
**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, 2017

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

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)

Saumen Chakraborty, Chief Financial Officer, +91-40-49002004, saumenc@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
**American depositary shares, each
representing one equity share**

Name of Each Exchange on which Registered
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.

165,741,713 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 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 Other
by 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” are to the legal currency of India. 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.” 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 IMS Health Inc. and its affiliates (“IMS Health”), 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.64.85, as published by Federal Reserve Board of Governors on March 31, 2017. 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.

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 and Cautionary Statement

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS 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”). 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, 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 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 AND/OR FURNISHED WITH THE SECURITIES AND EXCHANGE COMMISSION (“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 income statement data for the years ended March 31, 2017, 2016, 2015, 2014 and 2013 and the selected consolidated statement of financial position data as of March 31, 2017, 2016, 2015, 2014 and 2013 have been prepared and presented in accordance with IFRS as issued by the IASB, and have been derived from our audited consolidated financial statements and related notes included elsewhere herein. 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,					
	2017	2017	2016	2015	2014	2013
	(Rs. in millions, U.S.\$ in millions, both except share and per share data)					
	<i>Convenience translation into U.S.\$</i>					
Revenues	U.S.\$2,171	Rs.140,809	Rs.154,708	Rs.148,189	Rs.132,170	Rs.116,266
Cost of revenues	963	62,453	62,427	62,786	56,369	55,687
Gross profit	1,208	78,356	92,281	85,403	75,801	60,579
Selling, general and administrative expenses	715	46,372	45,702	42,585	38,783	34,272
Research and development expenses	301	19,551	17,834	17,449	12,402	7,674
Other (income)/expense, net	(16)	(1,065)	(874)	(917)	(1,416)	(2,479)
Results from operating activities	208	13,498	29,619	26,286	26,032	21,112
Finance (expense)/income, net	12	806	(2,708)	1,682	400	460
Share of profit of equity accounted investees, net of tax	5	349	229	195	174	104
Profit before tax	226	14,653	27,140	28,163	26,606	21,676
Tax expense	40	2,614	7,127	5,984	5,094	4,900
Profit for the year	186	12,039	20,013	22,179	21,512	16,776
Attributable to:						
Equity holders of the Company	186	12,039	20,013	22,179	21,515	16,777
Non-controlling interests	—	—	—	—	(3)	(1)
Profit for the year	U.S.\$186	Rs.12,039	Rs.20,013	Rs.22,179	Rs.21,512	Rs.16,776
Earnings per share						
Basic	U.S.\$1.11	Rs.72.24	Rs.117.34	Rs.130.22	Rs.126.52	Rs.98.82
Diluted	U.S.\$1.11	Rs.72.09	Rs.116.98	Rs.129.75	Rs.126.04	Rs.98.44
Weighted average number of equity shares used in computing earnings per equity share*						
Basic		166,648,943	170,547,643	170,314,506	170,044,518	169,777,458
Diluted		166,997,675	171,072,780	170,933,433	170,695,017	170,432,680
Cash dividend per equity share**	U.S.\$0.30	Rs.20	Rs.20	Rs.18	Rs.15	Rs.13.75

* Each ADR represents one equity share.

** Excludes corporate dividend tax.

Statement of Financial Position Data

	As of March 31,											
	2017		2017		2016		2015		2014		2013	
	(Rs. in millions, U.S.\$ in millions, except share data)											
	<i>Convenience translation into U.S.\$</i>											
Cash and cash equivalents	U.S.\$60	Rs.	3,866	Rs.	4,921	Rs.	5,394	Rs.	8,451	Rs.	5,136	
Other investments (current and non-current)	301		19,507		37,022		37,076		25,083		17,172	
Total assets	3,390		219,821		207,650		194,762		170,223		142,369	
Total long term debt, excluding current portion	84		5,449		10,685		14,307		20,740		12,625	
Total equity	U.S.\$1,913	Rs.	124,044	Rs.	128,336	Rs.	111,302	Rs.	90,801	Rs.	72,805	
Number of shares outstanding			165,741,713		170,607,653		170,381,174		170,108,868		169,836,475	

Convenience translation

For the convenience of the reader, our consolidated financial statements as of March 31, 2017 have been translated into U.S. dollars at the certified foreign exchange rate of U.S.\$1 = Rs.64.85, as published by the Federal Reserve Board of Governors on March 31, 2017. 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.

Exchange Rates

The following table sets forth, for the fiscal years indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the noon buying rate in the City of New York on business days during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The column titled "Average" in the table below is the average of the daily noon buying rate on the last business day of each month during the year.

For the year ended March 31,	Period End	Average	High	Low
2013	54.52	54.48	57.13	50.64
2014	60.00	60.35	68.80	53.65
2015	62.31	61.34	63.67	58.30
2016	66.25	65.58	68.84	61.99
2017	64.85	66.96	68.86	64.85

The following table sets forth the high and low exchange rates for the previous six months and is based on the noon buying rates in the City of New York on business days of each month during such period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York.

Month	High	Low
October 2016	66.94	66.49
November 2016	68.86	66.39
December 2016	68.29	67.38
January 2017	68.39	67.48
February 2017	67.04	67.20
March 2017	66.83	64.85

On June 9, 2017, the noon buying rate in the city of New York was Rs.64.24 per U.S. dollar.

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 and 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. See “Forward-Looking Statements.”

RISKS RELATING TO OUR COMPANY AND OUR BUSINESS

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

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. In many of the international markets into which we sell our products, including the United States, the approval process for a new product is complex, lengthy and expensive. 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 and efficacy 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. In our bio-similars business, due to the intrinsic nature of biologics, our bio-similarity claims can always be contested by our competitors, the innovator company and/or the applicable regulators.

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. For example, in the year ended March 31, 2017 we experienced delays in obtaining approvals from the U.S. Food and Drug Administration (“U.S. FDA”) for various generic and specialty products as anticipated, principally as a result of the warning letter referenced below.

Additionally, governmental authorities, including among others the U.S. FDA and 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. More recently, 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. There has been an increasing trend by the U.S. FDA and governmental regulators in other developed countries towards Indian manufacturing site audits. 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 cGMP deviations at three of our manufacturing facilities—two API manufacturing facilities and one injectable oncology formulations manufacturing facility in India. This had an adverse impact on new product approvals from these sites, and we have taken steps to minimize the impact from these sites through transfers of certain key products to alternate manufacturing facilities. We took the matters identified by U.S. FDA in the warning letter seriously, and continued to develop and implement our corrective action plans relating to the warning letter during the year ended March 31, 2017. The U.S. FDA conducted reinspection of the aforementioned manufacturing facilities in March and April 2017. During the re-inspections, the U.S. FDA issued three observations with respect to our API facility at Miryalaguda, two observations with respect to our API facility at Srikakulam and thirteen observations with respect to our oncology formulation manufacturing facility. We responded to such observations, and believe that we can resolve them satisfactorily in a timely manner.

More generally, unless and until any issues raised in a warning letter from the U.S. FDA are resolved to the U.S. FDA's satisfaction, the U.S. FDA may withhold approval 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 routine operations.

In recent years, there has been increasing regulatory scrutiny of pharmaceutical manufacturers, resulting in product recalls, plant shutdowns and other required remedial actions. We have been subject to increasing scrutiny of our manufacturing operations, and in previous years several of our facilities have been the subject of significant regulatory actions requiring substantial expenditures of resources to ensure compliance with more stringently applied production and quality control regulations. These regulatory actions also adversely affected our ability to supply various products worldwide and to obtain new product approvals at such facilities. 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 obtaining approval to manufacture at a different facility also could have a material adverse effect on our business, financial position and results of operations.

Furthermore, we deal with numerous third party manufacturers and despite our strict oversight, any lapse in their quality practices and quality management systems could lead to similarly 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 a government-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. For example, the U.S. FDA imposed an import ban on our manufacturing facility at Cuernavaca, Mexico from June 2011 through July 2012.

Further, while physicians may prescribe products for uses that are not described in the product's 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.

An increasing portion of our portfolio is "biologic" products. Unlike traditional "small-molecule" drugs, biologic drugs cannot be manufactured synthetically, but typically must be produced from living plant or 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.

We also manufacture and sell a number 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.

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 bio-similar 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.

Although we do not currently have any existing biosimilar product license applications under review, there remains some uncertainty regarding the abbreviated biosimilar approval pathway in the United States and other countries.

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.

In March 2015, the U.S. FDA approved the first biosimilar product submitted under the abbreviated biosimilar pathway. In May 2015, March 2016 and January 2017, the U.S. FDA released a number of biosimilar guidance documents. While the U.S. FDA has issued guidelines, the regulatory policies in this area are still evolving.

In addition, a number of legal challenges concerning the requirements of the abbreviated biosimilar pathway are under review, although one significant legal challenge was recently resolved. In June 2017, the U.S. Supreme Court announced its decision in *Sandoz v. Amgen*, ruling that a biosimilar manufacturer may give an innovator the requisite 180 days' notice of launch as soon as the biosimilar product application is filed with the U.S. FDA. As a result, the speed at which biosimilars can be brought to market can be accelerated by up to 180 days, as compared to the timing that would have applied if such notices were required to be delayed until the U.S. FDA approved the biosimilar application, as some innovators had asserted prior to the Court's decision.

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.

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 in marketing and selling of brand, innovative and consumer-oriented products. They may be able to respond more quickly to new or emerging market preferences or to devote greater resources to the development and marketing of new products and/or technologies than we can. As a result, any products and/or innovations that we develop may become obsolete or noncompetitive before we can recover the expenses incurred in connection with their development. In addition, for these product categories we need to emphasize to physicians, patients and third-party payors the benefits of our products relative to competing products that are often more familiar or otherwise better established. If competitors introduce new products or new variations on their existing products, our marketed products, even those protected by patents, may be replaced in the marketplace or we may be required to lower our prices.

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.

The number of significant new generic products for which Hatch-Waxman exclusivity is available, and the size of those product opportunities, has decreased in recent years and may decrease in future years in comparison to those available in the past. Patent challenges have become more difficult in recent years. Additionally, we increasingly share the 180-day exclusivity period with other generic competitors, which diminishes the commercial value of the exclusivity.

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 companies sell generic versions of their products to the market directly or by acquiring or forming strategic alliances with our competitor generic pharmaceutical companies or by granting them rights to sell "authorized generics." Moreover, brand-name 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, 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.

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 addition, our increased focus on innovative and specialty pharmaceuticals requires much greater use of a direct sales force than does our core generic business.

Our ability to realize significant revenues from direct marketing and sales activities depends on our ability to attract and retain qualified sales personnel. Competition for qualified sales personnel is intense. We may also need to enter into co-promotion, contract sales force or other such arrangements with third parties, for example, where our own direct sales force is not large enough or sufficiently well-aligned to achieve maximum penetration in the market. Any failure to attract or retain qualified sales personnel or to enter into third-party arrangements on favorable terms could prevent us from successfully maintaining current sales levels or commercializing new innovative and specialty products.

Reforms in the health care industry, opposition to free trade agreements 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. 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. In many countries in which we currently operate, including India, pharmaceutical prices are 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 and mandatory discounts and rebates;
- removal of drugs from government reimbursement schemes (for example products determined to be less cost-effective than alternatives);
- increased difficulty in obtaining and maintaining satisfactory drug reimbursement rates;
- increase in cost containment policies related to health expenses in a 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
- more governments using international reference pricing to set the price of drugs based on international comparisons.

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.

In 2017, a new administration, which had promised to repeal and replace the PPACA, took office in the United States and there are ongoing efforts to achieve that goal. For example, in March 2017, the U.S. House of Representatives passed the “American Health Care Act” in order to repeal and replace the PPACA. Such legislation is pending in the U.S. Senate, and is anticipated to be significantly revised or substituted with new legislation before a final law is passed. Any changes in the PPACA, the Medicaid Part D program or other laws relating to drug pricing, coverage through Medicaid or Medicare, or other facets of the U.S. healthcare market could have a material adverse effect on our results of operations, financial condition or business.

Another significant issue in the new administration's campaign platform was opposition to free trade agreements, and there are ongoing efforts to achieve that goal as well. For example, the United States recently withdrew from the Trans-Pacific Partnership ("TPP") free trade agreement. 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 thus may have a material adverse effect on our financial performance.

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

We expect to derive an increasing portion of our sales from regions such as 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. For example, as a result of severe political instability and ongoing conflict in Ukraine, the United States and the European Union have imposed sanctions on certain individuals and companies in Ukraine and Russia, including sanctions targeted at the Crimea region of Ukraine which was annexed by Russia. Political instability in the region, combined with low worldwide oil prices, has resulted in significant devaluation of the Russian rouble and may continue to have a negative impact on the Russian economy. In addition, the Ukrainian hryvnia experienced significant devaluation in 2014 and 2015 and the Venezuelan bolivar experienced significant devaluation beginning in 2013 and continuing through 2017.

Furthermore, the currencies of certain other markets in which we operate (such as South African rands, Brazilian reals and Kazakhstan tenges) have undergone significant currency volatility in 2015 and 2016. Some of these are new markets that we have recently entered, and we may decide to enter other new markets in the future and thus may face additional risks arising out of 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.

On June 23, 2016, the United Kingdom ("UK") held a remain-or-leave referendum on its membership within the European Union ("EU"), the outcome of which was a decision for the UK to exit from the EU (the "Brexit"). A process of negotiation will likely determine the future terms of the UK's relationship with the EU, as well as whether the UK will be able to continue to benefit from the EU's free trade and similar arrangements. Until the Brexit negotiation process is initiated and completed, it is difficult to anticipate the potential impact on our operations. As the process of Brexit evolves, we will continue to assess its impact on us.

Failure to maintain supply of compliant, quality product.

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; and
- 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.

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.

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. 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.

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.

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 outlets 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.

If we are unable to patent new products and processes or to protect our intellectual property rights or proprietary information, or if we infringe on the patents 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 depends, in part, on our ability in the future to obtain patents, protect trade secrets, intellectual property rights and other proprietary information and operate without infringing 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 success with our proprietary products depends, in part, on our ability to protect our current and future innovative products and to defend our intellectual property rights. If we fail to adequately protect our intellectual property, competitors may manufacture and market products similar to ours. We have been issued patents covering our innovative products and processes and have filed, and expect to continue to file, patent applications seeking to protect our newly developed technologies and products in various 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 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.

