Seller relating to the Business Undertaking for the period prior to Closing Date, as is reasonably necessary for the Purchaser to file its Tax returns, to prepare for any assessment, appeal or any other proceedings by or against any Taxing Authority and/ or to prosecute or defend any claim, suit or proceedings before any Taxing Authority.
- 8.3.2 The Purchaser shall furnish to the Seller, upon request and cost of the Seller, as promptly as practicable, such information relating to the Business Undertaking as is reasonably necessary for the Seller to file its Tax returns, to prepare for any audit, assessment, appeal or any other proceedings by or against any Taxing Authority, and to prosecute or defend any claim, suit or proceedings before any Taxing Authority.

8.4 Wrong Pocket Assets

- 8.4.1 If any Business Asset, Business Current Liabilities or interest which forms part of the Business Undertaking or any part thereof and which:
- (a) was/were owned or used in or which related exclusively to the Business Undertaking prior to the Closing Date; and
 - (b) is material for the conduct of the Business as conducted on the Closing Date,

is retained or not transferred to the Purchaser by the Seller on Closing, the Seller shall, as soon as it becomes aware of the same or promptly at the Purchaser's request, cause the transfer of such Business Asset, Business Current Liabilities or interest to the Purchaser at the Seller's sole cost and without any additional consideration for the same.



8.4.2 If any asset or interest which does not form part of the Business Undertaking or any part thereof is inadvertently transferred by the Seller to the Purchaser at Closing, such asset or interest shall, at the Seller's request, and at the Purchaser's sole cost be transferred back to the Seller by the Purchaser.

8.4.3 If the Purchaser or the Seller, after the Closing Date receives any funds belonging to the Seller or to the Purchaser, respectively in accordance with the terms of this Agreement, the Purchaser or the Seller, as the case may be, shall promptly so notify the Seller or the Purchaser, as the case may be, in writing, shall segregate and hold such funds in trust for the benefit of the Seller or the Purchaser, as the case may be and shall promptly deliver such funds, together with any interest earned thereon, to an account designated in writing by the Seller or the Purchaser, as the case may be.

8.5 [***]

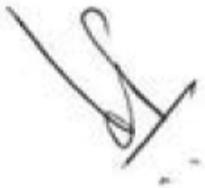
8.6 Business Permits and Licenses

Without prejudice to Clause 6.5.4 above, where the Business Permits and Licenses (which are capable of being transferred under Applicable Law) could not be transferred on or prior to the Closing Date, the Parties shall complete all necessary actions to achieve the foregoing as soon as possible following the Closing Date.

8.7 Access for Seller

8.7.1 Notwithstanding the transfer of the Business Records from the Seller to the Purchaser on the Closing Date, the Seller shall have the right to retain copies of such of the Business Records so transferred to the Purchaser as required for the limited purposes as stated in this Clause 8.7.1. After the Closing Date, the Seller and its authorised representatives shall, subject to Applicable Law and upon providing reasonable prior notice to the Purchaser, have the right to access, during business hours the Business Records that are in the possession of the Purchaser, and to make copies thereof, for the purpose of:

- (a) defending any claim initiated by a third party against the Seller; and/ or



- (b) for complying with any requirements under Applicable Law; and/ or
- (c) for responding to any queries raised by any Authority,

in each case in relation to the Business and the Business Undertaking prior to the Closing Date.

8.7.2 The Purchaser shall provide to the Seller reasonable access at reasonable times during regular working hours to any employees of the Purchaser who have knowledge of any matters that may be relevant for the purposes described in Clause 8.7.1 above. Any information or documents accessed in accordance with this clause shall be considered “**Confidential Information**” in accordance with Clause 14 and the provisions thereof shall apply.

8.7.3 The Purchaser shall provide to the Seller the information required to enable the Seller to prepare and audit the standard monthly reporting forms of the Seller, to the extent that such financial reporting relates to the Business Undertaking, in respect of the period prior to Closing and in respect of the calendar month and the fiscal quarter in which the Closing occurs, consistent with past practice.

8.8 Co-operation

The Seller shall cooperate, and shall cause its officers, employees, agents, auditors and representatives to co-operate with the Purchaser, and the Purchaser shall cooperate and shall cause its officers, employees, agents, auditors and representatives to co-operate with the Seller, after the Closing, for the Transition Term to ensure the orderly transition of the Business to the Purchaser (including registration of the Deed of Conveyance), and to minimize any disruption to the Business that might result from the transactions contemplated under this Agreement and the Ancillary Agreements.

8.9 Material Business Contracts and Material Shared Contracts

The Seller shall procure that the Material Business Contracts and the Material Shared Contracts, in respect of which the Deed(s) of Novation/ Assignment and/ or amendment and restatement agreements, have not been executed in terms of Paragraph 4 of **Part A of Schedule L (Seller Conditions Precedent)**, then such Deed(s) of Novation/ Assignment and/ or amendment and restatement agreements shall be executed within a period of 60 Business Days from the Closing Date.

8.10 Inquiries

For a period of 12 (twelve) months after the Closing Date, the Seller shall take all commercially reasonable efforts to refer to the Purchaser any inquiry that the Seller receives relating to the Business, so that the same shall be addressed by the Purchaser and towards this, the Seller shall support and co-operate with the Purchaser as reasonably requested for.

8.11 [*]**



CERTAIN IDENTIFIED INFORMATION MARKED WITH [***] HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS NOT MATERIAL AND IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE AND CONFIDENTIAL.

Execution Version

8.12 The Seller shall not cause any part of any monies or consideration paid hereunder to accrue for the benefit of any government official or any other Person, which is in violation of Applicable Law.

8.13 Within a period of 5 (five) Business Days from the Closing Date, the Seller shall make the relevant filings with the Authority in respect of the satisfaction of charge in relation to the release of Encumbrances over the relevant Business Assets.

8.14 [***]

9. REPRESENTATIONS AND WARRANTIES

9.1 Representations and Warranties of the Seller

9.1.1 Seller Fundamental Warranties

Except as qualified by the Disclosed Materials, the Seller hereby represents and warrants to the Purchaser that each of the following statements in relation to the Seller (“**Seller Fundamental Warranties**”) is and shall be true and correct as on the Execution Date and as on the Closing Date:



- (a) The Seller is duly incorporated and validly existing under the laws of India, and has the right, power and authority to execute, deliver, perform and consummate this Agreement and each of the Ancillary Agreements to which it is or will be a party, and its obligations hereunder and thereunder;
- (b) The execution and delivery of this Agreement and each of the Ancillary Agreements to which it is or will be a party and the performance of its obligations under this Agreement and each of the Ancillary Agreements to which it is or will be a party has been duly and validly authorized by all necessary corporate action on the part of the Seller. This Agreement and each of the Ancillary Agreements to which it is a party constitute legal, valid and binding obligations of the Seller and are enforceable against it in accordance with the terms hereof or thereof;
- (c) The execution and delivery by it of this Agreement and each of the Ancillary Agreements to which it is Or will be a party, and the performance and consummation of the transactions contemplated hereby and the compliance by it with the provisions of this Agreement and each of the Ancillary Agreements to which it is or will be a party, do not or will not result in:
 - (i) violation of its memorandum or articles of association; or
 - (ii) a material breach of, or constitute a material default under, any material agreement or instrument to which it is a party or by which it is bound; or
 - (iii) contravention of Applicable Law or any judgment, order or decree applicable to it; or
 - (iv) creation of any Encumbrance (other than Permitted Encumbrance or Encumbrance arising from any act of the Purchaser) upon any of the Business Assets.
- (d) The Seller has clear and marketable title to and right to use, and is in possession of and holds valid title deeds to the Business Immovable Assets free from Encumbrances (other than the Permitted Encumbrances).
- (e) The Seller has clear and marketable title to proprietary Business Intellectual Property and valid or pending registrations or right to use in respect of the other Business Intellectual Property, free from Encumbrances (other than the Permitted Encumbrances).
- (f) No Authorizations from any Authority are required to be obtained by the Seller to authorize the execution, performance and delivery by the Seller of this Agreement and any of the Ancillary Agreements to which it is or will be a party except as set forth in the Seller Conditions Precedent and the Joint Conditions Precedent.



(g) *Insolvency Proceeding*

- (i) The Seller is not adjudged insolvent within the meaning of Applicable Laws or no circumstances exist which shall render the Seller insolvent under the insolvency laws of India. No steps have been taken to enforce any security over any assets of the Seller. No order has been made or meeting convened for the winding up, bankruptcy or insolvency proceedings of the Seller or for the appointment of a resolution professional or in relation to any other process whereby the business is terminated and / or the assets of the Seller are distributed amongst the creditors and/or shareholders or other contributors, and there are no cases or proceedings under any applicable insolvency, reorganisation or similar laws in any relevant jurisdiction.
- (ii) No receiver (including any administrative receiver) has been appointed in respect of the whole or any part of any of the property, assets and/or undertaking of the Business nor has any such order been made (including, in any relevant jurisdiction, any other order by which, during the period it is in force, the affairs, business and assets of the Seller are managed by a person appointed for the purpose by a court, governmental agency or similar body).
- (iii) The Seller has not taken any step with a view to a suspension of payments or a moratorium of any indebtedness or has made any voluntary arrangement with any of its creditors or is insolvent.
- (iv) No liquidation, dissolution, winding up, commencement of bankruptcy, insolvency or similar proceedings, whether voluntary or involuntary, with respect to the Seller is pending, which, in each case, has or may have an effect on the ability of the Seller to execute, deliver and perform its obligations under this Agreement and each of the Ancillary Agreements to which it is or will be a party.

9.1.2 Seller Business Warranties

Except as qualified by the Disclosed Materials, the Seller hereby represents and warrants to the Purchaser that each of the statements set out in **Schedule P (Seller Business Warranties)** (“**Seller Business Warranties**”) is and shall be true, complete, accurate and correct and not misleading as on the Execution Date and as on the Closing Date. The Seller Warranties are deemed to be repeated on the Execution Date and the Closing Date, by reference to the facts then existing. Any reference made to the date of this Agreement (whether express or implied) in relation to any Seller Warranty shall be construed, in connection with the repetition of the Seller Warranties under this Clause 9.1.2, as a reference to the date of such repetition.

9.1.3 Seller Warranty Principles

- (a) The Seller represents and warrants as of the date hereof and as of the Closing, the Seller Warranties to the Purchaser. The Seller acknowledges that the Purchaser has entered into this Agreement, and undertaken its obligations herein including payment of the Consideration, on the basis of, and in reliance upon, the Seller Warranties.



