

Dr. Reddy's Laboratories Ltd.
8-2-337, Road No. 3, Banjara Hills,
Hyderabad - 500 034, Telangana,
India.
CIN : L85195TG1984PLC004507

Tel : +91 40 4900 2900
Fax : +91 40 4900 2999
Email : mail@drreddys.com
www.drreddys.com

REPORT OF THE AUDIT COMMITTEE OF DR. REDDY'S LABORATORIES LIMITED BEARING CIN L85195TG1984PLC004507 RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION AND ARRANGEMENT AMONG DR. REDDY'S LABORATORIES LIMITED AND DR. REDDY'S HOLDINGS LIMITED ISSUED AT THE MEETING OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE COMPANY HELD ON JULY 29, 2019 AT THE REGISTERED OFFICE OF THE COMPANY

Members Present physically:

Mr. Sridar Iyengar
Dr. Omkar Goswami
Mr. Bharat N Doshi
Ms. Shikha Sharma

In Attendance:

Mr. Saumen Chakraborty, Chief Financial Officer
Mr. Sandeep Poddar, Company Secretary

1. Background

The Company has placed before the Audit Committee, draft Scheme of Amalgamation and Arrangement ("**Scheme**") among Dr. Reddy's Laboratories Limited ("**Company**") and Dr. Reddy's Holdings Limited ("**DRHL**") under the provisions of Sections 230 - 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 read with relevant rules framed thereunder for recommendation of the Scheme by the Audit Committee to the Board of Directors as required vide SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended from time to time) ("**Circular**"), applicable provisions of the Companies Act, 2013 (including relevant rules and regulations) and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

This report is made in order to comply with the requirements of the Circular after considering the following:

- (a) Draft Scheme, duly initialled by Company Secretary of the Company for the purpose of identification;
- (b) Audited financial statements of DRHL for the year ending March 31, 2019, March 31, 2018 and March 31, 2017;
- (c) Share Exchange Report dated July 29, 2019 issued by N.S. Kumar & Co., Independent Chartered Accountants and Registered Valuer, having Registration No. 139792W providing the share exchange ratio for the amalgamation of DRHL with the Company under the Scheme;



- (d) Fairness Opinion dated July 29, 2019 issued by Keynote Corporate Services Limited, a Category I Merchant Banker, having SEBI Registration No. INM000003606 providing the fairness opinion on the share exchange ratio recommended by N.S. Kumar & Co., Independent Chartered Accountants and Registered Valuer as referred above, in connection with amalgamation of DRHL with the Company under the Scheme; and
- (e) Certificate obtained from the Statutory Auditors of the Company i.e. S.R. Batliboi & Associates LLP, Chartered Accountants, having Registration No. 101049W/E300004 confirming that the Scheme is in compliance with the applicable accounting treatment notified under the Companies Act, 2013 and other generally accepted accounting principles.

2. Proposed Scheme of Amalgamation and Arrangement

The Audit Committee considered and observed the following in relation to the Scheme:

- (a) The amalgamation will lead to simplification of the shareholding structure and reduction of shareholding tiers.
- (b) The salient features of the Scheme are:
 - (i) The transfer and vesting of DRHL into the Company, the consideration of which will be discharged by the Company by issuing 4,13,25,300 (Four Crores Thirteen Lakhs Twenty Five Thousand Three Hundred) fully paid up Equity Shares of the face value of INR 5 each to the shareholders of DRHL in the proportion of the number of equity shares held by such shareholders in DRHL and consequently, the share capital of the Company shall stand reduced to the extent of face value of shares held by DRHL in the Company, without any further act or deed, upon this Scheme becoming effective;
 - (ii) That the Promoter Group (as defined in the Scheme) cumulatively will continue to hold the same number of shares in the Company, pre and post the amalgamation;
 - (iii) That the Scheme shall be effective from April 01, 2019 or such other date as may be approved by the jurisdictional National Company Law Tribunal and/or the concerned authority ("**Appointed Date**");
 - (iv) The equity shares of the Company to be issued to the shareholders of DRHL pursuant to the Scheme shall be listed on BSE Limited and National Stock Exchange of India Limited (subject to trading permission being granted by the stock exchanges) and shall rank *pari passu* with the existing equity shares of the Company in all respects;
 - (v) 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; and
 - (vi) The Scheme also provides that the Promoters of the Company (as defined in the Scheme) 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. In addition, the Promoters and / or Stamlo Industries Limited (a company in which Promoters hold 100% equity



shares) shall provide a bank guarantee for such amount as shall be required by the Board of Directors of the Company.

(c) The Audit Committee has further noted the following:

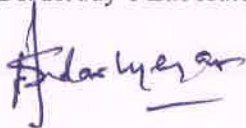
The Fairness Opinion provided by Keynote Corporate Services Limited, a Category I Merchant Banker confirms that the share exchange ratio provided in the Share Exchange Report obtained from N.S. Kumar & Co., Independent Chartered Accountants and Registered Valuer is fair to the Company, DRHL and their respective shareholders.

The Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme is in accordance with the applicable accounting standards notified under Companies Act, 2013 and other generally accepted accounting principles.

3. Recommendation of the Audit Committee

After taking into account the Share Exchange Report, Fairness Opinion, Statutory Auditors' Certificate on accounting treatment and aforesaid points, the Audit Committee recommends the draft Scheme to the Board of Directors for its approval and for due consideration and approval by the stock exchange(s), Securities and Exchange Board of India and other regulatory authorities.

For Dr. Reddy's Laboratories Limited



Sridar Iyengar
Audit Committee Chairman

Date: July 29, 2019
Place: Hyderabad

For Dr. REDDY'S LABORATORIES LTD.



SANDEEP Poddar
COMPANY SECRETARY