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 confidentiality agreements. Furthermore, our trade secrets and proprietary technology may otherwise become known 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.

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 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;
- introducing “next-generation” products prior to the expiration of market exclusivity for the reference product, which often materially reduces the demand for the generic or the reference product for which we seek regulatory approval;
- obtaining extensions of market exclusivity by conducting clinical trials of brand drugs in pediatric populations or by other methods;
- selling the brand product as an authorized generic, either by the brand company directly, through an affiliate or by a marketing partner;
- using the Citizen Petition process to request amendments to U.S. FDA standards or otherwise delay generic drug approvals;
- 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; and
- seeking patents on methods of manufacturing certain active pharmaceutical ingredients.

If sales of authorized generic products are restricted, our sales of certain authorized generic products may suffer.

Recently, some U.S. generic pharmaceutical companies who obtained rights to market and distribute a generic alternative of a brand product (i.e., an “authorized generics” arrangement) under the brand manufacturer’s new drug application (“NDA”) have experienced challenges to their ability to distribute authorized generics during a competitors’ 180-day period of abbreviated new drug application (“ANDA”) exclusivity under the Hatch-Waxman Act. These challenges have come in the form of Citizen Petitions filed with the U.S. FDA, lawsuits alleging violation of the antitrust and consumer protection laws, and seeking legislative intervention. For example, in February 2011, legislation was introduced in both the U.S. Senate and the U.S. House of Representatives that would have prohibited the marketing of authorized generics during the 180-day period of ANDA exclusivity under the Hatch-Waxman Act.

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.

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 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 are 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 the profits lost by the patent owner and not by the profits we earned.

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. In the case of a willful infringer, the definition of which is unclear, these damages may even be trebled.

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.

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. 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 and may have a material adverse effect on our business, results of operations, financial condition and cash flows.

Research and development efforts invested in our differentiated formulations pipeline may not achieve expected results.

In our Proprietary Products segment, our business model focuses on building a pipeline in the therapeutic areas of neurology and dermatology. We must invest increasingly significant resources to develop differentiated products, both through our own efforts and through collaborations, in-licensing and acquisition of products from or with third parties. The development of differentiated products involves processes and expertise different from those used in the development of generic drugs, 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 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.

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 exposure that the businesses in this segment face is higher than that of the Generics business due to several factors outlined below.

Market penetration requires successful commercial positioning in relation not only to past therapies but also new competitors. All of the therapeutic areas in which we compete have many active competitors, each vying for market share in similar indications with products that may have some similar attributes. As such, success in our Proprietary Products segment requires the ability to strategically differentiate our offerings from those of our competitors, which often requires time and investment in additional clinical studies, and brings with it the typical uncertainty of outcome that faces many clinical studies. An additional emerging challenge is access to physicians, who can explicitly refuse to see our sales representatives, and new approaches need to be found to provide them with the information required in order to make informed and appropriate prescription decisions. While the impact of these challenges is currently limited, they could potentially become significant in the future.

Even if we are able to successfully differentiate our products, adequate reimbursement from third party payors for our products is necessary. Typically, a managed care plan relies on a committee made up of physicians and others to decide which drugs will appear on its formulary. Without a reasonable position on the formulary of managed care plans, patients will not be able to obtain access to our products. Further, even after we contract for access on managed care formularies, we often have to provide additional point-of-sale discounts to patients in order to make their out-of-pocket payments affordable.

All of these are necessary in this business segment, as all managed care plans attempt to aggressively direct their patients towards generic medicines.

Additionally, because the Specialty business of our Proprietary Products segment works primary with reformulated drugs, another risk is that the patents that protect the product are easier to engineer around than traditional composition of matter patents. While every attempt is made to create a robust intellectual property ring fence around these assets, the products in our U.S. Specialty business portfolio may enjoy lesser exclusivity periods than traditional innovative 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.

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.

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 and bio-similars 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.

Following the United States Supreme Court’s June 2013 ruling in *Mutual Pharmaceutical Co. v. Bartlett* upholding such preemption and immunity of generic manufacturers, the U.S. FDA proposed a new rule in November 2013 that would allow generic manufacturers to independently update product labeling through the CBE supplement process. If the U.S. FDA’s proposed new rule is adopted, it may eliminate this preemption and increase our potential exposure to lawsuits relating to product safety, side effects and warnings on labels. This new potential exposure to lawsuits may also increase the risk that, in the future, we may not be able to obtain the type and amount of coverage we desire at an acceptable price and self-insurance may become the sole commercially reasonable means available for managing the product liability risks of our business.

Additionally, the proposed rule is likely to increase management and operating costs as a result of the need to set up database and software systems to monitor and track changes made, revisit internal processes regarding product label changes by regulatory teams, enable signal detection by pharmacovigilance and make changes in packaging and logistics involving our supply chain teams. Any failure to do this adequately can lead to an increase in our potential exposure to product liability claims and litigation. The U.S. FDA has announced that it will issue a final rule in April 2017. However, an update from the U.S. FDA has not yet been announced.

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 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.

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. If the U.S. FDA or another regulator were to review one or more of our over-the-counter products for such purposes, and if such review resulted in the U.S. FDA or another regulator charging us with violations applicable to such product, it could have a significant adverse effect on our sales of such over-the-counter products and, thus, our overall profitability.

If we have difficulty in identifying candidates for or consummating acquisitions and strategic alliances, our competitiveness and our growth prospects may be harmed.

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. For example:

- We may fail to successfully integrate our acquisitions in accordance with our business strategy.
- The initial rationale for the acquisition may not remain viable due to a variety of factors, including unforeseen regulatory changes and market dynamics after the acquisition, and this may result in a significant delay and/or reduction in the profitability of the acquisition.
- We may not be able to retain the skilled employees and experienced management that may be necessary to operate the businesses we acquire. If we cannot retain such personnel, we may not be able to locate or hire new skilled employees and experienced management to replace them.
- We may purchase a company that has contingent liabilities that include, among others, known or unknown patent or product liability claims or environmental liability claims.
- We may purchase companies located in jurisdictions where we do not have operations and as a result we may not be able to anticipate local regulations and the impact such regulations have on our business.

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 such as acetyl chloride. If improperly handled or subjected to the wrong conditions, these materials could hurt our employees and other persons, cause damage to our properties and harm the environment. Also, increases in business and operations in our plants, and the consequent hiring of new employees, 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.

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.

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 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. This also exposes us to additional risks in the event of devaluations, hyperinflation or restrictions on the conversion of foreign currencies, such as the devaluation of the Venezuelan bolivar beginning in 2013 and continuing through 2017.

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 some of our net exposure to currency exchange rate fluctuations in certain key foreign currencies. We do not use derivative financial instruments or other “hedging” techniques to cover all of our potential exposure.

Our success depends on our ability to retain and attract key 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 nonimmigrant 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 concentrations of sales to certain customers that increases our credit risks. Consolidation among distributors and pharmaceutical companies could increase this 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, 2017, our ten largest customers accounted for approximately 90% of our North America Global Generics segment’s revenues. We are exposed to a concentration of credit risk in respect of these customers. 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. Furthermore, the recent trend of consolidation among such groups, as well as retail chains and distributors has increased their negotiating power and further increased pricing and reimbursement pressure. Such pressures have reduced, and could continue to reduce, our revenue, margins and profitability.

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.

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-based systems, to support 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. Although we have invested in measures to reduce these risks, we cannot be assured that these measures will be successful in preventing compromise and/or disruption of our information technology systems and related data. Any such disruption may result in the loss of key information and/or disruption of production and business processes, which could materially and adversely affect our business.

In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others, that may expose sensitive data to unauthorized persons. 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. We currently do not have any insurance that could mitigate the impact from all such risks.

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.

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, 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 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.

In particular, continuing compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal control over financial reporting requires the commitment of significant financial and managerial resources and our independent auditor's independent assessment of the internal control over financial reporting. Further, India's Companies Act 2013 requires companies listed in India to be compliant with provisions concerning "Internal Financial Controls".

In connection with this Annual Report on Form 20-F for the year ended March 31, 2017, our management conducted an assessment of the effectiveness of our internal controls over financial reporting as of March 31, 2017 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 controls over financial reporting were effective as of March 31, 2017. As we continue to undertake management assessments of our internal control over financial reporting in connection with annual reports on Form 20-F for future years, any deficiencies uncovered by these assessments or any inability of our auditors to issue an unqualified opinion could harm our reputation and result in a loss of investor confidence in the reliability of our financial statements, which could cause the price of our equity shares and ADSs to decline.

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 to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. 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.

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 officials 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 noncompliance 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.

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.

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 Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products segments. We must develop, test and manufacture generic products as well as prove that our generic products are bio-equivalent or bio-similar to their branded counterparts, either directly or in partnership with contract research organizations. The development and commercialization process, particularly with respect to proprietary products 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.

Our research and development efforts are increasingly 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.

We also from time to time 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.

For example, during the year ended March 31, 2017, we acquired eight Abbreviated New Drug Applications in the United States from Teva Pharmaceutical Industries Limited and an affiliate of Allergan plc. The consideration for such purchase was U.S.\$350 million in cash at closing, which was funded through borrowings from certain institutional lenders. Our results of operations may suffer if these products are not timely developed, approved or successfully commercialized.

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.

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, our financial performance for the years ended March 31, 2009 and 2010 was significantly impacted as a result of the impairments pertaining to our Germany operations.

There are risks associated with executing on our strategy.

There are risks associated with executing the strategies we adopt to achieve our core purpose as discussed in Item 4.B. below. Significant execution risks associated with our strategies include, but are not limited to:

- developing and executing our complex product development, manufacturing and marketing strategies for North America and other key markets;
- executing on our strategies for increasing our customer share and for key account management in our Active Pharmaceutical Ingredients ("API") and Custom Pharmaceutical Services ("CPS") businesses; and
- executing our execution excellence and change management initiatives to ensure process safety, product quality and availability.

Changes in Indian tax regulations 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.

The Union Budget, 2016 has proposed that the weighted deduction on research and development activities be reduced in a phased manner from 200% to 150% commencing April 1, 2017 and from 150% to 100% commencing April 1, 2020. Further, Special Economic Zone ("SEZ") units commencing manufacture or production of article and things after April 1, 2020 will not be eligible for SEZ tax deductions.

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 and commercial decisions that are necessary for the conduct of the business of an entity as a whole are in substance made.

In India's Finance Act, 2012, the Government of India introduced a levy of service tax based on a negative list of services. Consequently, all services have become taxable, except notified exempted services. The Finance Act, 2015 increased the rate of service tax from 12.36% (inclusive of surcharge and cess) to a consolidated rate of 14% effective as of June 1, 2015. Furthermore, effective November 2015, the service tax of 14% was increased by an additional 0.5% cess called the "Swatch Bharat Cess" to a consolidated rate of 14.50%. Effective June 1, 2016, the Finance Act 2016 further increased the service tax rate to 15% through introduction of another 0.5% cess called the "Krishi Kalyan Cess".

India is also soon anticipated to enact a Goods and Service Tax (“GST”), a state-of-the-art indirect tax system intended to integrate State economies and boost overall growth. It was proposed that other taxes (such as central excise duty, service tax, octroi, value added tax, sales tax, and entry tax) would be replaced by the GST, thus avoiding the multiple layers of taxation that currently exist in India. A Constitution amendment bill approving the GST was adopted by both houses of India’s Parliament in August 2016. Legislation implementing the GST is expected to be promulgated as a law effective July 1, 2017.

Under the Finance Act, 2013, the effective rate of dividend distribution tax (“DDT”) was 16.995% inclusive of surcharge and cess. The Finance Act (No 2) 2014 made an amendment in section 115-O, which requires grossing up of the dividend amount distributed for computing DDT. Pursuant to the amendment, effective October 1, 2014, the effective rate of DDT increased from 16.995% to 19.994% inclusive of surcharge and cess, and as a result, dividend amounts receivable by our shareholders after taxes are reduced. Furthermore, as a result of the increase in rate of surcharge in the Finance Act, 2015, effective April 1, 2015, the effective rate of DDT increased from 19.994% to 20.3576%.

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, as well as national tax incentives. It is hard to predict how the principles and recommendations developed by the OECD in the BEPS project will translate into specific national laws adversely impacting our tax liabilities, and therefore we cannot predict at this stage the magnitude of the effect of such rules on our financial results.

We enter into various agreements in the normal course of business which periodically incorporate provisions whereby we indemnify the other party to the agreement.

In the normal course of business, we periodically enter into agreements with vendors, customers, alliance partners, innovators and others that incorporate terms for indemnification provisions. Our indemnification obligations under such agreements may be unlimited in duration and amount. We maintain insurance coverage that we believe will effectively mitigate our obligations under certain of these indemnification provisions (for example, in the case of outsourced clinical trials). However, should our obligations under an indemnification provision exceed our coverage or should coverage be denied, it could have a material adverse impact on our business, financial position and results of operations.

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.

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, India, a region that has 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.

In addition, there is increasing concern that climate change is occurring and may have dramatic effects on human activity without aggressive remediation steps. A modest change in temperature may cause a rising number of natural disasters. We cannot predict the economic impact, if any, of natural disasters or climate change.

If the world economy is affected due to 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. If the economy of our key markets (including but not limited to the United States, the United Kingdom, Germany, India, Venezuela and Russia) is affected by such acts, our business and results of operations may be adversely affected as a consequence.

In the last decade, Asia experienced outbreaks of avian influenza and Severe Acute Respiratory Syndrome, or “SARS”. In addition, in 2009 a rising death toll in Mexico from a new strain of Swine Flu led the World Health Organization to declare a public health emergency of international concern. In May 2015, the Pan American Health Organization issued an alert regarding the first confirmed Zika virus infection in Brazil, and since then it has spread across the Americas. In the United States, there have been reports of local mosquito-borne transmission of the Zika virus in Puerto Rico, the U.S. Virgin Islands, and American Samoa, and there have been reports of cases in the continental United States in returning travelers. If the economy of our key markets is affected by such outbreaks or other epidemics, our business and results of operations may be adversely affected as a consequence.

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 26.79% of our issued shares as at March 31, 2017. 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.