- (b) Each Seller Warranty shall be construed separately and independently and (save as expressly provided to the contrary herein) shall not be limited or expanded by reference to any other matter, warranty or undertaking.
- (c) The Purchaser agrees and undertakes to the Seller that neither it nor its Affiliates and their respective directors, officers, managers, members, employees and/or representatives has any rights against, and shall waive and shall not make any claim against, any employee, director, officer, advisor or agent of the Seller or any of its Affiliates on whom the Purchaser may claim to have relied before agreeing to any term of, or entering into any Transaction Documents to which it is a party.
- (d) The Purchaser acknowledges and agrees that:
 - (i) the only representations and warranties made by the Seller in connection with the Seller, the Business Undertaking, this Agreement and the transactions contemplated hereunder are the Seller Warranties made under Clause 9.1.1 and Clause 9.1.2 above and no further representations and warranties, whether express or implied are provided by the Seller under this Agreement;
 - (ii) in entering into this Agreement and in proceeding to Closing, the Purchaser has not relied on any statement, representation, warranty, condition, or other conduct which may have been made by or on behalf of the Seller, other than as specifically set out in this Agreement or other Transaction Documents.
- (e) Except as is Fairly Disclosed in the Disclosed Materials and other than in relation to the Business Assets, Business Intellectual Property, Business Contracts, the Shared Contracts and the Business Permits and Licenses acquired in accordance with Clause 2.2 above, the Seller Warranties are true and correct as of the Execution Date. Except as Fairly Disclosed in the Disclosed Materials, the Seller Warranties shall be true and correct as of the Closing Date.
- (f) Except as Fairly Disclosed in the Disclosed Materials or updates thereto, none of the Seller Warranties shall be treated as qualified by any actual or constructive knowledge or investigation on the part of any of the Purchaser or any of its agents, representatives, officers, employees or advisers. No such knowledge or investigation shall prejudice any claim made by the Purchaser or operate to reduce any amount recoverable thereunder.

9.2 Purchaser Warranties

9.2.1 The Purchaser Warranties

The Purchaser, hereby represents and warrants to the Seller as follows (“**Purchaser Warranties**”) as on the Execution Date and as on the Closing Date:



- (a) It is duly incorporated and validly existing under the laws of the country of its incorporation, and has the right, power and authority to execute, deliver, perform and consummate the transactions contemplated to be consummated by it under this Agreement and any Ancillary Agreements to which it is or will be a party;
- (b) The execution and delivery of this Agreement and each of the Ancillary Agreements to which it is or will be a party, and the performance of its obligations under this Agreement and each of the Ancillary Agreements to which it is or will be a party has been duly and validly authorized by all necessary corporate action on its part. This Agreement and each of the Ancillary Agreements to which it is or will be a party constitute its legal, valid and binding obligation, enforceable against it in accordance with the terms hereof or thereof;
- (c) The execution, delivery and performance by it of this Agreement and each of the Ancillary Agreements to which it is or will be a party, and the compliance by it with the provisions of this Agreement and each of the Ancillary Agreements to which it is or will be a party, will not result in:
 - (i) violation of its memorandum or articles of association/ charter documents; or
 - (ii) a material breach of, or constitute a material default under, any material agreement or instrument to which it is a party or by which it is bound; or
 - (iii) contravention of Applicable Law or any judgment, order or decree applicable to it.
- (d) Subject to the Conditions Precedent, no consent, approval, Authorization, registration or filing from any Authority is required to be obtained by it to authorise the execution, delivery and performance by it of this Agreement and any of the Ancillary Agreements to which it is or will be a party.
- (e) No liquidation, dissolution, winding up, commencement of bankruptcy, insolvency or similar proceedings, whether voluntary or involuntary, with respect to it is pending, which, has or may have an effect on its ability to execute, deliver, and perform its obligations under this Agreement and any Ancillary Agreements to which it is or will be a party; and
- (f) At Closing, the Purchaser shall at the relevant time have immediately available, on an unconditional basis, the necessary cash resources and/ or firm financial arrangements to meet its obligations under this Agreement and any Ancillary Agreements to which the Purchaser is or will be a party, which cash resources and/ or firm financial arrangements are not, and at Closing will not be, direct or indirect proceeds of any activities of the Purchaser in breach of any Applicable Law.



(g) *Insolvency Proceeding*

- (i) The Purchaser is not adjudged insolvent within the meaning of Applicable Laws or no circumstances exist which shall render the Purchaser insolvent under the insolvency laws of India . No steps have been taken to enforce any security over any assets of the Purchaser. No order has been made or meeting convened for the winding up, bankruptcy or insolvency proceedings of the Purchaser or for the appointment of a resolution professional or in relation to any other process whereby the business is terminated and / or the assets of the Purchaser are distributed amongst the creditors and/or shareholders or other contributors, and there are no cases or proceedings under any applicable insolvency, reorganisation or similar laws in any relevant jurisdiction.
- (ii) No receiver (including any administrative receiver) has been appointed in respect of the whole or any part of any of the property, assets and/or undertaking of the Business nor has any such order been made (including, in any relevant jurisdiction, any other order by which, during the period it is in force, the affairs, business and assets of the Purchaser are managed by a person appointed for the purpose by a court, governmental agency or similar body).
- (iii) The Purchaser has not taken any step with a view to a suspension of payments or a moratorium of any indebtedness or has made any voluntary arrangement with any of its creditors or is insolvent.
- (iv) No liquidation, dissolution, winding up, commencement of bankruptcy, insolvency or similar proceedings, whether voluntary or involuntary, with respect to the Purchaser is pending, which, in each case, has or may have an effect on the ability of the Purchaser to execute, deliver and perform its obligations under this Agreement and each of the Ancillary Agreements to which it is or will be a party.

9.2.2 Purchaser Warranty Principles

- (a) The Purchaser represents and warrants as of the date hereof and as of the Closing, the Purchaser Warranties to the Purchaser. The Purchaser acknowledges that the Seller has entered into this Agreement, and undertaken its obligations herein, on the basis of, and in reliance upon, the Purchaser Warranties.
- (b) The Purchaser hereby represents and warrants the Purchaser Warranties to the Seller on the Execution Date and the Closing Date;
- (c) Each Purchaser Warranty shall be construed separately and independently and shall not be expanded by reference to any other matter, warranty or undertaking;
- (d) The Seller agrees and undertakes to the Purchaser that neither it nor its Affiliates and their respective directors, officers, managers, members, employees and/or representatives has any rights against, and shall waive and shall not make any claim against, any employee, director, officer, advisor or agent of the Purchaser or any of its Affiliates on whom the Seller may claim to have relied before agreeing to any term of, or entering into any Transaction Documents to which it is a party; and



- (e) The Seller acknowledges and agrees that:
- (i) the only representations and warranties made by the Purchaser are the Purchaser Warranties made under Clause 9.2,1 above and no further representations and warranties, whether express or implied are provided by the Purchaser under this Agreement;
 - (ii) in entering into this Agreement and in proceeding to Closing, the Seller has not relied on any statement, representation, warranty, condition, or other conduct which may have been made by or on behalf of the Purchaser, other than as specifically set out in this Agreement or other Transaction Documents.

10. INDEMNITY

10.1 Indemnification by the Seller

Subject to the Closing having occurred in accordance with the terms of this Agreement, the Seller hereby agrees to indemnify and keep indemnified, save, defend and hold harmless, the Purchaser, its officers and directors (collectively, the **“Purchaser Indemnified Persons”**) from and against any and all Losses suffered or incurred or as may be suffered or incurred by any Purchaser Indemnified Person which arises out of or results from or in connection with:

- (a) any breach of the representations and warranties of the Seller contained in this Agreement or any other Transaction Documents; or
- (b) any Specific Indemnity Event; or
- (c) any claims made by any third party in relation to any Excluded Liability.

10.2 It is clarified that notwithstanding its inclusion in the above clause, an Excluded Liability, that is or is being paid, performed or discharged by the Seller under Clause 2.4 of this Agreement, shall not be a subject matter of indemnification under this Clause 10. Further, it is clarified that the obligation of the Seller to indemnify the Purchaser Indemnified Persons in respect of any Specific Indemnity Event or any claims made by any third party in relation to any Excluded Liability shall not be prejudiced or limited or adversely impacted in any manner whatsoever by the Disclosed Materials and the rights of the Purchaser to seek indemnification in respect of the Specific Indemnity Event or any claims made by any third party in relation to any Excluded Liability shall survive, notwithstanding such disclosures of the Seller.

10.3 Indemnification by the Purchaser

Subject to the Closing having occurred in accordance with the terms of this Agreement and subject to the limitations set out in **Schedule Q (Limitations on Liability)**, the Purchaser hereby agrees to indemnify and keep indemnified, save, defend and hold harmless, the Seller, its officers and directors (collectively, the **“Seller Indemnified Persons”**) from and against any and all Losses suffered or incurred or as may be suffered or incurred by any Seller Indemnified Person which arises out of or results from or in connection with:



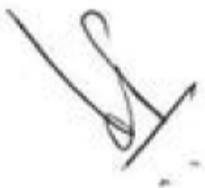
- (a) any material breach of the representations and warranties of the Purchaser contained in this Agreement or any other Transaction Documents; and
- (b) any claims made against the Seller by any third party, which relates to the period following the Closing Date.

10.4 For the purposes of this Agreement, each indemnifying Party under this Clause 10 shall be referred to as the “**Indemnifying Person**” and each indemnified Party under this Clause 10, along with respective directors and officers, shall be collectively referred to as the “**Indemnified Person**”.

10.5 The Indemnified Person shall, in its return/ filings made with the Taxing Authorities, characterise the amount received pursuant to this Clause 10 as payment received by the Indemnified Person pursuant to the indemnity provisions as per this Clause 10. The Indemnifying Person will record such payment as being an indemnification payment hereunder.

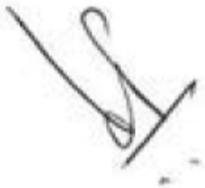
10.6 Conduct of Direct Claims and Third Party Claims

- (a) *Direct Claims*
 - (i) In the event any Indemnified Person should have a claim against the Indemnifying Person under this Clause 10 that does not involve a Third Party Claim being asserted against or sought to be collected from the Indemnified Person (a “**Direct Claim**”), the Indemnified Person shall promptly but in any event within 30 (thirty) days from the date on which the Indemnified Person becomes aware of the Loss notify the Indemnifying Person in writing of such Direct Claim by issuing a Claim Notice. The Indemnified Person shall procure that further information requested by the Indemnifying Person in respect of the Direct Claim shall be provided as available with the Indemnified Person. The delay of the Indemnified Person to promptly notify the Indemnifying Person within the aforementioned timeframe shall not relieve the Indemnifying Person of their obligations hereunder, except to the extent that the amount of the Loss is enhanced or not reduced as a result of such delay. If the Indemnifying Person does not notify within 30 (thirty) days following the receipt of such Claim Notice that the Indemnifying Person disputes its liability to the Indemnified Person, such Direct Claim specified by the Indemnified Person in such Claim Notice shall be conclusively deemed a Loss which is indemnifiable by the Indemnifying Person.
 - (ii) If the Indemnifying Person disputes a Direct Claim, the Indemnified Person and the Indemnifying Person shall attempt to resolve in good faith such dispute within the 20 (twenty) day period after the Indemnifying Person delivers written notice to the Indemnified Person of such dispute. If such dispute is not so resolved within such 20 (twenty) day period, then such dispute shall be resolved in accordance with, and subject to the limitations of Clause 13.2.



(b) *Third Party Claims*

- (i) If a claim by a third party is made against an Indemnified Person arising out of a matter for which the Indemnified Person is entitled to be indemnified by the Indemnifying Person pursuant to Clause 10 (a “**Third Party Claim**”), such Indemnified Person shall notify the Indemnifying Person in writing of such Third Party Claim by issuing a Claim Notice within a period of 30 (thirty) days from the date of receipt of a written notice with respect to such Third Party Claim or within such shorter time period as specified in the Third Party Claim notice. The delay of the Indemnified Person to promptly notify the Indemnifying Person within the aforementioned timeframe shall not relieve the Indemnifying Person of their obligations hereunder, except to the extent that the Indemnifying Person that the amount of the Loss is enhanced or not reduced as a result of such delay.
- (ii) The Indemnifying Person shall be entitled, if it so desires and at its cost and with counsel of its choice, by written notice to the Indemnified Persons within 7 (seven) days from receipt of the Claim Notice, to defend any Third Party Claim or initiate any action in relation to a Third Party Claim.
- (iii) In the event that the Indemnifying Person does not assume control of the defense of a Third Party Claim within 7 (seven) days in accordance with Clause 10.6(b)(ii) above, the Indemnified Person shall have the right to defend itself against such Third Party Claim and shall thereafter be indemnified for the reasonable expenses incurred by it for such defence and the Third Party Claim. In such a case, the Indemnified Persons shall: (1) ensure any such defence of such Third Party Claim by the Indemnified Person shall be in consultation with the Indemnifying Person; and (2) keep the Indemnifying Person informed of the said defence proceedings undertaken and conducted by the Indemnified Person.
- (iv) For the avoidance of doubt, it is hereby clarified that if the Indemnifying Person has assumed the defense, negotiation or settlement of such Third Party Claim pursuant to Clause 10.6(b)(ii), the Indemnified Persons shall, at their own cost and expense, continue to have the right to participate by its counsel in connection with the defense, negotiation or settlement of such claim or proceeding, but without taking any action not consented to by the Indemnifying Person (including taking any position or defence contrary to what has been adopted by the Indemnifying Person).



- (v) Neither the Indemnified Persons nor the Indemnifying Persons shall consent to the entry of any judgement or enter into any settlement with respect to the Third Party Claim (A) without the prior written consent of the other Party (other than any settlement or compromise by the Seller in respect of any Excluded Assets or Excluded Liabilities), which shall not be unreasonably withheld; and (B) where a Loss is incurred by the Indemnified Person pursuant to such judgement or settlement, the Indemnifying Person shall indemnify the Indemnified Person within 10 (ten) Business Days from the date of such judgement or settlement.
- (vi) Notwithstanding the foregoing, the Indemnifying Person shall not be entitled to assume the defense of any Third Party Claim (and shall be liable for the reasonable fees and expenses of counsel incurred by the Indemnified Person in defending such Third Party Claim) if the Third Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnified Person, or the Third Party Claim involves a criminal claim against the Indemnified Person.

Provided that in such a case, the Indemnified Person shall keep the Indemnifying Person informed of the said defence proceedings undertaken and conducted by the Indemnified Person.

- (vii) Where the Indemnifying Person is required to indemnify the Indemnified Person in relation to any Third Party Claim and the Indemnified Person is entitled to recover from a third party a sum which indemnifies or compensates the Indemnified Person (in whole or in part) for the Loss which is the subject of the indemnity claim, the Indemnified Person shall, at the cost and expense of the Indemnifying Person, take all steps or proceedings as the Indemnifying Person may require to subrogate the right of the Indemnified Person to recover such sum in favor of the Indemnifying Person.
- (viii) The Indemnifying Person and the Indemnified Person shall cooperate with each other and exercise all reasonable efforts in the defence or prosecution of any such Third Party Claim and shall furnish one another with such records, information and testimony, and attend such conferences, proceedings, hearings, trials and appeals as may be reasonably required in connection therewith, to the extent reasonably practicable.

10.7 Within 30 (thirty) Business Days after the amount of any Losses for which an Indemnified Person is indemnified pursuant to this Clause 10 is notified to the Indemnifying Person, the Indemnifying Person shall pay such Indemnified Person such amount in cash by wire transfer of immediately available funds to an account designated in writing by such Indemnified Person.

10.8 Non - Exclusive Remedy: The indemnification rights of the Indemnified Persons under this Agreement shall be the sole monetary remedies available to the Indemnified Persons (other than (i) in case of a breach of the covenants of an Indemnifying Person, for which the remedy of damages under Applicable Law shall be available; and (ii) in case of the occurrence of events specified in Clause 5.7.2 above, for which the Break Fee shall be the sole monetary remedy). It is clarified that indemnification rights of the Indemnified Persons under this Agreement are independent of, and in addition to, such other non-monetary rights and remedies as the Indemnified Persons may have at law or in equity or otherwise, including the right to seek specific performance, rescission, or other injunctive relief, none of which rights or remedies shall be affected or diminished thereby.



10.9 Limitations on liability: Unless otherwise specified, any claim made under this Agreement including this Clause 10 shall be subject to the limitations set out in **Schedule Q** (*Limitations on Liability*) as applicable.

10.10 Exception to limitation on liability: Notwithstanding anything to the contrary contained in this Agreement, none of the limitations on liability set out under Clause 10.9 shall apply to liability of an Indemnifying Person to the Indemnified Person for fraud or proven gross negligence by such Indemnifying Person.

10.11 Nothing in this Clause 10 shall restrict or limit Indemnified Person's general obligation under Applicable Laws to mitigate any loss it may suffer or incur as a result of an event that may give rise to a claim under this indemnity.

11. NON-SOLICITATION AND NON-COMPETE

11.1 The Purchaser shall not, directly or indirectly (including through its Affiliates) solicit any employee or customer of the Seller or a counterparty under any Business Contract or Shared Contract (a) at any time on and from the Execution Date until the Closing Date, except solely to the extent permitted under this Agreement and (b) in the event this Agreement is terminated prior to Closing, for a period of [***] commencing on and from the date of such termination.

11.2 The Purchaser shall not, directly or indirectly (including through its Affiliates) solicit any employee (other than the Business Employees) or customer of the Seller from the Closing Date, for a period of [***].

11.3 The Seller shall not, directly or indirectly (including through its Affiliates) solicit any employee (other than any Transferring Employee) or customer of the Business or a counterparty under any Business Contract or Shared Contract from the Closing Date for a period of [***] commencing on and from the date of such termination.

11.4 The Seller agrees and undertakes to the Purchaser that it shall not (and shall procure that no Affiliate or member of its Group shall) directly or indirectly distribute or market the Restricted Molecule(s) for the Restricted Period, as specified in **Part A** and **Part B** of **Schedule U** (*List of Restricted Molecule(s) and Restricted Periods*).

Notwithstanding the aforesaid, the Parties agree that nothing in this Agreement shall prevent the Seller from:

- (a) Distribution or marketing of the Restricted Molecule(s) outside the Territory;



- (b) Distribution or marketing of any products other than products containing the Restricted Molecule(s);
- (c) Distribution or marketing of products [***]
- (d) undertaking any other matter which has been consented to in writing by the Purchaser including performing any activities as required under the Transaction Documents; and
- (e) manufacture of products [***]

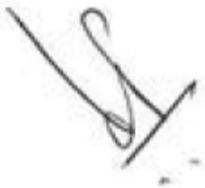
11.5 It is further agreed that, and in addition to the provisions of Clause 11.4 above, for a period of 5 (five) years from Closing Date, the Seller shall not (and shall procure that no Affiliate or member of its Group shall) directly or indirectly manufacture (other than as specified in Clause 11.4(e)), distribute or market, in any delivery form, dosage or strength, a product which;

- (a) contains the identical set of molecule(s) as listed in **Part C** of the **Schedule U**, as part of the Seller's quality generics business (generics division) and channel business; and
- (b) contains the identical set of molecule(s) in the 18 Products listed in points **1** to **18** of **Part C** of the **Schedule U**, as part of the Seller's branded generic business.

11.6 Provided that nothing in Clause 11.5(b) above shall apply to such existing products, containing the molecules present in the Products, as may be mutually agreed between the Parties (acting reasonably) within a period of 7 (seven) Business Days from the Execution Date.

11.7 The Purchaser agrees and undertakes that the Seller has agreed to the restrictions specified in this Clause 11 at the specific request of the Purchaser, and any cost and consequences imposed by any Authority in relation to competition law or restrictive trade practices or similar provisions of applicable Law shall be borne solely by the Purchaser.

11.8 The Seller agrees and undertakes to the Purchaser that it shall not (and shall procure that no Affiliate or member of its Group shall) market or distribute any product using any trade mark containing the term 'Proxyvon' (including in combination with prefixes and suffixes) in the dental pain and orthopaedic pain segments.



- 11.9** The Purchaser agrees and undertakes to the Seller that it shall not (and shall procure that no Affiliate or member of its Group shall) market or distribute any product using any trade mark containing the term 'Proxyvon' (including in combination with prefixes and suffixes) in the anti-spasmodic segment.
- 11.10** The Parties acknowledge and agree that the covenants and obligations with respect to non-solicitation and non-compete as set forth above relate to special, unique and extraordinary matters, and that a violation of any of the terms of such covenants and obligations will cause the Party affected thereby, irreparable injury. The Parties further acknowledge and agree that remedy by way of damages for any breach of the requirements of this Clause 11 would be inadequate, and agrees that the Party other than the one violating these terms shall be entitled to an interim and permanent injunction, restraining order or such other equitable relief as a court of competent jurisdiction may deem necessary or appropriate to restrain the Party in breach of these terms from committing any violation of the covenants and obligations contained in this Clause 11. These injunctive remedies are cumulative and are in addition to any other rights and remedies that the affected Party may have at law or in equity.
- 11.11** The Parties acknowledge and agree that the above restrictions are considered reasonable for the legitimate protection of the business and goodwill of the Parties but in the event that such restriction shall be found to be void, but would be valid if some part thereof was deleted or the scope, period or area of application were reduced, the above restriction shall apply with the deletion of such words or such reduction of scope, period or area of application as may be required to make the restrictions contained in this Clause 11 valid and effective. Notwithstanding the limitation of this provision by any Applicable Law for the time being in force, the Parties undertake to at all times observe and be bound by the spirit of this Clause 11. Provided however, that on the revocation, removal or diminution of the Applicable Law or provisions, as the case may be, by virtue of which the restrictions contained in this Clause were limited as provided hereinabove, the original restrictions would stand renewed and be effective to their original extent, as if they had not been limited by Applicable Law or provisions revoked.

12. TERM & TERMINATION

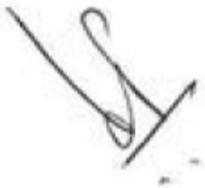
12.1 Term

This Agreement shall come into effect on and from the Execution Date and shall remain in force until terminated in accordance with Clause 12.2.

12.2 Termination

12.2.1 This Agreement may, by written notice given before or on the Closing Date, be terminated:

- (a) by mutual written consent of the Purchaser and the Seller; or
- (b) in terms of Clause 5.7.