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 substantial portion of our total revenues for the year ended March 31, 2017 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 introduction of the Companies Act, 2013 in India and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As a company that is incorporated in India, we are governed by the rules and regulations covered under the Indian Companies Act, 1956. Significant amendments to the Companies Act were adopted in 2013 and 2014 and a majority of the provisions of the new Act (called the “Companies Act, 2013”) were implemented beginning in April, 2014. Some of the significant changes were in the areas of board and governance processes, boardroom responsibilities, disclosures, compulsory corporate social responsibility, audit matters, initiation of class action suits by shareholders or depositors, fraud reporting and whistle-blower mechanisms.

In addition, on September 2, 2015, the Securities and Exchange Board of India (“SEBI”) issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) that must be followed by all listed Indian public companies effective December 1, 2015. 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.
- Existing listed entities are required to sign the shortened version of the listing agreement with stock exchanges within six months of the issuance of the Listing Regulations.

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. This may result in delays or continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions.

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 highly volatile in India. According to the economic report released by the Department of Economic Affairs, Ministry of Finance in India, the annual inflation rate in India, as measured by the benchmark wholesale price index, Base 2004-05=100 was 5.29% for the year ended March 31, 2017 (as compared to -2% for the year ended March 31, 2016). This trend may continue to fluctuate and/or the rate of inflation may rise substantially. 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 in India are more stringent than in other parts of the world. These laws may restrict our ability to have human resource policies that would allow us to react swiftly to the needs of our business. Approximately 5% of our employees belong to a number of different labor unions. If we experience problems with our labor unions, our production capacity and may adversely affect our results and operations.

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

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.

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 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.

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 depositary 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 redeposit those shares in the depositary 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 depositary facility. Moreover, there are restrictions on foreign institutional ownership of our equity shares as opposed to our ADSs.

The persistently weak global economic and financial environment in many other countries, particularly emerging market countries in Asia, 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 a weak ongoing global economic and financial environment, with some continuing to face financial difficulty, liquidity problems and limited availability of credit. We continue to see weak economic growth or a slowing of economic growth rates in certain emerging growth markets, such as China, Russia, Brazil and India. 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 unsettled political conditions currently existing in the United States and Europe, as well as the difficult conditions existing in parts of the Middle East and places such as Ukraine, as well as the ongoing refugee crisis, 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 depositary, 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 depositary 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.

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 the United States and other developed economies. 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 enacted the Depository Receipts Scheme, 2014, effective as of December 15, 2014. This law permits liberalized rules for sponsored and unsponsored secondary market issue of depository receipts, subject to the existing sectorial cap on foreign investment. Once the regulations are 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 would enable us to more readily issue shares to the depository for our ADSs and conduct U.S. securities issuances of our ADSs, which would 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.

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 Indian Stock Exchanges in August 1986 and on the New York Stock Exchange on April 11, 2001. We are registered with the Registrar of Companies, Hyderabad, Telangana, India as Company No. 4507 (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.

Key business developments:

Re-Audit of the Warning letter impacted sites

The United States Food and Drug Administration ("U.S. FDA") issued a warning letter dated November 5, 2015 (the "Warning Letter") relating to current Good Manufacturing Practice ("cGMP") deviations at our active pharmaceutical ingredient ("API") manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as those at our oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The contents of the Warning Letter emanated from Form 483 observations that followed inspections of these three sites by the U.S. FDA in November 2014, January 2015 and February-March 2015, respectively. Pending resolution of the issues identified in the Warning Letter, the U.S. FDA has withheld approval of new products from these facilities.

Subsequent to the issuance of the Warning Letter, we promptly instituted corrective actions and preventive actions and submitted a comprehensive response to the Warning Letter to the U.S. FDA, followed by periodic written updates and in-person meetings with the U.S. FDA. Moreover, to minimize the business impact, we transferred certain key products to alternate manufacturing facilities.

The U.S. FDA subsequently re-inspected these facilities between February and April 2017. The outcome of these inspections were as follows:

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

Global corrective actions, as well as some specific actions, have already been implemented. Additionally, a detailed response was submitted to the U.S. FDA which included root cause, corrective actions and preventive actions and impact assessment. In June 2017, the U.S. FDA issued an establishment inspection report which officially closed the audit of our API facility at Miryalaguda.

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

Further, we have initiated additional operational improvements with respect to areas such as shop floor supervision and Gemba walks (also known as process walks) into the shop floor, engineering, implementation of electronic batch records to eliminate manual errors, and focus on robustness of processes.

Throughout the process of remediating issues raised in the Warning Letter, we have been continually engaged with the U.S. FDA in conveying the progress we have made.

We are fully committed to produce safe and efficacious products for our patients. We have the highest respect for the U.S. FDA, its mission and its processes.

Asset purchase agreement with Teva Pharmaceutical Industries Ltd

Refer to Note 42 of our consolidated financial statements.

Product launches

For a list of other products we launched in the United States during the year ended March 31, 2017, refer to Item 5.A – “Operating results”.

Principal capital expenditures:

During the years ended March 31, 2017, 2016 and 2015, we invested Rs.12,234 million, Rs.11,933 million and Rs.9,167 million (net of sales of capital assets), respectively, in capital expenditures for manufacturing, research and development facilities and other assets. We believe that these investments will create the capacity to support our strategic growth agenda. As of March 31, 2017, we also had contractual commitments of Rs.5,256 million for capital expenditures. These commitments included Rs.5,042 million to be spent in India and Rs.214 million in other countries. 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 providing affordable and innovative medicines through our three core business segments:

- Global Generics;
- Pharmaceutical Services and Active Ingredients (“PSAI”); and
- Proprietary Products.

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 includes our business of manufacturing and marketing active pharmaceutical ingredients and intermediates, also known as “API” or bulk drugs, 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, development, and manufacture of differentiated formulations. These novel products fall within the dermatology and neurology therapeutic areas and are marketed and sold through Promius® Pharma, LLC.

Others. This includes the operations of our wholly-owned subsidiary, Aurigene Discovery Technologies Limited, a discovery stage biotechnology company developing novel and best-in-class therapies in the fields of oncology and inflammation and which works with established pharmaceutical and biotechnology companies in early-stage collaborations, bringing drug candidates from hit generation to pre-clinical development.

We have a strong presence in highly regulated markets such as the United States, the United Kingdom and Germany, as well as other key markets such as India, Russia, Romania, South Africa and certain countries of the former Soviet Union.

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 pharmaceutical company, we take very seriously our responsibility to offer affordable alternatives to expensive medicines and help patients manage their 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.

Our business strategy and operating priorities strive to fulfill these promises. They are carefully chosen to enable us to deliver the maximum positive impact on the lives of patients around the world. The key elements of our business strategy for achieving these promises include the following:

Strengths in science and technology

Our strengths in science and technology range from synthetic organic chemistry, formulation development, biologics development and small molecule based drug discovery. 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 generic version of rituximab in 2007, and have launched 4 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 Pharmaceutical Services and Active Ingredients segment is comprised of our Active Pharmaceutical Ingredients (“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 the therapeutic areas of dermatology and neurology. 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. We also have an internal pipeline of differentiated products in dermatology and neurology products in various stages of development. In addition, we have a commercial portfolio of in-licensed dermatology products.

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.
- **Principles of the “Theory of Constraints” and Lean Manufacturing:** Our supply chain and product development processes are designed on the principles of the “Theory of Constraints” and lean manufacturing. This results in a responsive supply chain that is able to increase availability of products to the customer with reduced cycle time and waste.
- **Leadership Development:** We are focused on developing leaders, as well as enhancing leadership behavior, across our organization.

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, 2017, 2016 and 2015, respectively:

Segment	For the year ended March 31,							
	2017		2016		2015			
	(Rs. in millions, U.S.\$ in millions)							
Global Generics	U.S.\$1,780	Rs. 115,409	82%	Rs. 128,062	83%	Rs. 119,397	81%	
Pharmaceutical Services and Active Ingredients	328	21,277	15%	22,379	14%	25,456	17%	
Proprietary Products	36	2,363	2%	2,659	2%	2,172	1%	
Others	27	1,760	1%	1,608	1%	1,164	1%	
Total Revenue	U.S.\$2,171	Rs. 140,809	100%	Rs. 154,708	100%	Rs. 148,189	100%	

Revenues by country and by therapeutic area for the years ended March 31, 2017, 2016 and 2015 are discussed in Note 5 to our consolidated financial statements.

Global Generics Segment

The production processes for finished dosages 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.

Our Global Generics segment's revenues were Rs.115,409 million for the year ended March 31, 2017, as compared to Rs.128,062 million for the year ended March 31, 2016. The decline is largely attributable to the segments operation in the United States 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, Australia and Venezuela), primarily in Venezuela. The following is a discussion of the key markets in our Global Generics segment.

India

Approximately 20% of our Global Generics segment's revenues in the year ended March 31, 2017 were derived from sales in the Indian market. In India, our key therapeutic categories include gastro-intestinal, cardiovascular and anti-diabetic, pain management and oncology. We are also increasing our presence in the niche areas of dermatology, urology and nephrology.

As of March 31, 2017, we had a total of 283 branded products in India. Our top ten branded products together accounted for 29% of our revenues in India in the year ended March 31, 2017. According to IMS Health, in its moving annual total report for the 12-month period ended March 31, 2017, our secondary sales in India grew by 4.5%. In comparison, the Indian pharmaceutical market experienced growth of 9.1% during such period. IMS Health is a provider of market research to the Indian pharmaceutical industry. Strategic Marketing Solutions and Research Center Private Limited ("SMSRC"), a prescription market research firm, in its report measuring pharmaceutical prescriptions in India for the period from January 2017 to February 2017, ranked us 10th 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 5,778 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 3,000 wholesalers who decide which brands to buy based on demand. The wholesalers pay for our products in 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 13th largest pharmaceutical company in India, with a market share of 2.3%, according to IMS Health in its moving annual total report for the 12-month period ended March 31, 2017.

Some of the key observations on the performance of the Indian pharmaceutical market, as published by IMS Health in its moving annual total report for the 12-month period ended March 31, 2017, are as follows:

- The Indian pharmaceutical market experienced growth of 9.1% for such period;
- New products launched in the preceding 24 months accounted for 4.3% of total Indian pharmaceutical growth for such period;
- The top 300 existing brands grew at a rate of 10.2%, which was 1.1% higher than the Indian pharmaceutical market's overall average, and together they account for 30.3% of the market's total sales; and
- There was an increasing emergence of bio-similar products to address the needs of patients in the oncology therapeutic area.

Our principal competitors in the Indian market include Cipla Limited, GlaxoSmithKline Pharmaceuticals Limited, Cadila Healthcare Limited, Sun Pharmaceutical Industries Limited, Piramal Enterprises Ltd, Alkem Limited, Mankind Pharma Limited, Pfizer Limited, Abbott India, Lupin Limited, Aristo Pharma Limited, Intas Pharmaceuticals Ltd., Sanofi India 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;
- The Medicinal and Toilet Preparations (Excise Duties) Act, 1955; and
- The National Pharmaceuticals Pricing Policy, 2012.

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

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.

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.

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 are subject to these price controls.

On May 15, 2013, the Department of Pharmaceuticals released the DPCO governing the price control mechanism for 348 drugs listed in the National List of Essential Medicines. Further, on March 10, 2016, the Department of Pharmaceuticals issued the Drugs (Prices Control) Amendment Order, 2016 (“DPCAO 2016”), which amended the Drugs (Price Control) Order, 2013 and revised the National List of Essential Medicines to add 106 medicines and delete 70 medicines. The National List of Essential Medicines, as revised, now contains 376 drugs.

During the year ended March 31, 2017, the NPPA announced revisions of the maximum prices for various products scheduled on the the National List of Essential Medicines, which has adversely impacted our annual revenues from sales of these products in India by 4% for the year ended March 31, 2017.

That was followed with an announcement on March 3, 2017 of an increase in the maximum prices of various drugs, as a result of positive inflation as measured by India’s Wholesale Price Index.

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. On December 1, 2016, The Delhi High Court overturned the government imposed ban on the 344 fixed dosage combinations. Subsequently, the Government of India has filed an appeal of the decision in the Supreme Court of India, which appeal is currently pending. In the event that this ban becomes effective, it could adversely impact our revenues by approximately 0.5% on an annual basis. Further, it could adversely impact the Indian pharmaceutical industry by approximately 3.1% on an annual basis (as per AWACS, a provider of market research to the Indian Pharmaceutical Industry).

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

Russia

Russia accounted for 10% of our Global Generics segment’s revenues in the year ended March 31, 2017. IMS Health ranked us 17th in sales in Russia, with a market share of 1.5% for the 12 months ended March 31, 2017.

According to IMS Health, as per its moving annual total report for the 12 months ended March 31, 2017, our sales value growth and sales volume increase were 4.5% and 5.1%, respectively, for such period as compared to the Russian pharmaceutical market value growth of 5.6% and sales volume decrease of 3.9%, respectively, for such period. We were the top ranked Indian pharmaceutical company in Russia for such period.

Our top four brands, Nise, Omez, Ketorol and Cetrine, accounted for 55% of our Global Generics segment’s revenues in Russia for the year ended March 31, 2017. Omez (an anti-ulcerant product), Nise and Ketorol (both pain management products) and Cetrine (a respiratory product) were ranked as the 64th, 19th, 152nd and 190th best-selling formulation brands, respectively, in the Russian market by IMS Health in its moving retail segment report for the 12 months ended March 31, 2017.

Our strategy in Russia is to focus on the gastro-intestinal, pain management, anti-infectives, respiratory, oncology and cardiovascular therapeutic areas. Our focus is on building leading brands in these therapeutic areas in prescription, over-the-counter and hospital sales. Nise, Omez, Ketorol, Cetrine and Ciprolet continue to be brand leaders in their respective categories, as reported by IMS Health in its moving report for the 12-months ended March 31, 2017

Our Global Generics segment’s revenues in Russia increased by 8% (in Russian rouble absolute currency terms) during the year ended March 31, 2017, which was driven by increased marketing and pharmacy chain activities for over-the-counter medicines. However, such revenues, measured in Indian rupees, increased by 9% as compared to the year ended March 31, 2016.