12.3 Effect of Termination

- 12.3.1 Upon termination of this Agreement, the Parties shall be relieved and discharged from all obligations, liabilities or claims under this Agreement except for rights and liabilities accrued under this Agreement prior to the termination thereof (including, for the avoidance of doubt, the obligation of the Purchaser to pay the Break Fee to the extent it has become payable at or prior to any such termination or which expressly survive termination of this Agreement).
- 12.3.2 The Parties' rights of termination under Clause 12 are in addition to any other rights they may have under this Agreement or otherwise, and the exercise of such rights of termination is not an election of remedies. The right of the Seller to claim the payment of the Break Fee in accordance with Clause 5.7.2 under this Agreement is not exclusive and is in addition to any other rights and remedies provided by Applicable Law or under this Agreement.
- 12.3.3 If this Agreement is terminated pursuant to Clause 12.2.1, this Agreement and all rights and obligations of the Parties under this Agreement automatically end without Liability against any of the Parties or its Affiliates, except that: Clause 5.7.2 (*Break Fee*), Clause 11 (*Non Solicitation and Non Compete*), Clause 12.3 (*Effect of Termination*), Clause 13 (*Governing Law & Dispute Resolution*), Clause 14 (*Miscellaneous*) and any accrued rights of Parties shall remain in full force and survive any termination of this Agreement.

13. GOVERNING LAW AND DISPUTE RESOLUTION

13.1 Governing Law & Jurisdiction

This Agreement will be governed by and construed in accordance with the laws of India and subject to Clause 13.2 below, the courts in Mumbai, India shall have exclusive jurisdiction.

13.2 Dispute Resolution

- 13.2.1 If any dispute, difference, claim and / or controversy ("**Dispute**") arises between the Parties about the validity, interpretation, implementation, existence and / or alleged breach of any provision of this Agreement, such Dispute shall be resolved by arbitration by three arbitrators, with the Seller appointing one arbitrator, the Purchaser appointing one arbitrator and the two arbitrators so appointed appointing the third arbitrator who would be the presiding arbitrator.
- 13.2.2 The arbitration shall be in accordance with the Indian Arbitration and Conciliation Act, 1996 for the time being in force and arbitration proceedings shall be conducted in Mumbai, India. The venue and seat of arbitration shall be Mumbai, India.
- 13.2.3 The arbitration proceedings shall be conducted and the award shall be rendered in the English language.
- 13.2.4 The award rendered by the arbitrator or arbitrators shall be final, conclusive and binding on all Parties to this Agreement.
- 13.2.5 Prior to or pending arbitration, nothing shall preclude either Party from seeking interim reliefs, from any competent courts in Mumbai, India. The pursuit of injunctive relief shall not be a waiver of the Parties to pursue any remedy for monetary damages through the arbitration described in this Clause 13.2.



13.2.6 Each Party shall bear the cost of preparing and presenting its case, and the cost of arbitration, including fees and expenses of the arbitrators, shall be shared equally by the Parties, unless the award otherwise provides.

14. MISCELLANEOUS

14.1 Confidentiality

14.1.1 The term “**Confidential Information**” as used in this Agreement means:

- (a) any information concerning the organization, business, marketing and business related records, data, documents, reports, client information, intellectual property, technology, trade secrets, know-how, business relationships, services, processes, staff and technical information, finance, transactions or affairs of each Party or any of their respective Representatives (whether conveyed in written, oral or in any other form and whether such information is furnished before, on or after the date hereof);
- (b) any information whatsoever concerning or relating to: (i) any Dispute or claim arising out of or in connection with this Agreement; or (ii) the resolution of such claim or Dispute;
- (c) any information or materials prepared by or for a Party or its Representatives that contain or otherwise reflect, or are generated from the aforesaid information; and
- (d) the terms and conditions of this Agreement and the Transaction Documents (including any applications submitted in connection therewith to the appropriate Authorities).

14.1.2 Each Party recognizes that in the course of the transactions envisaged by this Agreement, it and its Affiliates may be privy to Confidential Information.

14.1.3 In consideration of the benefits accruing to the Parties from their association under this Agreement, the Seller (on one hand) and the Purchaser (on the other hand) agree that:

- (a) Each Party shall keep all Confidential Information received by it from the other Party (“**Disclosing Party**”) confidential and shall not, without the prior written consent of the Disclosing Party, divulge such Confidential Information to any Person or use such Confidential Information other than for the purposes of carrying out this Agreement;
- (b) The Receiving Party shall ensure that access to Confidential Information is granted only to its directors, officers and advisors (“**Representatives**”) and strictly on a “need to know” basis. Prior to disclosing any Confidential Information to such Representatives, the Receiving Party shall inform them of the confidential nature of the information and ensure that they deal with the Confidential Information as if they were a Receiving Party and bound by the obligations of the Receiving Party under this Agreement. The Receiving Party shall be liable for any disclosure or use of Confidential Information by its Representatives that is not in accordance with the provisions of this Agreement.



- (c) The Receiving Party and its Representatives shall ensure and take all necessary measures to protect the integrity of the Confidential Information and restrain unauthorised disclosure or use of the Confidential Information and any such unauthorized disclosure or use shall be deemed to be a breach of this Agreement by the Receiving Party;
- (d) promptly inform the Disclosing Party of any potential or accidental disclosure of the Confidential Information and take all steps, together with the Disclosing Party, to retrieve and protect the Confidential Information; and
- (e) use the Confidential Information only for the purpose for which it was provided and not profit from the same in an unauthorized manner.

The Purchaser acknowledges that any and all other information provided to it by the Seller or its Representatives shall continue to remain subject to the confidentiality obligations set out in this Agreement after the Closing Date.

14.1.4 The obligations contained in Clause 14.1.3 above shall not apply to any part of the Confidential Information which:

- (a) is or has become public (other than by breach of this Agreement); or
- (b) is required to be disclosed by Applicable Law, provided that, so far as it is lawful and practical to do so, prior to such disclosure, the Party subject to such disclosure shall promptly notify the Disclosing Party of such requirement with a view to providing the opportunity for the Disclosing Party to contest such disclosure or otherwise to agree the timing and content of such disclosure; or
- (c) becomes available to the Receiving Party on a non-confidential basis from a Person, provided such Person is not, to the Receiving Party's knowledge, bound by a confidentiality agreement with the Disclosing Party; or
- (d) is independently developed by the Receiving Party without reference to the Confidential Information.

14.1.5 If this Agreement terminates prior to Closing Date, each Party shall on written demand of the Disclosing Party immediately:

- (a) return all Confidential Information together with all copies in its possession, if such information and copies thereof have not already been destroyed; and
- (b) expunge such Confidential Information from any computer, word processor or other device.

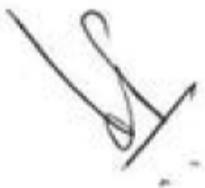


- 14.1.6 Except for the press releases pertaining to this Agreement as agreed and released by the Parties upon the execution of this Agreement or any disclosures required to be made by any of the Parties to comply with Applicable Law (provided that the Party required to make the announcement consults with the other Party and takes into account the reasonable requests of the other Party in relation to the content of such announcement before it is made), none of the Parties shall issue or make any public announcement, press release or other public disclosure regarding the Transaction Documents or their subject matter without the other Party's prior written consent. As soon as practicable after Closing, the Seller shall issue a statement in the form and manner agreed with the Purchaser, to the customers of and suppliers to the Business informing them of the transfer of the Business to the Purchaser. The Seller shall, if so required by the Purchaser on or at any time after Closing and at the Purchaser's expense, send an intimation (in a form provided by the Purchaser) to persons who have had dealings with the Seller in connection with the Business, announcing the transfer to the Purchaser of the Business. Notwithstanding the above, the Purchaser may at any time on or after Closing announce its acquisition of the Business and Business Undertaking to any of its employees or any other member of the Purchaser Group in such manner as it shall wholly think fit.
- 14.1.7 Notwithstanding anything to the contrary elsewhere in this Agreement, the Seller undertakes to the Purchaser that it shall (and shall procure that its Affiliates and the members of the Seller's Group (as such Group is constituted immediately after Closing Date) shall):
- (a) keep confidential all confidential information or trade secrets in its possession concerning the business, affairs, customers, clients or suppliers of the Business and relating to the Business Undertaking including but not limited to the Business Records and such other information comprised in the Business Records;
 - (b) not disclose any of the information referred to in Clause 14.1.7(a) in whole or in part to any third party, except as expressly permitted by the Purchaser; and
 - (c) not make any use of any of the information referred in Clause 14.1.7(a), other than and to the extent necessary for: (I) the purpose of exercising or performing its rights and obligations under this Agreement; (II) defence of an action in relation to any Excluded Liabilities; or (III) for exercise of any rights pertaining to Excluded Assets.

14.2 Costs

Except as may be agreed in this Agreement or the Ancillary Agreements or otherwise in writing between the Parties:

- (a) The Purchaser shall bear all applicable stamp duty, registration costs and other Transaction Costs imposed in relation to the transfer of Business and the Business Assets (including for application to Authorities and on this Agreement or any Transaction Documents), other than as specified in sub-clause (b) and (c) below. The Parties agree and acknowledge that the transfer of the Business Undertaking on a going concern basis, by way of a slump sale, does not attract the levy of goods and services tax.



- (b) Each Party shall bear and pay its respective costs and expense towards the professional fee of any financial or technical advisors, investment bankers, lawyers or accountants engaged by it.
- (c) The Parties shall jointly and equally bear the fees and other expenses of the Escrow Agent, the Independent Auditor and the Actuary engaged after the Closing Date.

14.3 Counterparts

This Agreement may be executed simultaneously in any number of counterparts, each of which when executed and delivered shall be deemed an original, but all of which will constitute one and the same instrument.

14.4 Severability

If any provision of this Agreement, not being of a fundamental nature to the Parties, is invalid or unenforceable or prohibited by Applicable Law, it shall be treated for all purposes as severed from this Agreement and ineffective to the extent of such invalidity or unenforceability, without affecting in any way the remaining provisions hereof, which shall continue to be valid and binding. In the event any Authority determines that any provisions of this Agreement are not enforceable as written, the Parties agree that they shall co-operate in good faith to amend such provisions so that they are fully enforceable to the fullest extent permissible under the Applicable Law, and affords the Parties to the extent possible, the same basic rights and obligations and the same economic effect as prior to amendment.

14.5 Entire Agreement

This Agreement, together with the Transaction Documents, constitutes and contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes all prior communications, negotiations, commitments, agreements and undertakings, whether written and oral, between the Parties with respect to the subject matter hereof.

14.6 Amendment

This Agreement may be modified, amended or supplemented only by the mutual written agreement of the Parties.

14.7 Assignment

No rights, liabilities or obligations under this Agreement may be assigned (whether absolutely or by way of security) by any Party, and no Party shall declare any trust over any of its rights under this Agreement without the prior written consent of the other Party.



14.8 Specific Performance

Each Party acknowledges that the breach of this Agreement would cause irreparable damage to the other Parties and that the other Parties shall not have an adequate remedy at law by way of damages. Therefore, the obligations of each Party under this Agreement, shall be enforceable by a decree of specific performance issued by any court of competent jurisdiction, and appropriate injunctive relief may be applied for and granted in connection therewith. Such remedies shall, however, be cumulative and not exclusive and shall be in addition to any other remedies which any Party may have under this Agreement or otherwise in Applicable Law.

14.9 Waiver

Except as expressly provided in this Agreement, a waiver or any failure or delay by any Party to require the enforcement of the obligations, agreements, undertakings or covenants in this Agreement shall not be construed as a waiver by such Party of any of its rights, unless made in writing referring specifically to the relevant provisions of this Agreement and signed by a duly authorized representative of such Party. Any such waiver shall not affect in any way the validity of this Agreement or the right to enforce such obligation, agreement, undertaking or covenant at any other time as may be specified therein. No single or partial exercise of any right, power or remedy under this Agreement by any Party shall preclude any further exercise thereof or the exercise of any other right, power or remedy by that Party. Without limiting the foregoing, no waiver by any Party to this Agreement of any breach by any other Party of any provision hereof shall be deemed to be a waiver of any subsequent breach of that or any other provision hereof.

14.10 Public Announcement

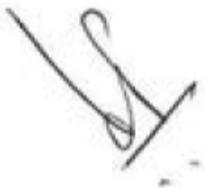
No public release or announcement concerning the transactions contemplated hereby shall be issued by any Party without the prior written consent of the other Parties (which consent shall not be unreasonably withheld, delayed or conditioned), except as such release or announcement may be required by Applicable Law applicable to such Party or its Affiliate or the rules or regulations of any applicable securities exchange or listing authority, in which case the Party required to make such release or announcement shall allow the other parties reasonable time to comment on such release or announcement in advance of such issuance.

14.11 Notices

14.11.1 Notices or other communication required to be given or made hereunder shall be in writing and shall be sent; (a) by prepaid registered post with due acknowledgement, or by internationally recognized courier service; or (b) by electronic mail to the below mentioned details:

In the case of notices to the **Purchaser**:

Address : 8-2-337, Road no. 3, Banjara Hills, Hyderabad 500 034, Telangana, India
Attention of : [***]
Email : [***]



In the case of notices to the **Seller**:

Address : Wockhardt Limited, D-4, M.I.D.C. Chikalthana, Aurangabad, Maharashtra – 431006, India
Attention of : [***]
Email : [***]

- 14.11.2 Any such notice or communication shall be in English and shall, unless the contrary is proved, be deemed to have been served on (i) the expiry of 5 (five) Business Days after posting, if sent by prepaid registered post or courier; or (ii) the same Business Day, if transmitted by e-mail transmission prior to 6.00 p.m. or on the Business Day immediately after the date of transmission, if transmitted by e-mail transmission after 6.00 p.m. In proving the same, it shall be sufficient to show, in, the case of a letter, that the envelope containing the letter was correctly addressed and handed over by prepaid registered post or by courier service and, in the case of an e-mail, that such e-mail was correctly dispatched to the relevant e-mail address of the addressee.
- 14.11.3 Any Party may change its address for receipt of notices provided for in this Agreement by giving to the other Party prior written notice of 7 (seven) Business Days.

14.12 Further Assurance

Each of the Parties hereto shall, co-operate with the other Party and execute and deliver to the other Party, such instruments and documents and take such other actions as may be reasonably requested by the other Party, and shall use commercially reasonable efforts in order to carry out and give effect to this Agreement provided that no such document or agreement shall be inconsistent with the spirit and intent of this Agreement.

14.13 Time

Any date or period as set out in any Clause of this Agreement may be extended with the prior written consent of the Parties failing which time shall be of the essence.

14.14 Binding Effect

Subject to the terms and conditions hereof, this Agreement is binding upon and will inure to the benefit of the Parties and their respective successors

[SIGNATURE PAGE FOLLOWS]



CERTAIN IDENTIFIED INFORMATION MARKED WITH [***] HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS NOT MATERIAL AND IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE AND CONFIDENTIAL.

Execution Version

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

For and on behalf of **Wockhardt Limited**

/s/ Debolina Partap

Name: Debolina Partap

Designation: Vice President Legal and General Counsel

Date: 12/02/2020

DRL IRN: 100029724



CERTAIN IDENTIFIED INFORMATION MARKED WITH [***] HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS NOT MATERIAL AND IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE AND CONFIDENTIAL.

Execution Version

For and on behalf of **Dr. Reddy's Laboratories Limited**

/s/ Motupalli Venkata Ramana

Name: Motupalli Venkata Ramana

Designation: CEO, Branded Markets

Date: 12th Feb 2020

DRL IRN: 100029724



CERTAIN IDENTIFIED INFORMATION MARKED WITH [***] HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS NOT MATERIAL AND IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE AND CONFIDENTIAL.

Execution Version

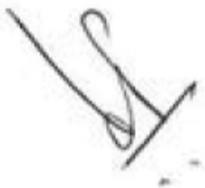
SCHEDULE A TO SCHEDULE S [***]
SCHEDULE U [***]
ANNEXURE-A [***]
ANNEXURE-I [***]



SCHEDULE T
BUSINESS LOCATIONS

Set out below are details of the locations (except distribution hubs, depots and loan licensed facilities) from which the Seller, by itself, does not carry on any part of the Business at any other location, either in or outside India:

1. Baddi Facility: Khewat/ Khatoni numbers [***]/ [***] comprised under Khasras number [***], kitats - 4 and Khewat/ Khatoni numbers [***] / [***] comprised under Khasra numbers [***], kitat 9 at Village Kunjahal, HadbastNo. 216, Pargana Dharampur, Tehsil Nalagarh Baddi, District Solan, Himachal Pradesh
2. Corporate Office: Wockhardt Towers, Bandra Kurla Complex, G Block BKC, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400051
3. Registered Office: Wockhardt Research Centre, D-4, M.I.D.C. Chikalthana, Aurangabad, Maharashtra, 431006
4. Zonal Offices:
 - (a) 304, 3rd Floor, Copia Corporate Suites, 9 Jasola District Centre, New Delhi.
 - (b) New Town Square, Spencer's Mall, Premises No, 6-D, Atghora New Town Road, Kolkata.
 - (c) 3rd Floor, No. 75, Century Centre, TT K Road, Alwarpet, Chennai - 600 018.
 - (d) A/501, 5th Floor, Kanakia Zillion, Kurla Bus Depot, Kurla (West), Mumbai - 400 070



CERTAIN IDENTIFIED INFORMATION MARKED WITH [***] HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS NOT MATERIAL AND IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE AND CONFIDENTIAL.



Date: April 28, 2020

To
DR. REDDY'S LABORATORIES LIMITED,
 8-2-337, Road no. 3, Banjara Hills,
 Hyderabad 500 034, Telangana, India

Attn: Mr. Suprio Dasgupta, General Counsel and Chief Data Privacy Officer

Re: **Letter Agreement for obtaining inventory of certain Products which shall be transferred by Wockhardt Limited ("Seller") to Dr. Reddy's Laboratories Limited ("Purchaser"), pursuant to the Business Transfer Agreement dated February 12, 2020 ("BTA")**

1. Reference is made to the BTA executed between the Seller and the Purchaser for the sale and transfer of the Business Undertaking. Capitalised terms used in this letter agreement, but not defined herein, shall have the meaning given to them in the BTA.
2. Pursuant to Clause 14.6 (*Amendment*) to the BTA, the Parties have now agreed to the following amendments and have also recorded their further understanding on the matters therein.
 - 2.1 The Parties have now agreed to the following:
 - (a) The Seller shall make available to the Purchaser as part of the Net Working Capital, the Inventory of the Products in such prices and quantities as set out in Part A of Annexure 1 ("**Closing Date Inventory**") on the Closing Date, subject to the Purchaser remitting the Advance Amount in accordance with paragraph 2.1(c) below.
 - (b) The Seller shall make best efforts to make available to the Purchaser, the Inventory of the Products in such prices and quantities as set out in Part B of Annexure 1 ("**Post Closing Additional Inventory**") after the Closing Date and within the timelines specified in Part B of Annexure 1, subject to the Purchaser remitting such amounts of money to the extent required to be paid to the supplier of such Post Closing Additional Inventory.
 - (c) The Purchaser shall at the request of the Seller, as soon as practicable but no later than 3(three) Business Days following the date of such request, remit to the Seller such amounts of money not exceeding in the aggregate, [***] ("**Advance Amount**") in the designated account as specified by the Seller to enable the Seller to obtain raw materials for the manufacture of the Closing Date Inventory or to manufacture (by itself or through third parties) or to otherwise acquire the Closing Date Inventory.

Provided that notwithstanding anything contained in the BTA or this letter agreement, in the event that the Purchaser fails to remit, prior to the Closing Date, any portion of the Advance Amount requested by the Seller, then the Target Net Working Capital shall be reduced to the extent of such shortfall in the Advance Amount.



WOCKHARDT LIMITED • Global Headquarters: Wockhardt Towers, Bandra Kurla Complex, Mumbai-400051, India • T: 91-22-26534444
 F: 91-22-26523905 • Regd. Office: D-4 MIDC, Chikalthana, Aurangabad-431006, India • T: 91-240-6694444 • F: 91-240-2489219
 www.wockhardt.com • CIN: L24230MH1999PLC120720



- (d) Following the remittance of the amounts as hereinabove by the Purchaser, the Seller shall keep the Purchaser informed of the receipt of the raw materials/finished goods forming part of the Closing Date Inventory and shall make available all such data and information as reasonably requested by the Purchaser. In the event of non-delivery of any inventory by the relevant supplier/manufacturer of such inventory or any product returns due to quality issues, etc., the Seller shall consult the Purchaser and act in consultation with it, vis-à-vis alternate arrangements and the amounts paid/payable therefor.
- (e) The definition of “Target Net Working Capital” in Clause 1.1 (Definitions) of the BTA shall be substituted to read as under:
“Target Net Working Capital” shall mean [***]”
- (f) In the event that the BTA is terminated prior to Closing, the Advance Amount, to the extent remitted to the Seller in accordance with this letter agreement, shall be repaid to the Purchaser, within 30 (thirty) days of such termination and the provisions of this paragraph 2.2(f) shall survive termination of the BTA.
- (g) In the event that the Seller has made payments towards Post Closing Additional Inventory and the Purchaser has not remitted the requisite amounts for procurement of such Post Closing Additional Inventory, then notwithstanding anything contained in the BTA, the cost incurred by the Seller to obtain raw materials or to manufacture (through itself or third parties, as applicable) or to otherwise acquire the Post Closing Additional Inventory shall be added to the Consideration and shall be adjusted in the Escrow Amount, subject to such payments having been made towards the Post Closing Additional Inventory and binding acceptance of its purchase orders have been obtained from the supplier/third party manufacturers, during the validity of such Escrow Account. Any amounts owed by the Purchaser to the Seller herein and which could not be adjusted out of the Escrow Amount shall remain an independent payment obligation of the Purchaser, enforceable against it under the BTA.
- (h) The Advance Amount or any part thereof shall be used only to procure the Closing Date Inventory and shall not be adjusted or set off against the Consideration payable under the BTA.
- (i) As part of the Seller Conditions Precedent, the Seller shall confirm, in writing, to the Purchaser of the availability of the Closing Date Inventory as set out in Part A of Annexure 1 (or such revised levels as accepted by the Purchaser) for delivery to the Purchaser as part of Closing, on the Closing Date (“**Inventory Confirmation**”). It is clarified that the above Seller Condition Precedent shall be treated to have been satisfied only upon the written confirmation by the Purchaser upon physical verification of the Inventory or the records pertaining to such Closing Date Inventory (by itself or through its representatives). It is further clarified that the written acceptance by the Purchaser of the Closing Date Inventory shall be without prejudice to the ‘Post Closing Consideration Adjustment for Working Capital’ described in Clause 3 of the BTA.