Other Countries of the former Soviet Union and Romania

We operate in other countries of the former Soviet Union, including Ukraine, Kazakhstan, Belarus and Uzbekistan, and also operate in Romania. For the year ended March 31, 2017, revenues from these countries accounted for approximately 3% of our total Global Generics segment's revenues.

Sales, marketing and distribution network

Our marketing and promotion efforts in our Russian prescription division is driven by a team of 288 medical representatives and 38 managers to detail our products to doctors in 77 cities in Russia.

Our Russian over-the-counter ("OTC") division has 212 medical representatives and 30 managers and is focused on establishing a network of relationships with key pharmacy chains and individual pharmacies. Our Russian hospital division has 40 hospital specialists and 17 key account managers, and is focused on expanding our presence in hospitals and institutes.

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 Gedeon Richter RUS (an affiliate of Gedeon Richter PLC), Krka Pharma Limited, Teva Pharmaceutical Industries Ltd., Lek-Sandoz Pharmaceuticals (an affiliate of Novartis Pharma A.G.), Zao Ranbaxy (an affiliate of Ranbaxy Laboratories Limited), Nycomed International Management GmbH and Zentiva N.V. (an affiliate of Sanofi-Aventis S.A.).

Government regulation

Promotion of local industry

In order to promote local industry, in October 2009 the Russian government announced the Strategy of Pharmaceutical Industry Development in the Russian Federation for the period up to the year 2020 (or the "Pharma 2020 plan"), which aims to develop the research, development and manufacturing of pharmaceutical products by Russia's domestic pharmaceutical industry. The goal of the Pharma 2020 plan is to reduce Russia's reliance on imported pharmaceutical products and increase Russia's self-sufficiency in that regard.

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" was implemented effective as of April 2010. Pharmaceutical companies have had to register maximum import prices for approximately 5,000 drugs on a list of "Essential and Vital Drugs" (also known as the "ZhNVLS"). During the year ended March 31, 2011, the Russian government announced price re-registration in local currency (Russian roubles) for drugs categorized as "essential" and the new registered prices were effective as of December 10, 2010. Also, effective as of September 1, 2010, the price controls on certain drugs categorized as "non-essential" were removed by the Russian Ministry of Health.

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.

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.

Calculation of the maximum sale price for medicines included in the ZhNVLS list are determined by the Government of the Russian Federation taking into account a variety of economic and/or social criteria. The updated EDL lists for 2017, approved by the Decree of the Government No. 2885-p dated December 28, 2016, became effective from January 1, 2017.

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

The Russian Government approved the Priority Action Plan for sustainable economic and social stability development in 2015 (the “Priority Action Plan”). The Priority Action Plan was signed by the Russian Prime Minister on January 27, 2015. The key areas that may impact the pharmaceutical industry in the Priority Action Plan are (i) supporting import substitution; (ii) optimization of budget costs and reduction of inefficient expenses; and (iii) particularly, in the public healthcare area, the following measures:

- On February 2, 2015, the Russian Ministry of Health (“MoH”), Russian Federal Service on Tariffs and Russian Ministry of Economic Development (“MoED”) amended the Federal Law 61-FZ “On Circulation of Medicines “ to provide the possibility of one-time indexation of prices for low-cost essential drugs;
- On February 27, 2015, the Russian Ministry of Finance, MoH and MoED suggested improvements for public drugs supply; and
- On February 15, 2015, the Russian Ministry of Industry and Trade enacted restrictions on access of foreign drugs to state procurement tenders, if two or more locally manufactured drugs participate in the relevant tender. The new regulation No. 1289 of the Russian Government came into effect on December 10, 2015 and affects medicines included in Russia’s Vital and Essential Drugs List. However, the restrictions were relaxed for purchases of drugs packaged in countries of the Eurasian Economic Union until December 31, 2016.

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 signed the agreement on a common market for medicines within the Eurasian Economic Union

The Eurasian Economic Union (“EEU”), whose member states are Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan, officially started functioning on January 1, 2015. Among other things, the member states of the EEU signed an international agreement establishing common principles and rules of functioning of the market for medicines within the EEU, which agreement was originally expected to be made effective from January 1, 2016.

For these purposes, the member states are working on the necessary regulatory framework and EEU plans for its member states to sign 25 acts governing various stages of drugs circulation. According to the agreement, the market authorization for a particular medicine received in one EEU member state will be valid throughout the whole EEU territory.

Russian GMP required for medicines registration

Effective January 1, 2016, foreign medicinal products (i.e., manufactured outside of Russia) became subject to the following requirements:

- for the initial state registration of a foreign medicinal product, it is required to present a statement of conformity of the manufacture thereof to Russian GMP standards issued by a Russian authority; and
- for re-registration of a foreign medicinal product, it was sufficient to present a certificate of GMP compliance (obtained in the country of origin) to the applicable GMP standards in the country of origin, issued by the relevant foreign authority with a certified Russian translation.

However, effective January 1, 2017, re-registrations of a foreign medicinal product also are subject to the requirement to present a document regarding conformity to Russian GMP standards issued by a Russian authority.

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

The Ministry of Health in Russia has 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. 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 decree was adopted by the Russian Federation for the implementation of the pilot project from the period of February 1, 2017 to December 31, 2017. The Russian government intends to study the pilot project and expects to implement this system for the entire pharmaceutical sector in the coming years.

Political Instability

There has been severe political instability in Ukraine following civilian riots and political unrest which began in November 2013, destabilization of the Ukrainian President's office in February 2014, and subsequent military action in the destabilized country operating under a temporary government.

As a result of ongoing conflict in the region, the United States and the European Union have imposed sanctions on certain designated individuals and companies in Ukraine and Russia. These sanctions were targeted at persons threatening the peace and security of Ukraine, senior officials of the Government of the Russian Federation and the energy, defense and financial services sectors of Russia, but they have had macroeconomic consequences beyond those persons and industries. In December 2014, the United States imposed further sanctions aimed at blocking new investments in the Crimea region of Ukraine which was annexed by Russia, and blocking trade between the United States or U.S. persons and Crimea. These sanctions also authorized the United States government to impose sanctions on any U.S. persons determined to be operating in the Crimea region of Ukraine, subject to certain authorizations for the export and reexport of certain agricultural commodities, medicine, medical supplies, and replacement parts to Crimea.

Political instability in the region has combined with low worldwide oil prices to significantly devalue the Russian rouble. In addition, the Ukrainian hryvnia experienced significant devaluation in 2014 and 2015. The possibility of additional sanctions implemented by the United States and/or the European Union against Russia or vice versa, continued political instability, civil strife, deteriorating macroeconomic conditions and actual or threatened military action in the region may result in serious economic challenges in Ukraine, Russia and the surrounding areas.

Among our operations, we are engaged in sales, distribution and marketing of pharmaceutical products in Russia and Ukraine, including the Crimea region, all through non-U.S. entities that sell to distributors. Our sales in Russia and Ukraine are not to any of the individuals, companies or sectors designated by the current sanctions, and our sales in the Crimea region accounted for approximately 1% of our total revenues for the year ended March 31, 2017. We do not believe that our business in Russia, Ukraine or the Crimea region violates any of the current sanctions. However, relevant regulators could take a view that is different from ours on this issue. We continue to monitor our subsidiaries' activities in light of the restrictions imposed by these and any future sanctions.

North America (the United States and Canada)

During the year ended March 31, 2017, North America (the United States and Canada) accounted for 55% 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 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 sales have increased significantly in recent years, partly due to an increased awareness and acceptance among consumers, physicians and pharmacists that generic drugs are the equivalent of brand name drugs. Among the factors contributing to this increased awareness are the passage of legislation permitting or encouraging substitution and the publication by regulatory authorities of lists of equivalent drugs, which provide physicians and pharmacists with generic drug alternatives. In addition, various government agencies and many private managed care or insurance programs encourage the substitution of generic drugs for brand-name pharmaceuticals as a cost-savings measure in the purchase of, or reimbursement for, prescription drugs. We believe that these factors should lead to continued expansion of the generic pharmaceuticals market as a whole. We intend to capitalize on the opportunities resulting from this expansion of the market by leveraging our product development capabilities, manufacturing capacities inspected by various international regulatory agencies and access to our own APIs, which offer significant supply chain efficiencies.

In April 2008, we acquired BASF's pharmaceutical contract manufacturing business and related facility in Shreveport, Louisiana, U.S.A. The acquisition included the relevant business, customer contracts, certain supplier contracts, related Abbreviated New Drug Applications ("ANDAs") and New Drug Applications ("NDAs"), trademarks, as well as the manufacturing facility and assets owned by BASF in Shreveport, Louisiana. The facility is designed to manufacture solid, semi-solid and liquid dosage forms.

In March 2011, we acquired from GlaxoSmithKline plc and Glaxo Group Limited (collectively, “GSK”) a penicillin-based antibiotics manufacturing site in Bristol, Tennessee, U.S.A., the product rights for GSK’s Augmentin® and Amoxil® brands of oral penicillin-based antibiotics in the United States (GSK retained the existing rights for these brands outside the United States), certain raw materials and finished goods inventory associated with Augmentin®, and rights to receive certain transitional services from GSK. The acquisition enabled us to enter the U.S. oral antibiotics market with a comprehensive product filing and a dedicated manufacturing site. During the year ended March 31, 2016, due to extensive competition, we discontinued certain antibiotic products or dosage strengths thereof and implemented a related workforce reduction. During the year ended March 31, 2017, we discontinued four additional antibiotic products due to issues with the availability of their active pharmaceutical ingredients.

During the year ended March 31, 2017, we continued our efforts to grow the Habitrol® business (an over-the-counter Nicotine Replacement Therapy transdermal patch) that we acquired from Novartis Consumer Healthcare Inc. during the year ended March 31, 2015, having fully integrated the business. The Habitrol® business has shown healthy growth as a result of our expansion of distribution into new channels and our product innovations. We believe that there are significant growth opportunities in the smoking cessation category in the United States, and intend to continue growing the business through our focus on expansion in availability and portfolio augmentation.

Through the 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, 2017, we made 26 ANDA filings in the United States, including 11 Paragraph IV filings. During the year ended March 31, 2017, the U.S. FDA granted us 8 final ANDA approvals. As of March 31, 2017, we had filed a cumulative total of 254 ANDA in the United States, out of which 92 ANDAs were pending approval at the U.S. FDA, including 11 tentative approvals. As of March 31, 2017, we had also filed three NDAs under section 505(b)(2) of the Federal Food, Drug and Cosmetic Act in the United States, one of which has received final approval.

During the year ended March 31, 2017, we in-licensed twenty ANDAs in the United States, of which thirteen are Paragraph IV filings. As of March 31, 2017, we have in-licensed a cumulative total of thirty ANDAs in the United States, out of which twenty-four were pending approval with the U.S. FDA.

Additionally, during the year ended March 31, 2017 we acquired from Ducere Pharma the rights to six over-the-counter brand products within the cough-and-cold, pain, and dermatology therapeutic areas, including Doan’s, Bufferin and Nupercainal.

Our Canada business generated revenues of Rs.307 million during the year ended March 31, 2017. This business includes revenues from certain profit sharing arrangements with distributors who market certain of our generic products. As of March 31, 2017 we have filed a cumulative total of 25 Abbreviated New Drug Submissions (“ANDS”) in Canada, out of which, 16 were approved, 6 are pending submissions, and 3 were withdrawn or rejected.

Sales, Marketing and Distribution Network

Dr. Reddy’s Laboratories, Inc., our wholly-owned subsidiary 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 others) 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. During the year ended March 31, 2016, we acquired from Teva Pharmaceutical Industries Limited (“Teva”) and an affiliate of Allergan plc a portfolio of eight Abbreviated New Drug Applications (“ANDAs”) for our North American Generics business. The deal, valued at \$350 million, represents the largest assets acquisition in our history.

Our over-the-counter (“OTC”) division primarily markets and distributes store brand OTC products, but has expanded into the branded OTC segment in May 2016, developing a new channel for our growth. This division has successfully launched over 10 products. OTC products include store brand generic equivalents of products that originally have 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 division 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 and distributors, and GPOs. For the year ended March 31, 2017, our OTC division generated Rs.10,919 million in revenues.

A portion of our revenue is derived from the sale of injectable products in the therapeutic area of oncology. Our injectable product portfolio in the United States currently consists of azacitidine, decitabine, zoledronic acid, and docetaxel. 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 Pharmaceutical Industries Limited, Mylan Inc., Sandoz (a division of Novartis Pharma A.G.), Endo Pharmaceuticals (including its subsidiary Par Pharmaceutical), Sun Pharmaceuticals Limited and Lupin Limited.

Continued consolidation of customer purchasing power through acquisitions, alliances and joint ventures continues to intensify the competition and drive down prices. Consolidation of manufacturers is also continuing and, at the same time, 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 from 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, that sell store brand OTC products. In the branded market, we compete directly with companies, such as Bayer and Pfizer, that 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 FDA also requires that our procedures and operations conform to current Good Manufacturing Practice (“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.

This “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 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.

Food and Drug Administration Safety and Innovation Act and Generic Drug User Fee Agreement

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 current Good Manufacturing Practice (“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 Agreement (“GDUFA”), a program to provide the U.S. FDA with additional funds through newly imposed user fees on generic and biosimilar products. These new fees were estimated to total approximately \$1.5 billion through 2018, and were intended to fund increases in the U.S. FDA’s operations and staffing with a focus on three key aims:

- *Safety* – To ensure that industry participants, foreign or domestic, are held to consistent quality standards and are inspected with foreign and domestic parity using a risk-based approach.
- *Access* – To expedite the availability of generic drugs by bringing greater predictability to the review times for ANDAs, amendments and supplements and improving timeliness in the review process.

- *Transparency* – To enhance the U.S. FDA’s visibility into the complex global supply environment by requiring the identification of facilities involved in the manufacture of drugs and associated active pharmaceutical ingredients, and improve the U.S. FDA’s communications and feedback with industry.

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 GDUFA, 70% of the total fees are derived 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. The remaining 30% of the total fees are derived from application fees, including generic drug application fees, prior approval supplement fees and drug master file fees. FDASIA extended the user fee program through September 30, 2017, at which time the the current fee programs approved under FDASIA will sunset unless further extended.