- (j) Parties agree that the words “not later than 3 (three) months from the Execution Date” occurring in Clause 5.3 (Long Stop Date) of the BTA shall be substituted with and replaced by the words “no later than 11th June, 2020”.
 - (k) Notwithstanding the above, the Parties agree that there shall be no change to the Consideration, except only in accordance with the adjustments set out in Clause 3 of the BTA and Paragraph 2.1(g) above.
 - (l) For the purposes of clarity, the illustration of the manner in which the Consideration shall be adjusted in certain scenarios is set out in Annexure 2 of this letter agreement.
3. The Seller represents and warrants to the Purchaser, and the Purchaser represents and warrants to the Seller that: (a) all necessary corporate approvals and other consents that are required to be obtained by it in connection with entry by it into this letter agreement have been duly obtained by it, and (b) this letter agreement has been validly executed by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.
4. This letter agreement shall come into effect from the date of execution hereof and shall upon such execution, be read along with the BTA. To the extent of any inconsistency between the provisions of the BTA and this letter agreement, this letter agreement shall prevail over the BTA in respect of the matters contained herein.
5. Except as expressly set forth above, all the provisions of the BTA and all the rights of the respective Parties thereunder shall remain in full force and effect.
6. The provisions of Clauses 14.1 (*Confidentiality*), 14.11 (*Notices*), 14.3 (*Counterparts*), 14.6 (*Amendment*) and 13 (*Governing Law and Dispute Resolution*) of the BTA shall apply *mutatis mutandis* to this letter agreement.

Yours sincerely

For and on behalf of **WOCKHARDT LIMITED**

/s/ Debolina Partap

Name: Debolina Partap

Title: General Counsel

DRL IRN: 100029724



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Agreed and Accepted
For and on behalf of **DR. REDDY'S LABORATORIES LIMITED**

/s/ M V Ramana

Name: M V Ramana

Title: CEO - Branded Markets

/s/ Suprio Dasgupta

Suprio Dasgupta

General Counsel

DRL IRN: 100029724



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**ANNEXURE 1
Part A**

[***]



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Part B

[***]



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ANNEXURE 2

CONSIDERATION ADJUSTMENT – ILLUSTRATIONS

For the purposes of the table below, all amounts are set out in INR (Crores)

[***]



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Date: June 09, 2020

To
DR. REDDY'S LABORATORIES LIMITED,
 8-2-337, Road no. 3, Banjara Hills,
 Hyderabad 500 034, Telangana, India

Attn: Mr. Suprio Dasgupta, General Counsel and Chief Data Privacy Officer

Re: Letter Agreement for the amendment of the Business Transfer Agreement dated February 12, 2020 (as amended by the letter agreement dated April 28, 2020) ("BTA") executed between Wockhardt Limited ("Seller") and Dr. Reddy's Laboratories Limited ("Purchaser").

1. Reference is made to the BTA executed between the Seller and the Purchaser for the sale and transfer of the Business Undertaking. Capitalised terms used in this letter agreement, but not defined herein, shall have the meaning given to them in the BTA.
2. Pursuant to Clause 14.6 (*Amendment*) to the BTA, the Parties have now agreed to the following amendments and have also recorded their further understanding on the matters therein.
- 2.1 The Parties note that the lumpsum consideration for the transfer of the Business Undertaking by the Seller to the Purchaser as a going concern as specified in Clause 3.1 of the BTA had been agreed between the Parties. However, the Business appears to have been impacted as a result of the COVID-19 pandemic and the consequent lockdown measures imposed by the Ministry of Home Affairs, Government of India by way of its notification dated March 24, 2020. In view of this, the Parties have agreed to evaluate the impact on the overall Business post-Closing and have agreed that a certain portion of the Consideration shall be retained by the Purchaser on the Closing Date and shall be paid to the Seller in terms of this letter agreement which shall be contingent upon evaluation of the net sales of the Business during such period, in accordance with the terms specified below. The Parties have accordingly agreed to the following amendments to the various provisions of the BTA:
 - (i) In Clause 1.1 of the BTA, after the definition of "Group" and before the definition of "Independent Auditor", the following new definition shall be included:
""Holdback Amount" shall have the meaning ascribed to it in Clause 3.1(c);"
 - (ii) In Clause 1.1 of the BTA, after the definition of "Receiving Party" and before the definition of "Related Party", the following new definition shall be included:
""Reference Period" shall have the meaning ascribed to it in Clause 3.8.1;"
 - (iii) In Clause 1.1 of the BTA, after the definition of "Accounts Date" and before the definition of "Actuary", the following new definition shall be included:
""Achieved Turnover" shall have the meaning ascribed to it in Clause 3.8.1;"
 - (iv) In Clause 1.1 of the BTA, after the definition of "Products" and before the definition of "Purchaser Conditions Precedent", the following new definition shall be included:
""Projected Turnover" shall have the meaning ascribed to it in Clause 3.8.1;"

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- (v) In Clause 1.1 of the BTA, after the definition of “Closing Date Payment” and before the definition of “Conditional Consideration Statement”, the following new definition shall be included:

“**Conditional Consideration**” shall have the meaning ascribed to it in Clause 3.8.1;”

- (vi) In Clause 1.1 of the BTA, after the definition of “Conditional Consideration” and before the definition of “Conditions Precedent”, the following new definition shall be included:

“**Conditional Consideration Statement**” shall have the meaning ascribed to it in Clause 3.8.3;”

- (vii) Clause 3.1 of the BTA shall be deleted in its entirety and shall be substituted by the following:

*“3.1 The lumpsum consideration for the sale and transfer of the Business Undertaking by the Seller to the Purchaser as a going concern on a slump sale basis, and on a cash-free and debt-free basis, shall be up to INR 1,850,00,00,000/- (Rupees one thousand eight hundred and fifty crores only) (“**Consideration**”), which shall be paid as follows:*

*(a) an amount of INR 1,483,00,00,000 (Rupees one thousand four hundred and eighty-three crores only) (“**Closing Date Payment**”) shall be paid on the Closing Date by way of a wire transfer by the Purchaser to the Seller Bank Account, subject only to the adjustments specified in Clause 3.4;*

*(b) an amount of INR 67,00,00,000 (Rupees sixty-seven crores only) (“**Escrow Amount**”) shall be paid by way of wire transfer, to the Escrow Account which shall be dealt with in accordance with Clause [3.7.1];*

*(c) an amount equal to INR 300,00,00,000 (Rupees three hundred crores only) (“**Holdback Amount**”) shall be retained by the Purchaser on the Closing Date, and shall be dealt with in accordance with Clause [3.8].”*

- (viii) Clause 3.7.2 of the BTA shall be re-numbered Clause 3.7.3 and the sub-clauses of Clause 3 shall be re-numbered accordingly. Additionally, a new Clause 3.7.2 shall be added to the BTA as follows:

“3.7.2 The Parties agree that:

*(a) [***]*

(b) [***]

(ix) The following Clause 3.8 shall be added after Clause 3.7 of the BTA:

“3.8 Post-Closing Assessment and Conditional Consideration

3.8.1 In the event that the Net Sales of the Products during the period of 12 (twelve) months following the Closing Date (the “Reference Period”) (“Achieved Turnover”) exceeds an amount equal to INR 480,00,00,000/- (Rupees four hundred and eighty crores only) (“Projected Turnover”), then the Purchaser shall be under an obligation to pay to the Seller, from out of the Holdback Amount, a one-time amount equal to 2 (two) times of the difference between the Achieved Turnover and Projected Turnover (but not in any event, exceeding the Holdback Amount) (“Conditional Consideration”) in the manner set out in this Clause. It is agreed and understood that in case the Achieved Turnover is less than the Projected Turnover, then the Purchaser shall not be under any obligation to make any payment to the Seller in terms of Clause 3.1 (iii) read with Clause 3.8 and the Seller shall agree and acknowledge that in case the Achieved Turnover is less than the Projected Turnover, the amounts mentioned in Clause 3.1 (i) and (ii) (as paid in terms of this Agreement) shall be the lumpsum consideration for the sale and transfer of the Business Undertaking by the Seller to the Purchaser as a going concern on a slump sale basis, and on a cash-free and debt-free basis, with no further claim for Consideration by the Seller on the Purchaser.

Following is an illustration on computation of the Conditional Consideration:

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	Particulars	Rs. Cr.						
	Consideration	1850						
	Break-up:							
A	Closing Date Payment	1483						
B	Escrow Amount	67						
C	Hold Back Amount	300						
			Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V	Scenario VI
1	Achieved Turnover	700	650	600	550	480	450	
2	Projected Turnover	480	480	480	480	480	480	
3	Difference	220	170	120	70	0	(30)	
4	Conditional Consideration	300	300	240	140	0	0	

For the purposes of this clause, “Net Sales” shall mean the gross invoice price of the sales of the Products in the Territory by the Purchaser (or its clearing and forwarding agent), as accounted for by the Purchaser in its books of accounts under relevant Indian Accounting Standards (“Ind AS”) less standard and customary deductions accrued by using applicable Ind AS for any of the below:

- a) any amounts received, but required to be repaid or credited due to returns (for any reasons including defect of products);
- b) trade, quantity and cash discounts, accrued in accordance with applicable Ind AS;
- c) applicable sales and excise taxes, value added taxes, goods and services tax and duties or any other governmental charges imposed upon the importation, sale or distribution (to the extent borne by Purchaser or its affiliates and separately stated on the invoice and included in the gross invoice price), other than income taxes; and
- d) sales credits customary including but not limited to trade, quantity, direct and indirect customer discounts and cash discounts in the industry which are accrued in accordance with applicable Ind AS.

3.8.2 The Purchaser shall maintain separate books and records (including sales register) in relation to the sales of the Products during the Reference Period, and shall provide, upon the Seller’s reasonable request, to the Seller and its representatives and/or advisors access to such books and records, at the conclusion of such Reference Period as described in Clause 3.8.3 herein below.

3.8.3 Within 15 (fifteen) calendar days from the completion of the Reference Period, the Purchaser shall prepare and deliver to the Seller, a written statement (“Conditional Consideration Statement”), setting forth the Achieved Turnover and the Conditional Consideration, if any, computed in accordance with Clause 3.8.1 above, together with the relevant calculations and along with copies of all relevant supporting documentation (including, without limitation, the books and records relating to the sales of the Products during the Reference Period). The Conditional Consideration Statement shall have been certified by one of the Big Five accounting firms as identified by the Seller, and appointed by the Parties at the costs to be shared equally between the Parties. The Purchaser shall provide to the Big Five accounting firm so appointed such co-operation and access to the relevant personnel, books and records of the Purchaser in relation to the Business, for the purposes of verification of the Achieved Turnover and the Conditional Consideration Statement.

3.8.4 Within 5 (five) Business Days from the certification of the Conditional Consideration Statement by the Big Five accounting firm, the Purchaser shall make payment of the Conditional Consideration to the Seller by way of wire transfer of immediately available funds into the Seller Bank Account.