U.S. FDA Proposed New Labeling Rule

On November 13, 2013, the U.S. FDA proposed a new labeling rule which the agency believes will speed up the dissemination of new safety information about generic drugs to health professionals and patients by allowing generic drug manufacturers to use the same process as brand drug manufacturers to update safety information in the product labeling. Under the proposal, generic drug manufacturers would be able to independently update product labeling (also called prescribing information or package inserts) with newly-acquired safety information before the U.S. FDA’s review of the change, in the same way brand drug manufacturers do today. Generic manufacturers would also be required to inform the brand name manufacturer about the change. The U.S. FDA would then evaluate whether the proposed change is justified and make an approval decision on the generic drug labeling change and the corresponding brand drug labeling change at the same time, so that brand and generic drug products would ultimately have the same U.S. FDA-approved prescribing information.

Currently, generic manufacturers must wait to update product safety information until the corresponding brand name product has received approval to update its safety information. Brand drug manufacturers are allowed to independently update and promptly distribute updated safety information by submitting a “changes being effected” (“CBE”) supplement to the U.S. FDA. Generic manufacturers must notify the U.S. FDA of new safety information, and wait for the U.S. FDA and the brand manufacturer to determine the updated labeling, which may result in a delay in getting new information to health care professionals and patients.

Under current law, generic and brand drug manufacturers are required to promptly review safety information about their drugs and comply with the U.S. FDA’s reporting and recordkeeping requirements. When new information becomes available that causes the product labeling to be inaccurate, all drug manufacturers must take steps to update the labeling.

To enhance transparency while the U.S. FDA is reviewing the change and to make safety-related changes to drug labeling quickly available to health care professionals and the public, the U.S. FDA plans to create a web page where safety-related changes proposed by all drug manufacturers would be posted. Members of the public could subscribe to receive updates.

Because the current regulatory scheme only permits a generic manufacturer 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. As a result, state product liability suits based on failure-to-warn and design defect claims against generics manufacturers have generally been held pre-empted by Federal law, and in June 2013 the United States Supreme Court upheld such pre-emption and immunity of generic manufacturers in *Mutual Pharmaceutical Co. v. Bartlett*.

If the U.S. FDA’s proposed new rule is adopted, it may eliminate this pre-emption and increase our potential exposure to lawsuits relating to product safety, side effects and warnings on labels. This new potential exposure to lawsuits may also increase the risk that, in the future, we may not be able to obtain the type and amount of insurance coverage we desire at an acceptable price and self-insurance may become the sole commercially reasonable means available for managing the product liability risks of our business.

Comments on the proposed labeling rule were initially due on March 13, 2014. However, the U.S. FDA subsequently reopened the comment period from February 18, 2015 until April 27, 2015 in light of both the significant amount of interest in the proposal and the emergence of alternate proposals put forth and endorsed by the generic pharmaceutical industry. The U.S. FDA had previously announced that it would issue a final rule in April 2017, but a final rule has not yet been issued.

Prescription Drug Marketing Act and Laws Regulating Payments to Healthcare Professionals

The 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

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 is expected to significantly impact the U.S. pharmaceutical industry. The PPACA imposes additional rebates, discounts and fees, mandates certain reporting and contains various other requirements that could adversely affect our business, including the following:

- The PPACA imposes annual, non-deductible fees for entities that manufacture or import certain prescription drugs and biologics. This fee is calculated based upon each manufacturer's percentage share of total branded prescription drug and biologics sales to U.S. government programs (such as Medicare, Medicaid, Veterans' Affairs and Public Health Service discount programs), and authorized generic products are generally treated as branded products. The manufacturer must have at least \$5 million in sales of branded prescription drugs or biologics in order to be subject to this fee.
- 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"), effective October 1, 2010, and by using 23.1% instead of 15.1% of AMP for most branded drugs and 13% instead of 11% of AMP for generic drugs, effective January 1, 2010.
- 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.
- The PPACA has pro-generic provisions that could increase competition in the generic pharmaceutical industry and therefore adversely impact our selling prices or costs and reduce our profit margins. Among other things, the PPACA creates an abbreviated pathway to U.S. FDA approval of "biosimilar" biological products and allows the first interchangeable bio-similar biological product 18 months of exclusivity, which could increase competition for our bio-similars business. Conversely, the PPACA has some anti-generic provisions that could adversely affect our bio-similars 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.
- The PPACA makes several important changes to the federal anti-kickback statute, false claims laws, and health care fraud statutes that may make it easier for the government or whistleblowers to pursue such fraud and abuse violations. In addition, the PPACA increases 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.
- To further facilitate the government's efforts to coordinate and develop comparative clinical effectiveness research, the PPACA establishes 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 establishes an Independent Payment Advisory Board ("IPAB") to reduce the per capita rate of growth in Medicare spending. The IPAB has broad discretion to propose policies to reduce expenditures for the Medicare program, which could result in reduced payments for prescription drugs. Under certain circumstances, these recommendations will become law unless Congress enacts legislation that will achieve the same or greater Medicare cost savings.

On June 28, 2010, the Departments of Health and Human Services, Labor, and the Treasury jointly issued interim final regulations to implement the provisions of the PPACA that prohibit the use of preexisting condition exclusions, eliminate lifetime and annual dollar limits on benefits, restrict contract rescissions, and provide patient protections. On June 20, 2014 the Departments of Health and Human Services, Labor, and the Treasury jointly issued final regulations clarifying the relationship between a group health plan's eligibility criteria and the PPACA's 90-day limit on waiting periods.

On January 27, 2012, The Centers for Medicare and Medicaid Services (“CMS”) issued its long awaited proposed rule implementing the Medicaid pricing and reimbursement provisions of the PPACA and related legislation. CMS accepted comments on this proposed rule through April 2, 2012.

On June 28, 2012, the U.S. Supreme Court ruled on certain challenged provisions of the PPACA. The U.S. Supreme Court generally upheld the constitutionality of the PPACA, including its individual mandate that requires most Americans to buy health insurance starting in 2014, and ruled that the Anti-Injunction Act did not bar the Court from reviewing that the PPACA provision. However, the U.S. Supreme Court invalidated the PPACA’s provisions requiring each state to expand its Medicaid program or lose all federal Medicaid funds. The Court did not invalidate the PPACA’s expansion of Medicaid for states that voluntarily participate; it only held that a state’s entire Medicaid funding cannot be withheld due to its failure to participate in the expansion.

On February 1, 2016, the 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 two aspects of the rule that were deferred for later implementation. These include a definition of what constitutes a product “line extension” and a delay in the participation of the U.S. territories in the Medicaid Drug Rebate Program until April 1, 2020. We will evaluate the financial impact of these two elements when they become effective.

In November 2015, the Bipartisan Budget Act of 2015 (the “BBA”) was enacted. Section 602 of the BBA amends the Medicaid Drug Rebate Program to impose a price increase penalty on generic drugs.

Previously, the price increase penalty had only applied to brand drugs and authorized generics, but other generic drugs were subject to a fixed base rebate of 13% of average manufacturer price (“AMP”). The BBA now imposes a price increase penalty on generic drugs similar to that of the price increase penalty on brand drugs and authorized generics.

The additional rebate for generic drugs will apply to rebate periods beginning with the first quarter of 2017. The additional rebate due for generic drugs is equal to the AMP for the current quarter minus the baseline AMP adjusted for inflation. The inflation adjustment is calculated as the Consumer Price Index for Urban Consumers (CPI-U) for the month before the reporting quarter divided by the baseline CPI-U. For generics marketed on or before April 1, 2013, the baseline AMP is the AMP for the third quarter of 2014 and the baseline CPI-U is the CPI-U for September 2014. For generics marketed after April 1, 2013, the baseline AMP is the AMP for the fifth full calendar quarter after the drug was first marketed and the baseline CPI-U is the CPI-U for the last month of the baseline AMP quarter.

In 2017, a new administration, which had promised to repeal and replace the PPACA, took office in the United States and there are ongoing efforts to achieve that goal. For example, in March 2017, the U.S. House of Representatives passed legislation, which, if signed into law, would repeal certain aspects of the PPACA. We cannot predict the form any such replacement of the PPACA may take, although it may have the impact of reducing the number of insureds as well as coverage for pharmaceutical products. There may also be changes to the Medicaid Part D program or the funding thereof. Any such changes in the PPACA, the Medicaid Part D program or other laws relating to drug pricing, coverage through Medicaid or Medicare, or other facets of the U.S. healthcare market could have a material adverse effect on our results of operations, financial condition or business.

Pending full implementation of the PPACA, we are continuing to evaluate all potential scenarios surrounding its implementation and the corresponding impact on our financial condition, results of operations and cash flow.

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 10 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.

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 505(b)(2) applications and 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. The U.S. FDA has issued and updated various technical guidance documents to assist the biopharmaceutical industry in developing biosimilar products in compliance with the BPCIA. On April 28, 2015, the U.S. FDA finalized three substantial draft guidance documents originally published in February 2012 that are intended to provide a roadmap for development of biosimilar products. In May 2015, March 2016 and January 2017, the U.S. FDA released additional biosimilar guidance documents. These guidance documents address quality considerations, scientific considerations and questions and answers regarding commonly posed issues.

Trans-Pacific Partnership

The Trans-Pacific Partnership (“TPP”) free trade agreement was concluded in October 2015 by the United States, Australia, New Zealand, Peru, Chile, Mexico, Canada, Singapore, Brunei, Malaysia, Vietnam and Japan. The final text of the TPP agreement requires TPP-signatory countries to provide biopharmaceutical products with a minimum of either eight years of data exclusivity or five years of data exclusivity coupled with an additional three years of other measures that must deliver a comparable outcome in the market, recognizing that market circumstances also contribute to effective market protection to deliver a comparable outcome in the market. Notably, the TPP fails to explain what “other measures” or “market circumstances” will deliver “a comparable outcome in the market.” The TPP agreement only sets a minimum period for exclusivity and not a maximum, and so the United States will be permitted to maintain the current BPCIA rules granting biologics manufacturers 12 years of combined data and market exclusivity. The text of the TPP agreement must now be ratified and signed according to the procedures of each nation concerned. However, the United States recently withdrew from the TPP, which has brought uncertainties to the future of the agreement.

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. We are in the process of evaluating the impact of the aforementioned regulation on us.

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 our subsidiaries in the U.S., 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. We have responded to all of the Texas AG’s requests to date, and we understand that the investigation is continuing.

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 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, one of our subsidiaries received subpoenas from the DOJ 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. We have been cooperating, and intend to continue to fully cooperate, with these inquiries.

Agreement with Amgen

During the three months ended September 30, 2016, we entered into an agreement with Amgen Inc. ("Amgen") that effectively expands the strategic collaboration that we entered into with Amgen in August 2015. Under the terms of the new agreement, we will commercialize the oncology and osteoporosis medicines XGEVA[®] (denosumab), Vectibix[®] (panitumumab) and Prolia[®] (denosumab) in India.

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, 2017, we had filed a total of 25 Abbreviated New Drug Submissions ("ANDS") in Canada, out of which 16 were approved, 6 are pending submissions, and 3 were withdrawn or rejected.

Europe

Our sales of generic medicines in Europe for the year ended March 31, 2017 were Rs.7,606 million, which accounted for approximately 7% of our Global Generics segment's sales.

In the European Union (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 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.

Sales, Marketing and Distribution Network

Germany

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

Over the last few years, the German pharmaceutical market has significantly changed. The healthcare reform known as the Statutory Health Insurance (SHI)—Competition Strengthening Act or Wettbewerbsstärkungsgesetz ("GKV-WSG") (an act to strengthen the competition in public health insurance), which was effective as of April 1, 2007, has significantly increased the power of insurance companies and statutory health insurance funds ("SHI funds") to influence dispensing of medicines.

Pursuant to the GKV-WSG law, those pharmaceutical products covered by rebate contracts with insurance companies and SHI funds have to be prescribed by physicians and dispensed by pharmacies with priority. This has increased the power of insurance companies and SHI funds. 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. In response to these market changes, betapharm underwent a comprehensive restructuring of its sales

force, with a reduction of more than 200 employees since we acquired it in March 2006. In addition, we are participating in the tender opportunities by bidding at prices which meet our internal incremental profitability thresholds. In view of this, our success ratio in winning these tender awards has declined and, accordingly, the ratio of our tender based sales to our overall sales has significantly reduced over the past few years.

United Kingdom and other Countries within Europe

We market our generic products in the United Kingdom and other EU countries 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 have recently established a commercial structure in Italy, Spain and France to expand our direct footprint in the western European region. The initial focus will be to market to hospitals and institutional clients in these countries. Our product mix in these markets will focus on a limited number of key therapy areas (initially oncology, anti-infectives and HIV) and the nature of this business will predominantly be tender-driven, without the need for a large sales force.

Competition

Our key competitors within the German generics market include the Sandoz group of Novartis Pharma A.G. (including its Hexal, Sandoz and 1A Pharma subsidiaries), the Ratiopharm group of Teva Pharmaceutical Industries Ltd. (including its Ratiopharm, AbZ-Pharma and CT Arzneimittel subsidiaries), Winthrop Arzneimittel GmbH and the Stada group of Stada Arzneimittel AG (including its Stada and Aliud subsidiaries). In the rebate contracts with SHI funds, prices are one of the most important competitive factors.

According to British Generics Manufacturers Association, the United Kingdom is one of the largest markets for generic pharmaceuticals in Europe with high generic penetration 82% 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 65% of the retail pharmacies are owned by wholesalers or are part of retail chains, and low barriers of entry. The market is dominated by global pharmaceutical companies such as Teva Pharmaceutical Industries Limited, Actavis (now part of Intas Pharmaceuticals Ltd.), the Sandoz group of Novartis Pharma A.G. and Mylan Inc..

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

Government regulations

European Union Regulatory Environment

The activities of pharmaceutical companies within the European Union are governed in particular by Directives 2001/83/EC and 2003/94/EC, as amended, and as implemented in national laws within the countries of the European Union. These 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 European Union. Such marketing authorizations may be restricted to one member state, cover a selection of member states or can be for the whole of the European Union, depending upon the form of registration procedure selected.