3.8.5 The balance of the Holdback Amount, if any, after payment of the Conditional Consideration shall not be payable by the Purchaser to the Seller and the Purchaser shall be discharged from all liabilities and obligations to make payment of any further amounts to the Seller as Consideration under the Agreement.

3.8.6 The rights of the Purchaser, and obligation of the Seller, under, and in terms of, Clause 9 (Representations and Warranties) and Clause 10 (Indemnity) of this Agreement shall continue to be valid and subsisting. Provided that, other than for any claim that may be made by the Purchaser under Clause 9 (Representations and Warranties) and Clause 10 (Indemnity) of this Agreement, the Purchaser hereby expressly agrees and confirms that the Purchaser shall not claim for any Loss or of, or damages in relation to, the Business which relates to the COVID-19 pandemic. It is further clarified that for the purposes of this Agreement, any obligations and for the purposes of determining the monetary cap on indemnity under paragraph 3.1(a) and 3.1(b) of Schedule Q (Limitations on Liability), the aggregate amounts received by the Seller until such time (after making the adjustments contemplated in Clause 3.4 and Clause 3.7), together with the Conditional Consideration (if any) received by the Seller, shall be deemed to be the Consideration paid by the Purchaser to the Seller.”

2.2 [***]

“(g) The export obligations and related Liabilities in relation to the EPCG license no. 033035776 (obtained for import of a machine, part of which is placed at the Baddi Facility).”

2.3 The Parties have agreed that the following Clause 7.7 shall be added after Clause 7.6 of the BTA:

“On the Closing Date or within such period immediately thereafter as reasonably agreed between the Parties, the mobile phones set out in Schedule G shall be transferred to the Purchaser, free of any Encumbrances.”

2.4 The Parties have agreed that the Seller has provided a draft of the updated Disclosure Letter on 07 June 2020. The Parties agree to proceed to Closing expeditiously and have agreed that the updated disclosure letter shall be finalized between the Parties (acting in good faith and reasonably) within a period of 2 (two) days from the Closing Date. The Parties have agreed that no disclosure shall be unreasonably rejected if such fact or circumstance was informed to the Purchaser prior to the Closing Date. Accordingly, the Parties have agreed that Clause 6.6 shall be deleted and be replaced with the following:

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“The Seller shall be entitled to update the Disclosure Letter for matters occurring between the Execution Date and the Closing Date and any such matter included in the updated Disclosure Letter shall be deemed to have been disclosed against the Seller Warranties if such updated disclosures are in a form mutually agreed between Parties, acting reasonably and in good faith. To this end, the Parties agree that they shall mutually agree on the updated disclosures, acting reasonably and in good faith, within 3 (three) days from the Closing Date and which shall be effective on and from the Closing Date.”

2.5 The Parties have agreed that Clause 14.2(c) shall be deleted and shall be replaced with the following:

“(c) The Parties shall jointly and equally bear the fees and other expenses of the Independent Auditor and/or the Actuary engaged after the Closing Date. The Seller shall solely bear the fees and expenses of the Escrow Agent.”

2.6 The Parties have agreed that Clause 14.11.1 shall be modified to delete the details of the person to whom the notices are to be provided in case of the Seller and the same shall be replaced by the following:

*“Attention of: [***]*

*Email: [***]”*

2.7 The Parties have agreed that Part A of Schedule C of the BTA shall be substituted to read as under:

“PART A

[*]**

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6. [***]

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II. [***]

2.8 The Parties have agreed that Part A of Schedule D shall be modified to delete the details of the following Key Business Employee:

[***]

2.9 The Parties have agreed that Part B of Schedule D shall be modified to add the details of the following Business Employees in the corporate division, after paragraph 1928:

[***]

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2.10 The Parties have agreed that Paragraph 1812 of Part B of Schedule D which sets out details of the Business Employees in the corporate division shall be substituted to read as under:

[***]

2.11 The Parties have agreed that Part B of Schedule D which sets out details of the Business Employees in the corporate division shall be modified to delete the details of the following Business Employees:

[***]

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2.12 The Parties have agreed that Part B of Schedule D shall be modified to add the details of the following Business Employees in the details of employees at the Baddi Facility, after paragraph 183:

[***]

2.13 The Parties have agreed that Paragraph 108 of Part B of Schedule D which sets out details of the Business Employees at the Baddi Facility shall be substituted to read as under:

[***]

2.14 The Parties have agreed that Part B of Schedule D which sets out details of the Business Employees at the Baddi Facility shall be modified to delete the details of the following Business Employees:

[***]

2.15 The Parties have agreed that Schedule E of the BTA shall be substituted by Annexure II to this letter agreement

2.16 The Parties have agreed that Schedule G of the BTA shall be substituted by Annexure III to this letter agreement.

2.17 The Parties have agreed that the list of 'Licenses under Foreign Trade Obtained by the Seller' in Part A of Schedule H shall be modified to add the following paragraph after paragraph 2:

[***]

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2.18 [***]

2.19 The Parties have agreed that Part A of Schedule J shall be substituted to read as under:

[***]

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5. [***]

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18. [***]

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- 2.20 The Parties have agreed that the Seller Condition Precedent at Paragraph 5(i) of Part A of Schedule L shall be replaced with the below Paragraph 5(i) and new Paragraphs 5(j), 5(k) and 5(l) shall be inserted thereafter:
- [***]
- 2.21 The Parties have agreed that Paragraph 3.1(a) of Schedule Q (*Limitations on Liability*) shall be deleted in its entirety and shall be substituted by the following:
- [***]
- 2.22 [***]
- 2.23 The Parties have agreed that in relation to the Seller Condition Precedent at Paragraph 16 of Part A of Schedule L, in view of the pandemic caused by Covid-19 and the subsequent national lockdown and travel restrictions, the third party appointed for conducting environmental testing of the Baddi Facility has been unable to undertake the environmental testing of the Baddi Facility. The Purchaser has accordingly agreed to waive the requirement of the Parties mutually agreeing on a remediation plan in case the assessment indicates that there is site and / or watershed water table contamination, subject to the same being fulfilled as a condition subsequent by July 31, 2020. Both Parties shall cooperate in good faith and provide access to the documents, assets and premises as required by the other Party to fulfil this condition subsequent within the above mentioned time line.
- 2.24 The Parties note that in relation to the Joint Conditions Precedent at Paragraph 2 of Part C of Schedule L, the Parties have applied for the approval of the transfer of the land underlying the Baddi Facility. In light of the delay caused due to the Covid-19 pandemic and the subsequent national lockdown, the Parties have agreed that this Joint Condition Precedent and the subsequent transfer of the land underlying the Baddi Facility will be fulfilled as a condition subsequent to the Closing under the Agreement. The Parties shall accordingly waive this requirement of the Joint Condition Precedent and will execute a manufacturing and operating agreement (“**O&M Agreement**”) in relation to the Baddi Facility. The Parties have agreed that this O&M Agreement shall be an Ancillary Agreement under the Agreement. The Parties agree and undertake that upon receipt of the approval from the Government of Himachal Pradesh for the transfer of the land underlying the Baddi Facility and the execution of the Deed of Conveyance and the completion of this condition, the Seller shall transfer and convey, and the Purchaser shall acquire, the Baddi Facility. Since the Baddi Facility forms an integral part of the Business Undertaking, it is agreed that no additional consideration is required to be paid by the Purchaser for the transfer of the Baddi Facility. The Parties have accordingly agreed to the following amendments to the various provisions of the BTA:

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2.22.1 The definition of 'Deed of Conveyance' in Clause 1.1 of the BTA shall stand deleted and be replaced with the following:

“Deed of Conveyance” shall mean the deed of conveyance for the sale and transfer of the Business Immovable Assets from the Seller to the Purchaser, in agreed form.”

2.22.2 Clause 7.2.1(b)(i) of the BTA shall be deleted and replaced by the following:

“(i) Operation and Management of the Baddi Facility: The Seller and the Purchaser shall execute the O&M Agreement for the operation of the Baddi Facility by the Purchaser from the Closing Date until the receipt of the approval from the Government of Himachal Pradesh for the transfer of the land underlying the Baddi Facility from the Seller to the Purchaser, in accordance with the Himachal Pradesh Tenancy and Land Reforms Act, 1972 and the execution of the Deed of Conveyance.”

2.25 The Parties have agreed that in Clause 11 of the BTA, the following new sub-clause 11.12 shall be included after Clause 11.11:

“11.12 Notwithstanding anything contained in this Agreement, the restrictions contained in this Clause 11 shall not be applicable to any actions required to be undertaken or obligations required to be performed or things required to be done by the Seller or the Purchaser in terms of, and for (i) the period of, the O&M Agreement for the operation of the Baddi Facility by the Purchaser; (ii) the completion of the obligation of the Seller in relation to Post Closing Additional Inventory, as set out in the letter agreement dated April 28, 2020 executed amongst the Parties and the Transition Services Agreement; and (iii) otherwise consented to, in writing by the Purchaser.”

3. The Parties have agreed that Annexure I to this Agreement shall be inserted as Annexure 2 (*SKUs with pending quality documentation*) to the BTA.
4. The Seller represents and warrants to the Purchaser, and the Purchaser represents and warrants to the Seller that this letter agreement has been validly executed by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.
5. This letter agreement shall come into effect from the date of execution hereof and shall upon such execution, be read along with the BTA, as a part and parcel of the same. To the extent of any inconsistency between the provisions of the BTA and this letter agreement, this letter agreement shall prevail over the BTA in respect of the matters contained herein.
6. Except as expressly set forth above, all the provisions of the BTA and all the rights of the respective Parties thereunder shall remain in full force and effect.

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7. The provisions of Clauses 14.1 (*Confidentiality*), 14.11 (*Notices*), 14.3 (*Counterparts*), 14.6 (*Amendment*) and 13 (*Governing Law and Dispute Resolution*) of the BTA shall apply *mutatis mutandis* to this letter agreement.

[Signature pages to follow]

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Yours sincerely

For and on behalf of **WOCKHARDT LIMITED**

/s/ Debolina Partap

Name:

Title:

/s/ Gajanand Sahu

/s/ Ankeet Doshi

[Signature Page - Letter Agreement for Amendment of the BTA]

DRL IRN: 100029724

Agreed and Accepted

For and on behalf of **DR. REDDY'S LABORATORIES LIMITED**

/s/ Ramana MV

Name: Ramana MV

Title: CEO branded markets

Initialed by: /s/ Suprio Dasgupta

Mr. Suprio Dasgupta, General Counsel and Chief Data Privacy Officer



/s/ Rajiv Poddar

[Signature Page - Letter Agreement for Amendment of the BTA]

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ANNEXURE I

(SKUs with pending quality documentation)

[***]

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ANNEXURE II

SCHEDULE E

BUSINESS IMMOVABLE ASSETS

[Attached separately]

DRL IRN: 100029724

CERTAIN IDENTIFIED INFORMATION MARKED WITH [*] HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS NOT MATERIAL AND IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE AND CONFIDENTIAL.**

Execution Version

ANNEXURE III

SCHEDULE G

BUSINESS MOVABLE ASSETS

[Attached separately]

DRL IRN: 100029724

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Date: June 9, 2021

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

Re: Letter Agreement for amendment of the Business Transfer Agreement dated February 12, 2020 as amended from time to time ("BTA") executed between Wockhardt Limited ("Seller") and Dr. Reddy's Laboratories Limited ("Purchaser")

1. Reference is made to the BTA executed between the Seller and the Purchaser for the sale and transfer of the Business Undertaking. Capitalised terms used in this letter agreement, but not defined herein, shall have the meaning given to them in the BTA.
2. Pursuant to Clause 14.6 (*Amendment*) to the BTA, the Parties have now agreed to the following amendments and have also recorded their further understanding on the matters therein.
3. The following definitions of "GST Act" and "GST Credit" shall be inserted after the definition of "Group" in the BTA:

"GST Act" means Central Goods and Services Tax Act, 2017("CGST Act 2017") , Integrated Goods and Services Tax Act, 2017("IGST Act 2017") and state level goods and services tax acts passed in the GST Registered States, each read with the rules made thereunder including Central Goods and Services Tax Rules, 2017 ("CGST Rules 2017").