Generic or abridged applications omit full non-clinical and clinical data but contain limited non-clinical and clinical data, depending upon the legal basis of the application or to address a specific issue. In the case of a generic medicine application, the applicant is required to demonstrate that its generic product contains the same active pharmaceutical ingredients in the same 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. European Union laws prevent regulatory authorities from accepting applications for approval 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 European Union, depending on the circumstances). The applicant is also required to demonstrate bioequivalence 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 European Union 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. The Regierung von Oberbayern, the district government of Upper Bavaria in Germany, has also inspected our plants in Hyderabad as well as Vishakapatnam.

All pharmaceutical companies that manufacture and market human medicinal products in Germany are subject to the applicable rules and regulations executed by the BfArM and the supervisory authorities of the respective federal state in Germany. All pharmaceutical companies in Germany are periodically inspected by the competent supervisory authority, which has extensive enforcement powers over the activities of pharmaceutical companies. Non-compliance can result in closure of the facility.

In Germany, the government has in recent years enacted a number of laws designed to limit pharmaceutical cost increases, including the GKV-WSG discussed above and the Economic Optimization of Pharmaceutical Care Act (also known as the “AVWG”). During the fiscal year ended March 31, 2011, the German government introduced a new law entitled “Act on the reorganization of the pharmaceutical market in the public health insurance” (or “*Arzneimittelmarktneuordnungsgesetz*”, commonly referred to as “AMNOG”), which affects reimbursement of drugs within Germany’s statutory health care system in order to further control the costs of medical care. The key elements of this law are as follows:

- Historically, the pharmaceutical companies had been free to set the initial asking price for novel drugs in the German public health system, subject to certain mandatory rebates. Under this new law, a pharmaceutical company determines the price for a new drug or new therapeutic indication for the first year after launch, but must submit to the Joint Federal Committee (the Gemeinsamer Bundesausschuss or “G-BA”) a benefit/risk assessment dossier on the drug at or prior to its launch. The G-BA analyzes whether the drug shows an additional clinical benefit in comparison to a corresponding established drug (the “appropriate comparator therapy”).
 - If an additional benefit is established, the pharmaceutical company must negotiate the price of the drug with the Federal Association of the health insurance funds. If no agreement is reached in the negotiation, then the price is determined pursuant to an arbitration procedure. There must be a minimum term of one year.
 - If no additional benefit is established, the drug is immediately included in a group of drugs with comparable pharmaceutical and therapeutic characteristics, for which maximum reimbursement prices have already been set. If this is not possible due to the drug’s novelty, then the pharmaceutical company must negotiate a reimbursement price with the Federal Association of the health insurance funds that may not exceed the costs of the appropriate comparator therapy.
 - The prices determined pursuant to the above procedures also apply to private insurance agencies, privately insured persons and self-payers, although they may negotiate further discounts.
 - For drugs developed specifically to treat rare medical conditions that are designated as “orphan drugs”, the orphan drug will be presumed to have an additional benefit under certain circumstances.
- A new regulation for packaging size had to be implemented in 2013. Standard sizes are now based upon the duration of therapies, instead of being based on fixed quantity. Three different types of package sizes are now allowed: N1-packages for treatment periods of 10 days; N2-packages for treatment periods of 30 days; and N3-packages for treatment periods of 100 days.
- The law increases the choice to patients by the use of co-payment as an option for patients opting for a non-rebated generic drug.

In Germany, the German Drug Law (*Arzneimittelgesetz*) (“AMG”), which implements European Union requirements, is the primary regulation applicable to medicinal products. In 2012, the 16th Amendment to the AMG and related laws were enacted in order to implement European Directives into national laws. Among other things, the most important changes refer to pharmacovigilance, clinical trials, protection measures against counterfeited medicines and liberalization of German drug advertising law. These transpositions of European Union legislation into national law also took place in the United Kingdom.

The German Social Code's price freeze imposed on reimbursable drugs, which was due to expire at the end of 2013, was amended in 2013 and 2014 to extend the price freeze until December 31, 2017, although the continued price freeze will not apply to medicines subject to internal reference pricing.

New European pharmacovigilance legislation (Regulation (EU) No 1235/2010 and Directive 2010/84/EU) was implemented in July 2012. These new requirements are intended to improve patient safety, but will also increase our administrative burdens and therefore our costs. In 2015, the European Commission introduced pharmacovigilance service fees that industry pays for the simplification and maintenance of the European pharmacovigilance system, as well as fees for the assessment of aggregate safety reports and protocols and study reports mandated following a safety referral. The service fees payable for these reports are unpredictable, as the Pharmacovigilance Risk Assessment Committee ("PRAC") of the European Medicine Agency ("EMA") can initiate a safety referral for any medicine or class of medicines with a significant new safety concern at any time.

The International Standards for Identification of Medicinal Products ("IDMP"), comprised of five International Organization for Standardization ("ISO") standards, were approved in 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. In the European Union, these standards will be implemented in a phased approach for medicinal product information starting in mid-2017.

The submission of medicinal product data to support pharmacovigilance has been required since 2012 in the European Union. 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 European Union.

In order for us to support the maintenance of medicinal product data in the IDMP-compliant database, we are investing in new systems and will have to make significant changes to our processes and procedures.

Following implementation in the European Union, it is expected that the U.S. FDA will also implement these standards.

"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 South Africa, Australia and Venezuela. Our revenues from our "Rest of the World" markets were Rs.5,833 million in the year ended March 31, 2017, a decrease of 38% as compared to the year ended March 31, 2016. This reduction in sales was primarily attributable to the ongoing economic crisis in Venezuela and correspondingly, our risk mitigation approach by way of moderating the supply of products to this country.

Venezuela

Venezuela is a hyperinflationary economy, and the financial outlook there remains challenging and uncertain. In February, 2016, the Venezuelan government announced further changes to its foreign currency exchange mechanisms, including the devaluation of its official exchange rate. The following changes became effective as of March 10, 2016:

- The CENCOEX preferential rate was replaced with a new "DIPRO" rate. The DIPRO rate is only available for purchases and sales of essential items such as food and medicine. Further, the preferential exchange rate was devalued from 6.3 VEF per U.S.\$1.00 to 10 VEF per U.S.\$1.00;
- The SICAD exchange rate mechanism, which last auctioned U.S. Dollars for approximately 13 VEF per U.S.\$1.00 was eliminated; and
- The SIMADI exchange rate mechanism was replaced with a new "DICOM" rate, which governs all transactions not subject to the DIPRO exchange rate and fluctuates according to market supply and demand. The DICOM rate on March 31, 2017 was 709.8 VEF per US \$1.00, In comparison, the DICOM rate on March 31, 2016 was 272.5 VEF per U.S.\$1.00.

During the year ended March 31, 2016, we received approvals from the Venezuelan government for remittance of only U.S.\$4 million towards the importation of pharmaceutical products at the CENCOEX preferential rate. We fully considered all the aforesaid developments, facts and circumstances and, following the guidance available in IAS 21, we determined that it was appropriate to use the SIMADI/DICOM rate for translating the monetary assets and liabilities of our Venezuelan subsidiary.

Consistent with the position taken as on March 31, 2016, we applied the DICOM rate for translating the financial statements of our Venezuelan subsidiary for the year ended March 31, 2017. Refer to Note 39 to our consolidated financial statements for further details.

Notwithstanding this ongoing uncertainty, we continue to actively engage with the Venezuelan government and seek approval to repatriate funds at preferential rates so that we may continue to provide affordable medicine to fulfill the needs of people of their country.

In May 2017, the Venezuelan government completed its first auction offering under DICOM, resulting in a DICOM rate of VEF 2,010 per U.S.\$1.00. Also in May 2017, Venezuela announced its intent to launch a new currency exchange mechanism to replace the DICOM rate, but details have not yet been provided.

Collaboration agreement with Merck Serono

On June 6, 2012, we entered into a collaboration agreement with the biosimilars division of Merck KGaA, Darmstadt, Germany, formerly known as Merck Serono (hereinafter, “Merck KGaA”), to co-develop a portfolio of biosimilar compounds in oncology, primarily focused on monoclonal antibodies. The arrangement covers co-development, manufacturing and commercialization of the compounds around the globe, with some specific country exceptions.

During the year ended March 31, 2016, the collaboration agreement was amended to rearrange and realign the development of compounds, territory rights and royalty payments. Both parties undertook commercialization based on their respective regional rights as defined in the agreement. We lead and support early product development towards or including Phase I development. Merck KGaA carries out manufacturing of the compounds and leads further development for its territories. In our exclusive and co-exclusive territories, we carry out our own development, wherever applicable, for commercialization. We will continue to receive royalty payments upon commercialization by Merck KGaA in its territories.

During the year ended March 31, 2016, we received from Merck KGaA certain amounts relating to its share of development costs and other amounts linked to the achievement of milestones for the development of compounds under the collaboration agreement, as amended. Furthermore, during the year ended March 31, 2017, we received from Merck KGaA payments of U.S.\$1 million towards achievement of a milestone for the development of a compound under the collaboration agreement.

On April 24, 2017, Fresenius SE & Co. KgaA and Merck KGaA announced that Fresenius Kabi will acquire Merck’s Biosimilars business. The transaction is subject to regulatory approvals and other customary closing conditions and is expected to close in the second half of calendar year 2017. Upon completion of the transaction, our collaboration will continue as planned, with Fresenius Kabi.

Global Generics Manufacturing and Raw Materials

Manufacturing for our Global Generics segment entails converting active pharmaceutical ingredients (“API”) into finished dosages. As of March 31, 2017, we had thirteen manufacturing facilities within this segment. Eleven of these facilities are located in India and two are located in the United States (Shreveport, Louisiana; and Bristol, Tennessee). 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 Good Manufacturing Practice (“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, Germany, Venezuela, Russia, the United Kingdom, South Africa and Australia 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 injectible oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. Refer to Item 4.A. “History and development of the company—Key business developments” for further details.

Pharmaceutical Services and Active Ingredients (“PSAI”) segment

Our Pharmaceutical Services and Active Ingredients (“PSAI”) segment includes our business of manufacturing and marketing active pharmaceutical ingredients and intermediates, also known as “API” or bulk drugs, 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, 2017 were Rs.21,277 million, a decline of 5% as compared to the year ended March 31, 2016. Our PSAI segment accounted for 15% of our total revenues for the year ended March 31, 2017.

During the year ended March 31, 2017, we filed 85 Drug Master Files (“DMFs”) worldwide, of which 11 were filed in the United States, 5 were filed in Europe and 69 were filed in other countries. Cumulatively, our total DMFs filed worldwide as of March 31, 2017 were 830, including 275 DMFs filed in the United States.

We produce and market more than 100 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 80 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 fine chemicals industry. Our objective is to be the preferred partner for innovator pharmaceutical companies, providing a complete range of services that are necessary to take their innovations 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 various needs of innovator pharmaceutical companies. We have positioned our PSAI segment’s Custom Pharmaceutical Services business to be the partner of choice for large and emerging innovator companies across the globe, with service offerings spanning the entire value chain of pharmaceutical services.

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.11,458 million for the year ended March 31, 2017, and accounted for 54% of our PSAI segment’s revenues for the year ended March 31, 2017. 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, 2015, 2016 and 2017, 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.1,750 million, and it accounted for 8% of the PSAI segment’s revenues in the year ended March 31, 2017. 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.

Our PSAI segment’s sales to all of the other markets (excluding the United States, Europe and India) was Rs.8,069 million for the year ended March 31, 2017 and accounted for 38% of our PSAI segment’s revenues for the year. Our PSAI segment’s other key markets include Brazil, Mexico, South Korea 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.

For our custom pharmaceutical 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 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.

PSAI Manufacturing

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

In addition, we have also established a new manufacturing facility which is part of a Special Economic Zone located in Devunipalavalasa, Srikakulam, Andhra Pradesh, India. This facility was inspected by the U.S. FDA in April 2017.

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 Miryalguda, Telangana and Srikakulam, Andhra Pradesh. Refer to item 4.A. “History and development of the company – Key business developments” for further details.

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: Our Dowpharma Small Molecules business, which we acquired from The Dow Chemical Company in April 2008, continues to offer niche capabilities, such as biocatalysis, chemocatalysis and hydroformulation, to provide cost effective solutions for chiral molecules. The non-exclusive license to Dow’s Pfēnex Expression Technology™ for biocatalysis development, also acquired as part of the acquisition, continues to offer us opportunities to provide technology leveraged manufacturing services to innovators, including major global pharmaceutical companies.

For our contract research services, we have well-resourced synthetic organic chemistry laboratories, analytical laboratories and kilo laboratories at our technology development centers at Miyapur and Jeedimetla in Hyderabad, India. Our chemists and engineers understand cGMP manufacturing and regulatory requirements for synthesis, manufacture and formulation of a NCE 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. Larger quantities of APIs are sourced from API plants in India and Mexico.

Our contract research and manufacturing business is 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 built over the last few 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 custom intermediates. The prices of these raw materials generally fluctuate in line with commodity cycles. 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 and Chinese manufacturers, as well as from Teva Pharmaceuticals Industries Limited, based in Israel.

With respect to our custom pharmaceuticals business, 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 and Piramal Enterprises Ltd. Key competitors from outside India include Lonza Group, AMRI Inc., Patheon Inc., Catalent Inc., Cambrex Inc., and WuXi PharmaTech. 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. With growth in contract research and manufacturing services likely to be driven by increased outsourcing by 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 products in India are subject to various national and state laws and regulations, which principally include the Drugs and Cosmetics Act, 1940, the Drugs (Prices Control) Order, 1995, various environmental laws, labor laws and other government statutes and regulations. These regulations govern the testing, manufacturing, packaging, labeling, storing, recordkeeping, safety, approval, advertising, promotion, sale and distribution of pharmaceutical products.

In India, manufacturing licenses for drugs and pharmaceuticals are generally issued by state drug authorities. Under the Drugs and Cosmetics Act, 1940, the state drug administration agencies 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 current Good Manufacturing Practice regulations (“cGMP”). The manufacturing facilities and production procedures must meet U.S. FDA standards.

Eight of our manufacturing facilities are inspected and approved by the U.S. FDA. 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 manufacture of differentiated formulations. These novel products fall within the dermatology and neurology therapeutic areas and are marketed and sold through Promius® Pharma, LLC.

We continue to leverage our semi-virtual research and development model to expand our portfolio of specialty formulation products. Our efforts primarily focus on repurposing or improving the clinical properties of already approved and well-characterized active pharmaceutical ingredients (“API”) for application in the dermatologic and neurologic 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, 2017, we employed a total of 163 scientists, including 38 scientists who hold Ph.D. degrees and five with M.D. degrees. We pursue an integrated research strategy through a mix of translational, formulation and analytical research at our laboratories. We focus on discovery of new molecular targets, design of assays to screen promising molecules and development of novel formulations of currently marketed drugs or combinations thereof to address unmet medical needs.

While we develop novel agents ourselves, we continue to seek licensing and development opportunities with third parties to further expand our product pipeline. Our goal is to balance the development of our own product candidates with in-licensing of promising compounds that complement our product offering. We also pursue licensing and joint development of some of our lead compounds with companies looking to enhance their own product portfolio.

Pipeline Status

As of March 31, 2017, we had 16 active product development programs in our pipeline. 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. We also received tentative approval of our NDA for our dermatology product Zenavod.

The details of our products in Phase 3 and the products for which an NDA has been filed with U.S FDA as of March 31, 2017 are as follows:

Compound	DFN-02	DFD-06
Therapeutic Area	Neuroscience	Dermatology
Indication	Acute treatment of migraines, with or without aura in adults.	Treatment of moderate plaque psoriasis in patients 18 years of age or older.
Significant developments during the period	Pivotal bioequivalence studies were completed. Patient safety studies have been completed and efficacy study is in progress.	Phase 3 studies have been completed. Registration batches have been manufactured and all the preparations for NDA filing have been made during the period.
Significant patents associated with the compound	Patents (including those granted to the development partner) expiring as follows: <ul style="list-style-type: none"> • U.S.A.—2031; • All other countries—2030 Further, patent applications are pending in certain other countries along with the U.S.A.	A Patent application covering compositional matter is pending in the U.S.A. and an PCT application is also pending.
Current status/ expected NDA filing*	Phase 3 is completed. Submission of NDA to U.S. FDA is planned for 2018.	NDA was submitted in January 2017.

[Continued from prior table, first column repeated]

Compound	DFD-10	DFD-11 (Xeglyze™)
Therapeutic Area	Dermatology	Pediatrics
Indication	Treatment of acne in patients 12 years of age or older.	Treatment of head lice in patients 6 months of age or older.
Significant developments during the period	Two pivotal bioequivalence studies completed.	The NDA was initially filed by Hatchtech in September 2015; ownership was transferred to us in December 2015.
Significant patents associated with the compound	Patent applications are pending in the U.S.A. and under the PCT.	Three patents were granted in the U.S.A., with estimated expiration in 2026. Patents were also granted in Australia, Canada, India, and New Zealand. Some other patent applications are pending in certain countries, including the U.S.A.
Current status/ expected NDA filing*	Approval of NDA by the U.S. FDA was received in May 2017.	NDA was submitted in September 2015 and we received a complete response letter from the U.S. FDA in August 2016. We expect to respond to the complete response letter in July 2017.

[Continued from prior table, first column repeated]

Compound	XP 23829	E7777
Therapeutic Area	Dermatology	Haematology-Oncology
Indication	Treatment of plaque psoriasis in patients 12 years of age or older.	Treatment of Cutaneous T Cell Lymphoma.
Significant developments during the period	This is a NCE program in-licensed from Xenoport. Phase 2 was completed.	This is an anti-cancer biologic agent in-licensed from EISAI limited.
Significant patents associated with the compound	Five patents were granted, with estimated expiration of the last such patents in 2029. In addition, one notice of allowance has been received. Patents were also granted in multiple other countries such as Australia, China, Europe, Japan and Russia, with estimated expiration in 2029. There are also other patent applications pending in the U.S.A. and some other countries.	None.
Current status/ expected NDA filing*	Phase 2b/3 studies being planned.	Phase 3 is in process. Submission of a biologics license application to the U.S. FDA is planned for 2019.

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

Patents. Our Proprietary Products segment had the following patent applications filed and patents granted as of March 31, 2017:

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	18	11	4	27	8
Differentiated formulations	41	18	22	34	—
TOTAL	218	92	147	272	75

(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.

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 safety and efficacy, 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	Clinical studies conducted with groups of patients to determine preliminary efficacy, dosage and expanded evidence of safety.
Phase 3	Larger scale clinical studies conducted in 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.

Competition

The pharmaceutical and biotechnology industries are highly competitive. We face intense competition from organizations such as large and small pharmaceutical companies, biotechnology companies and academic and research organizations. 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 India, under the Drugs and Cosmetics Act, 1940, the regulation of the manufacture, sale and distribution of drugs is primarily the concern of the state authorities while the Central Drug Control Administration is responsible for approval of new drugs, clinical trials in the country, establishing the standards for drugs, control over the quality of imported drugs, coordination of the activities of state drug control organizations and providing expert advice with a view of bringing about the uniformity in the enforcement of the Drugs and Cosmetics Act, 1940.

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.

Generally, in order to gain U.S. FDA approval, a company first must conduct nonclinical studies in the laboratory and in animal models to gain preliminary information on a compound's activity and to identify any safety problems. Nonclinical studies must be conducted in accordance with U.S. FDA regulations. The results of these studies are submitted as part of an IND application that the U.S. FDA must review before human clinical trials of an investigational drug can start. If the U.S. FDA does not respond with any questions, a drug developer can commence clinical trials thirty days after the submission of an IND.

In order to eventually commercialize any products, we or our collaborator first are required to sponsor and file an IND and are responsible for initiating and overseeing the clinical studies to demonstrate the safety and efficacy that is necessary to obtain U.S. FDA marketing approval. Clinical trials are normally done in three phases and generally take several years to complete. The clinical trials have to be designed taking into account the applicable U.S. FDA guidelines. Furthermore, the U.S. FDA may suspend clinical trials at any time if the U.S. FDA believes that the subjects participating in trials are being exposed to unacceptable risks or if the U.S. FDA finds deficiencies in the conduct of the trials or other problems with our product under development.

After completion of clinical trials of a new product, U.S. FDA marketing approval must be obtained. If the product is classified as a new pharmaceutical, we or our collaborator are required to file a New Drug Application ("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.

Our research and development processes involve the controlled use of hazardous materials and controlled substances. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and waste products.

Promius Pharma LLC

Promius Pharma LLC (“Promius Pharma”), our subsidiary based in Princeton, New Jersey in the United States, conducts our U.S. Specialty business, which is engaged in the promotion and sale of branded specialty products in the therapeutic areas of dermatology and neurology.

In addition to its existing portfolio of proprietary and licensed dermatology and neurology products, Promius Pharma also has a pipeline of dermatology and neurology products that are in different stages of development. Promius Pharma’s current portfolio contains innovative products for the treatment of seborrheic dermatitis, acne and steroid responsive dermatoses. Promius has commercialized eight products: EpiCeram[®], a skin barrier emulsion for the treatment of atopic dermatitis; Scytera[®], a foam for the treatment of psoriasis; Promiseb[®], a cream for the treatment of seborrheic dermatitis; Cloderm[®] (clocortolone pivalate 0.1%), a cream used for treating corticosteroid-responsive dermatoses; Trianex[®], a cream for the treatment of the inflammatory and pruritic manifestations of corticosteroid-responsive dermatoses; Zembrace SymTouch (subcutaneous sumatriptan 3mg), an autoinjector for treatment of migraine headaches; and Sernivo (betamethasone propionate, 0.05%), a spray for the treatment of mild to moderate plaque psoriasis. Promius Pharma also markets and promotes Zenatane (isotretinoin).

Promius Pharma leverages our research, development and manufacturing facilities in Hyderabad, India. Promius Pharma also works with various third party research organizations in conducting product development, nonclinical and clinical studies. Manufacturing is also outsourced to reputable contract manufacturing organizations in the United States and Europe. Both of Promius Pharma’s commercial groups—dermatology and neurology have the support of teams spanning marketing, sales operations, market access and medical affairs. The dermatology and neurology teams are comprised of 137 marketing, sales, and market access and operations professionals.

4.C. Organizational structure

Dr. Reddy’s Laboratories Limited is the parent company in our group. Refer to Note 47 of our consolidated financial statements for a list of our subsidiaries, associates 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:

Sl. 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	732,592	Global Generics and PSAI
3	API Hyderabad Plant 3, Telangana, India	644,805	Global Generics and PSAI
4	API Hyderabad Plant 4, Telangana, India	189,343	Global Generics and PSAI
5	API Nalgonda Plant, Telangana, India	3,397,680	Global Generics and PSAI
6	API Srikakulam Plant, Andhra Pradesh, India	4,027,688	Global Generics and PSAI
7	API Srikakulam Plant (SEZ), Andhra Pradesh, India	11,001,863	Global Generics
8	Technology Development Centre Hyderabad 1, Telangana, India	113,256	PSAI
9	Technology Development Centre Hyderabad 2, Telangana, India	68,825	PSAI
10	Formulations Hyderabad Plant 1, Telangana, India	271,379	Global Generics
11	Formulations Hyderabad Plant 2, Telangana, India	3,207,826	Global Generics
12	Formulations Yanam Plant, Pondicherry, India	463,541	Global Generics
13	Formulations Baddi Plant 1, Himachal Pradesh, India	728,234	Global Generics
14	Formulations Baddi Plant 2, Himachal Pradesh, India	381,342	Global Generics
15	Biologics Hyderabad, Telangana, India	789,727	Global Generics
16	Formulations Hyderabad Plant 3, Telangana, India	1,539,089	Global Generics
17	Formulations Srikakulam Plant 1 (SEZ), Andhra Pradesh, India	879,041	Global Generics
18	Formulations Srikakulam Plant 2 (SEZ), Andhra Pradesh, India	334,105	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	ADTL Hyderabad, Telangana, India	187,308	Others
22	ADTL Bengaluru, Karnataka, India	718,716	Others
23	Integrated Product Development Center, Telangana, India	103,350	Global Generics, PSAI and Proprietary
Outside India			
24	API Cuernavaca Plant, Mexico	2,361,840	PSAI
25	API Mirfield Plant, United Kingdom	1,785,960	PSAI
26	API Middleburgh Plant, New York, United States	292,000	Global Generics
27	Technology Development Centre, Cambridge, United Kingdom	32,966	Global Generics and PSAI
28	Technology Development Centre, OctoPlus N.V., Leiden, the Netherlands	56,500	Global Generics and PSAI
29	Formulations Beverley Plant, East Yorkshire, United Kingdom	81,000	Global Generics
30	Formulations Shreveport Plant, Louisiana, United States	2,349,251	Global Generics
31	Formulations Bristol Plant, Tennessee, United States	1,742,400	Global Generics

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, we have sales, marketing and administrative offices, some of which are owned and some others are leased properties. We believe that our facilities are optimally utilized.

Global Generics

During the year ended March 31, 2013, we expanded our biosimilars facility in Hyderabad, Telangana, India to meet growing demand in emerging markets.

During the year ended March 31, 2014, we set up a new manufacturing facility in a Special Economic Zone in Duvvada, Visakhapatnam, Andhra Pradesh, India for the manufacture of parenteral (injectable form) products. This facility helps us meet the demand for such products in some of our key markets, including the United States.

During the year ended March 31, 2015, we obtained approvals from the U.S. FDA for products to be manufactured from a recently commissioned oral solid dosage form facility in a Special Economic Zone in Devunipalavalasa, Srikakulam, Andhra Pradesh, India. This plant, which began operations during the year ended March 31, 2016, manufactures new molecules and certain high volume products of our Global Generics segment. Further, during the year March 31, 2016, we began manufacturing products from this plant.

Pharmaceutical Services and Active Ingredients

During the year ended March 31, 2013, we set up a new manufacturing facility in a Special Economic Zone located in Devunipalavalasa, Srikakulam, Andhra Pradesh, India. We have filed some of our new DMFs from this location. This plant is adjacent to an existing plant, in a newly acquired area of approximately 250 acres under a Pharmaceutical-Sector specific Special Economic Zone for fiscal benefits. This location also houses our Global Generics segment's recently commissioned oral solid dosage form facility. The formal governmental approval for designating the property as a Special Economic Zone has been obtained.

Material plans to construct, expand and improve facilities

As of March 31, 2017, we had capital work-in-progress of Rs.6,646 million and capital commitments of Rs.5,256 million for expansion of our manufacturing and research facilities, primarily relating to facilities located in India and the United States. 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, 2018 and March 31, 2019.

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 providing 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 reportable 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 Chief Executive Officer is the CODM of the Company.

Our reportable operating segments are as follows:

- Global Generics;
- Pharmaceutical Services and Active Ingredients (“PSAI”); and
- Proprietary Products.

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 includes our business of manufacturing and marketing active pharmaceutical ingredients and intermediates, also known as “API” or bulk drugs, 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, development, and manufacture of differentiated formulations. These novel products fall within the dermatology and neurology therapeutic areas and are marketed and sold through Promius® Pharma, LLC.

Others. This includes the operations of our wholly-owned subsidiary, Aurigene Discovery Technologies Limited, a discovery stage biotechnology company developing novel and best-in-class therapies in the fields of oncology and inflammation and which works with established pharmaceutical and biotechnology companies in early-stage collaborations, bringing drug candidates from hit generation to pre-clinical development.

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 and 3 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 in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as below:

- Evaluation of joint arrangements;
- Assessment of functional currency;
- Financial instruments;
- Business combinations;
- Useful lives of property, plant and equipment and intangible assets;
- Valuation of inventories;
- Measurement of recoverable amounts of cash-generating units;
- Assets and obligations relating to employee benefits;
- Provisions;
- Sales returns, rebates and chargeback provisions;
- Evaluation of recoverability of deferred tax assets; and
- Contingencies.

Revenue

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods includes excise duty and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Revenue from sales of generic products in India is recognized upon delivery of products to distributors by our clearing and forwarding agents. Significant risks and rewards in respect of ownership of generic products are transferred by us when the goods are delivered to distributors from clearing and forwarding agents. Clearing and forwarding agents are generally compensated on a commission basis as a percentage of sales made by them. Revenue from sales of active pharmaceutical ingredients and intermediates in India is recognized on delivery of products to customers (generally formulation manufacturers) from our factories. Revenue from export sales and other sales outside of India is recognized when the significant risks and rewards of ownership of products are transferred to the customers, which occurs 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 we 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 purchase 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 in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available. Otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognized for each period, we use all available information and evidence, including any confirmations from the business partner of the profit share amount owed to us, to the extent made available before the date our Board of Directors authorizes the issuance of our financial statements for the applicable period.