"GST Credit" shall mean the aggregate of the GST Credit Proportion of input tax credit (as defined under the GST Act) lying unutilised in the electronic credit ledgers of the Seller for the GST Registered State, computed separately for each respective GST Registered State in accordance with the provisions of Section 18(3) of CGST Act, 2017, Section 20 (iv) of IGST Act,2017 read with Rule 41 of the CGST Rules, 2017, Circular No. 133 03 /2020/GST and the formula prescribed therein and is specified in Annexure III.

"GST Credit Proportion" means the proportion of credit attributable to a particular GST Registered State as per provisions of Section 18(3) of CGST Act, 2017, Section 20 (iv) of IGST Act,2017 read with Rule 41 of the CGST Rules, 2017 and Circular No. 133 03 /2020/GST, for the purpose of transfer of the GST Credit in that particular GST Registered State to the Purchaser.

"GST Registered State" shall mean states where both Seller and Purchaser are registered under the GST Act, which are Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala Maharashtra, Madhya Pradesh, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal.

4. The following Clause 8.15 shall be inserted after Clause 8.14 of the BTA:

[***]

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8.15.6 [***]

5. The following Annexure III shall be inserted after Annexure II of the BTA:

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6. [***]

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7. The Seller agrees and states that above transfer of GST Input credit is made in accordance with the provisions of provisions of Section 18(3) of CGST Act, 2017, Section 20 (iv) of IGST Act,2017 read with Circular No. 133 03 /2020/GST and are consistent with the conditions of slump sale of Business Undertaking by the Seller to the Purchaser.
8. This letter agreement shall come into effect upon its execution by either Party hereto and shall upon such execution, be read along with the BTA. To the extent of any inconsistency between the provisions of the BTA and this letter agreement, this letter agreement shall prevail over the BTA in respect of the matters contained herein. All other obligations of the Seller under the BTA including but not limited to its indemnity obligations shall continue without being prejudiced by the contents hereof.
9. Except as expressly set forth above, all the provisions of the BTA and all the rights of the respective Parties thereunder shall remain in full force and effect.
10. The provisions of Clauses 14.1 (*Confidentiality*), 14.11 (*Notices*), 14.3 (*Counterparts*), 14.6 (*Amendment*) and 13 (*Governing Law and Dispute Resolution*) of the BTA shall apply *mutatis mutandis* to this letter agreement.

Yours sincerely

For and on behalf of **WOCKHARDT LIMITED**

/s/ Ms.Debolina Partap

Name: Ms.Debolina Partap

Title: Sr.Vice President Legal & GC

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For and on behalf of **DR. REDDY'S LABORATORIES LIMITED**

/s/ M V Ramana

Name: M V Ramana

Title: CEO branded markets

Dr. Reddy's Laboratories Limited

Dr. Reddy's Laboratories Limited is the parent company. Tabulated below is the list of subsidiaries and joint ventures as of March 31, 2021:

Name of the subsidiary/joint venture	Country of Incorporation	Percentage of Direct/Indirect Ownership Interest
Aurigene Discovery Technologies (Malaysia) Sdn. Bhd.	Malaysia	100% ⁽³⁾
Aurigene Discovery Technologies, Inc.	U.S.A.	100% ⁽³⁾
Aurigene Discovery Technologies Limited	India	100%
Aurigene Pharmaceutical Services Limited (from September 16, 2019)	India	100% ⁽³⁾
beta Institut gemeinnützige GmbH	Germany	100% ⁽⁸⁾
betapharm Arzneimittel GmbH	Germany	100% ⁽⁸⁾
Cheminor Investments Limited	India	100%
Cheminor Employees Welfare Trust	India	Refer to below footnote ⁽¹⁶⁾
Chiretech Technology Limited	United Kingdom	100% ⁽²⁾⁽⁵⁾
Dr. Reddy's Research Foundation	India	Refer to below footnote ⁽¹⁶⁾
Dr. Reddy's Employees ESOS Trust (from July 27, 2018)	India	Refer to below footnote ⁽¹⁶⁾
Dr. Reddy's Farmaceutica Do Brasil Ltda.	Brazil	100%
Dr. Reddy's Laboratories (EU) Limited	United Kingdom	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories (Proprietary) Limited	South Africa	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories (UK) Limited	United Kingdom	100% ⁽⁵⁾
Dr. Reddy's Laboratories Canada, Inc.	Canada	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Chile SPA.	Chile	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories, Inc.	U.S.A.	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Japan KK	Japan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Kazakhstan LLP	Kazakhstan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Louisiana, LLC	U.S.A.	100% ⁽⁶⁾
Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	Malaysia	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories New York, LLC	U.S.A.	100% ⁽¹⁾
Dr. Reddy's Laboratories Philippines Inc. (from May 9, 2018)	Philippines	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Romania S.R.L.	Romania	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories SA	Switzerland	100%
Dr. Reddy's Laboratories Taiwan Limited	Taiwan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories (Thailand) Limited (from June 13, 2018)	Thailand	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories, LLC	Ukraine	100% ⁽¹⁰⁾
Dr. Reddy's New Zealand Limited	New Zealand	100% ⁽¹⁰⁾
Dr. Reddy's S.R.L.	Italy	100% ⁽¹¹⁾
Dr. Reddy's Bio-Sciences Limited	India	100%
Dr. Reddy's Laboratories (Australia) Pty. Limited	Australia	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories S.A.S.	Colombia	100% ⁽¹⁰⁾
Dr. Reddy's Research and Development B.V. (formerly Octoplus B.V.)	Netherlands	100% ⁽¹²⁾
Dr. Reddy's Venezuela, C.A.	Venezuela	100% ⁽¹⁰⁾
Dr. Reddy's (WUXI) Pharmaceutical Company Limited	China	100% ⁽¹⁰⁾
Dr. Reddy's (Beijing) Pharmaceutical Co. Limited (from August 19, 2020)	China	100% ⁽¹⁰⁾
DRANU LLC	U.S.A.	50% ⁽¹⁴⁾⁽¹⁷⁾
DRES Energy Private Limited	India	26% ⁽¹⁵⁾
DRL Impex Limited	India	100% ⁽¹³⁾
Dr. Reddy's Laboratories B.V. (formerly Eurobridge Consulting B.V.)	Netherlands	100% ⁽¹²⁾
Dr. Reddy's Formulations Limited (from March 11, 2021)	India	100%
Idea2Enterprises (India) Private Limited	India	100%
Imperial Credit Private Limited	India	100%
Industrias Quimicas Falcon de Mexico, S.A. de CV	Mexico	100%
Kunshan Rotam Reddy Pharmaceutical Co. Limited	China	51.33% ⁽⁴⁾
Lacock Holdings Limited	Cyprus	100% ⁽¹⁰⁾
OOO Dr. Reddy's Laboratories Limited	Russia	100% ⁽¹⁰⁾
OOO DRS LLC	Russia	100% ⁽⁹⁾
Promius Pharma, LLC	U.S.A.	100% ⁽⁶⁾
Reddy Holding GmbH	Germany	100% ⁽¹⁰⁾

Name of the subsidiary/joint venture	Country of Incorporation	Percentage of Direct/Indirect Ownership Interest
Reddy Netherlands B.V.	Netherlands	100% ⁽¹⁰⁾
Reddy Pharma Iberia S.A.U.	Spain	100% ⁽¹⁰⁾
Reddy Pharma Italia S.R.L.	Italy	100% ⁽⁷⁾
Reddy Pharma SAS	France	100% ⁽¹⁰⁾
Svaas Wellness Limited (formerly Regkinetics Services Limited)	India	100%

(1) Indirectly owned through Dr. Reddy's Laboratories, Inc. (from October 29, 2020), formerly a subsidiary of Dr. Reddy's Laboratories SA. Also, conversion from corporation to limited liability company is effective October 30, 2020.

(2) Entity 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 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.

(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) Indirectly owned through Idea2Enterprises (India) Pvt. Limited.

(14) DRANU LLC is consolidated in accordance with guidance available in IFRS 10, "Consolidated financial statements".

(15) Accounted in accordance with IFRS 11, "Joint Arrangements".

(16) The Company does not have any equity interests in this entity, but has significant influence or control over it.

(17) Pursuant to the sale of the membership interests in DRANU, LLC, it ceased to be a joint venture effective March 31, 2021.

**Certification Pursuant to Section 302 of
the Sarbanes-Oxley Act of 2002**

I, Erez Israeli, certify that:

1. I have reviewed this annual report on Form 20-F of Dr. Reddy's Laboratories Limited (the "Company").
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report.
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Hyderabad, India

/s/ Erez Israeli

Erez Israeli

Chief Executive Officer

Date: June 30, 2021

**Certification Pursuant to Section 302 of
the Sarbanes-Oxley Act of 2002**

I, Parag Agarwal, certify that:

1. I have reviewed this annual report on Form 20-F of Dr. Reddy's Laboratories Limited (the "Company").
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report.
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Hyderabad, India

Date: June 30, 2021

/s/ Parag Agarwal

Parag Agarwal

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Dr. Reddy's Laboratories Limited (the "Company") on Form 20-F for the year ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Erez Israeli, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Hyderabad, India

/s/ Erez Israeli

Erez Israeli

Chief Executive Officer

Date: June 30, 2021

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Dr. Reddy's Laboratories Limited (the "Company") on Form 20-F for the year ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Parag Agarwal, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Hyderabad, India

/s/ Parag Agarwal

Parag Agarwal

Chief Financial Officer

Date: June 30, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-101013) pertaining to Dr. Reddy's Employees Stock Option Scheme, 2002, of Dr. Reddy's Laboratories Limited;
2. Registration Statement (Form S-8 No. 333-141072) pertaining to Dr. Reddy's Employees ADR Stock Option Scheme, 2007, of Dr. Reddy's Laboratories Limited; and
3. Registration Statement (Form S-8 No. 333-227193) pertaining to Dr. Reddy's Employees Stock Option Scheme, 2018, of Dr. Reddy's Laboratories Limited.

of our reports dated June 30, 2021, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting of Dr. Reddy's Laboratories Limited included in this Annual Report (Form 20-F) for the year ended March 31, 2021.

/s/ Ernst & Young Associates LLP

Hyderabad, India
June 30, 2021