Milestone payments and out licensing arrangements

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment upon inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which we have continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period we have continuing performance obligations, if the milestones are not considered substantive. 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.

Provision for chargeback, rebates, sales returns and discounts

In our U.S. 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 90% of the total value of chargebacks outstanding at every 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 upon the expiration of limited competition or exclusivity periods. 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.
- *Sales Return Allowances:* We account for sales returns by recording a provision based on our estimate of expected sales returns. We deal in various products and operate in various markets. Accordingly, our estimate of sales returns is determined primarily by our experience in these markets. In respect of established products, we determine an estimate of sales returns provision primarily based on historical experience of such sales returns. Additionally, other factors that we consider in determining the estimate include levels of inventory in the distribution channel, estimated shelf life, 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 Payments:* 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 IMS Health.
- *Cash Discounts:* We offer cash discounts to our customers, generally at 2% of the gross sales price, as an incentive for paying within invoice terms, which generally range from 45 to 90 days. Accruals for such cash discounts do not involve any significant variables, and the estimates are based on the gross sales price and agreed cash discount percentage at the time of invoicing.

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 55% of such “gross-to-net” adjustments for our U.S. Generics business for the year ended March 31, 2017. 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:

- a) *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.

- b) *Unit pricing rate*— At any point in time, inventory volumes on which we carry our chargeback accrual represents up to 1 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, 2016, 2015 and 2014, respectively, and ended March 31, 2017, 2016 and 2015, respectively, on our estimated inventory levels computed based on the methodology described above (see “Chargebacks” above). We note that the impact on net sales on account of such price variation was negligible.

In view of this, we believe that the calculations are not subject to a level of uncertainty that warrants a probability-based approach. Accordingly, we believe that we have been reasonable in our estimates for future chargeback claims and that the amounts of reversals or adjustments made in the current period pertaining to the previous year’s accruals are immaterial. Further, this data is not determinable except on occurrence of specific instances or events during a period, which warrant an adjustment to be made for such accruals.

A roll-forward for each major accrual for our U.S. Generics operations is presented below for our fiscal years ended March 31, 2015, 2016 and 2017:

<u>Particulars</u>	<u>Chargebacks</u>	<u>Rebates</u>	<u>Medicaid</u>	<u>Sales Returns</u>
	<i>(All values in U.S. \$millions)</i>			
Beginning Balance: April 1, 2014	126	130	15	28
Current provisions relating to sales in current year ⁽¹⁾	1,939	635	24	32
Provisions and adjustments relating to sales in prior years	*	—	0	—
Credits and payments**	(1,871)	(543)	(22)	(20)
Ending Balance: March 31, 2015	194	222	17	40
Beginning Balance: April 1, 2015	194	222	17	40
Current provisions relating to sales in current year ⁽²⁾	2,208	767	23	32
Provisions and adjustments relating to sales in prior years	*	—	—	—
Credits and payments**	(2,193)	(732)	(26)	(27)
Ending Balance: March 31, 2016	209	257	14	45
Beginning Balance: April 1, 2016	209	257	14	45
Current provisions relating to sales in current year ⁽³⁾	1,963	700	22	28
Provisions and adjustments relating to sales in prior years	*	—	—	—
Credits and payments**	(1,981)	(771)	(23)	(37)
Ending Balance: March 31, 2017	191	186	13	36

* 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 up to 1.1 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 sales returns.

(1) Chargebacks and rebates provisions for the year ended March 31, 2015 and payments for the year ended March 31, 2015 were each higher as compared to the year ended March 31, 2014, primarily as a result of customer consolidation (such as the Walgreens Boots Alliance Development, the Red Oak Sourcing joint venture between CVS and Cardinal Health, and the McKesson expanded distribution agreements with Rite Aid and Omnicare). Such customer consolidation has led to an increase in 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, as well as an increase in rebates offered to retail customers.

(2) Chargebacks and rebates provisions for the year ended March 31, 2016 and payments for the year ended March 31, 2016 were each higher as compared to the year ended March 31, 2015, primarily as a result of product mix changes and the addition of new products.

(3) Chargebacks and rebates provisions for the year ended March 31, 2017 and payments for the year ended March 31, 2017 were each lower as compared to the year ended March 31, 2016, primarily as a result of lower sales, product mix changes and relatively low value of new products.

The estimates of “gross-to-net” adjustments for our operations in India and other countries outside of the U.S. relate mainly to sales return allowances in all such operations, and certain rebates to healthcare insurance providers are specific to our German operations. The pattern of such sales return allowances 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.

Our overall provision for sales returns as at March 31, 2017 was Rs.3,784 million, as compared to a provision of Rs.4,421 million as at March 31, 2016. This decrease in our provision was primarily attributable to a lower allowance for returns provision created for the year ended March 31, 2017 due to lower sales recorded for the year ended March 31, 2017 based on our historical experience and recent trends in actual sales returns, in the markets in which we operate. For further information regarding our sales return provisions, refer to Note 21 to our consolidated financial statements.

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.

Export entitlements

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 us, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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 maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other investments

Other investments consist of term deposits with original maturities of more than three months, and mutual funds and equity securities.

Investments in mutual funds and equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income/(loss) and presented within equity under “fair value reserve”. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the consolidated income statement

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

Debt instruments and other financial liabilities

We initially recognize debt instruments issued on the date that they originate. All other financial liabilities are recognized initially on the trade date, which is the date we become a party to the contractual provisions of the instrument. These are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other non-derivative financial instruments

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

De-recognition of financial assets and liabilities

We derecognize a financial asset when the contractual right to the cash flows from that asset expires, or we transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If we retain substantially all the risks and rewards of ownership of a transferred financial asset, we continue to recognize the financial asset and also recognize a collateralized borrowing, at amortized cost, for the proceeds received.

We derecognize a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized as profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, we have a legal right and ability to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

We are exposed to exchange rate risks which arise from our foreign exchange revenues, expenses and borrowings primarily in U.S. dollars, U.K. pounds sterling, Russian roubles, Venezuelan bolivars, Romanian new leus and Euros, and foreign currency debt in U.S. dollars, Russian roubles and Euros.

We use derivative financial instruments, including foreign exchange forward contracts, option contracts and currency swap contracts, to mitigate our risk of changes in foreign currency exchange rates and interest rates. We also use non-derivative financial instruments as part of our foreign currency exposure risk mitigation strategy.

Hedges of highly probable forecasted transactions

We classify our derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measure them at fair value. The effective portion of such cash flow hedges is recorded in our hedging reserve, as a component of equity, and re-classified to the consolidated income statement as revenue 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.

We also designate 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, we apply cash flow hedge accounting to such relationships. Remeasurement gain/loss on such non-derivative financial liabilities is recorded in our hedging reserve, as a component of equity, and reclassified to the consolidated income statement as revenue in the period corresponding to the occurrence of the forecasted transactions.

Upon initial designation of a hedging instrument, we formally document the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. We make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125% relative to the gain or loss on the hedged items. For cash flow hedges to be “highly effective”, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

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 other comprehensive income/(loss), remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/(loss) is recognized immediately in the consolidated income statement.

Hedges of recognized assets and liabilities

Changes in the fair value of derivative financial instruments (such as forward contracts and option 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 financial instruments, as well as the foreign exchange gains and losses relating to the monetary items, are recognized as part of “net finance income/(expense)” in the consolidated income statement.

Hedges of changes in the interest rates

Consistent with our risk management policy, we use interest rate swaps to mitigate the risk of changes in interest rates. We do not use such instruments for trading or speculative purposes.

Foreign currency

Functional currency

The consolidated financial statements are presented in Indian rupees, which is the functional currency of our parent company. Functional currency of an entity is the currency of the primary economic environment in which the entity operates.

In respect of certain non-Indian subsidiaries that operate as marketing arms of our parent company in their respective countries/regions, the functional currency has been determined to be the functional currency of our parent company (i.e., the Indian rupee). The operations of these subsidiaries are largely restricted to importing of finished goods from our parent company in India, sales of these products in the foreign country and making of import payments to our parent company. The cash flows realized from sales of goods are available for making import payments to our parent company and cash is paid to our parent company on a regular basis. The costs incurred by these subsidiaries are primarily the cost of goods imported from our parent company. The financing of these subsidiaries is done directly or indirectly by our 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 and foreign operations

Transactions in foreign currencies are translated to the respective functional currencies of entities within our company group 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. 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 profit or loss in the period in which they arise.

However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income (“OCI”):

- available for sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to the consolidated income statement);
- 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. In such circumstances, we consider all the relevant facts and circumstances in determining the most appropriate rate to use for the purpose of translation, including practical difficulties, uncertainties or delays associated with applying a foreign currency at a particular rate.

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 other comprehensive income/(loss) and presented within equity as a part of foreign currency translation reserve (“FCTR”).

In case of foreign operations whose functional currency is different from Indian rupees (our 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 other comprehensive income/(loss) and presented within equity as part of FCTR. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the consolidated income statement.

Business combinations

We use the acquisition method of accounting to account for any business combination that occurred on or after April 1, 2009. 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 we are exposed to, or have rights to variable returns from our involvement with the entity and have 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. We measure goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed. When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognized immediately in the consolidated income statement. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by us to the previous owners of the acquiree, and equity interests issued by us. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the consolidated income statement.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

On an acquisition-by-acquisition basis, we recognize any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Transaction costs that we incur in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity

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.

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 us 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. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not depreciated.

Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. 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	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 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.

Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of our share of identifiable net assets acquired.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

Other intangible assets

Other intangible assets that are acquired by us, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

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.

Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the consolidated income statements as incurred.

Expenditures on development activities involving a plan or design for the production of new or substantially improved products and processes are capitalized only if:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- we intend to and have sufficient resources to complete development and to use or sell the asset.

Our internal drug development expenditures are capitalized only if they meet the recognition criteria as mentioned above. Where regulatory and other uncertainties are such that the criteria are not met, the expenditures are recognized in profit or loss as incurred. This is almost invariably the case prior to approval of the drug by the relevant regulatory authority. However, where the recognition criteria are met, intangible assets are capitalized and amortized on a straight-line basis over their useful economic lives from product launch.

As of March 31, 2017, no internal drug development expenditure amounts have met the recognition criteria. 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 statements as incurred.

A substantial portion of our current research and development activities relates to the development of bio-equivalent products, which do not require full scale clinical trials to be conducted prior to the filing by us of applications with regulatory authorities to allow the marketing and sale of such products. Our total research and development costs for the year ended March 31, 2017 were Rs.19,551 million, which was approximately 14% of our total revenue for the year. The amounts spent on research and development related to our bio-equivalent products for the years ended March 31, 2017, 2016 and 2015 represented approximately 61%, 65%, and 60%, respectively, of our total research and development expenditures.

For each of our bio-equivalent generic product research and development projects, the timing and cost of completion varies depending on numerous factors, including, among others: the intellectual property patented by the innovator for the applicable product; the patent regimes of the countries in which we seek to market the product; our development strategy for such product; the complexity of the molecule for such product; and the time required to address any development challenges that arise during the development process. For any particular bio-equivalent generic product, these factors and other product launch requirements may vary across the numerous geographies in which we seek to market the product. In addition, bio-equivalent research and development projects often may relate to a number of different therapeutic areas. At any particular point of time, we tend to have a very high number of bio-equivalent generic product research and development projects ongoing simultaneously, in various developmental stages, with the exact number of such active projects changing regularly. As a result, we believe it would be impractical for us to state the exact number of ongoing projects and the estimated timing or cost to complete such projects.

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. Our criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38, "Intangible Assets" ("IAS 38") (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets, which are under development and have accordingly not yet obtained marketing approval, 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 "Research and Development expenses".

Subsequent expenditure on an in-process research or development project acquired separately or in a business combination, and recognized as an intangible asset, is:

- recognized as an expense when incurred, if it is research expenditure;
- recognized as an expense when incurred, if it is 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 in-process research or development project, if it is development expenditure that satisfies the recognition criteria in paragraph 57 of IAS 38.

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.

Amortization

Amortization is recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

In determining the useful life we consider the following factors:

- technical, technological, commercial or other types of obsolescence;
- expected actions by competitors or potential competitors;

- typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way; and
- the period of control over the asset and legal or similar limits on the use of the asset.

The estimated useful lives are as follows:

Trademarks	3 - 12 years
Product related intangibles	5 - 15 years
Customer-related intangibles	1 - 11 years
Technology related intangibles	3 - 13 years
Other intangibles	3 - 15 years

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis.

All impairment losses are recognized in the consolidated income statement. When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is transferred to the consolidated income statement. An impairment loss may be reversed in subsequent periods if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

Non-financial assets

The carrying amounts of our 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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

In the circumstances where the asset specific discount rate is not directly available from the market, we use surrogates to estimate the discount rate. For this purpose, we take into consideration the following rates:

- the weighted average cost of capital determined using techniques such as the Capital Asset Pricing Model;
- our incremental borrowing rate; and
- other market borrowing rates.

However, these rates are adjusted:

- to reflect the way that the market would assess the specific risks associated with the asset's estimated cash flows; and
- to exclude the risks that are not relevant to the asset's estimated cash flows or for which the estimated cash flows have been adjusted.

Consideration is given to risks such as country risk, currency risk and price risk.

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 if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated income statement. 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 for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss for an asset other than goodwill is reversed only to the extent that the asset's carrying amount does not 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 an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in profit or loss 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: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be 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 tax benefit will be realized.

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 us 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 us and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

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) that 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 we consider in determining the allowance for slow moving, obsolete and other non-saleable inventory includes 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 our business and markets. We consider all of these factors and adjust the inventory provision to reflect our actual experience on a periodic basis.

Litigations

We are 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. Most of the claims involve complex issues. We assess the need to make a provision for a liability for such claims and record a provision when we determine that a loss related to a matter is both probable and reasonably estimable.

Because litigation and other contingencies are inherently unpredictable, our assessment can involve judgments about future events. 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 are difficult to ascertain. 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. We also believe that disclosure of the amount of damages sought by plaintiffs, if that is known, would not be meaningful with respect to those legal proceedings.

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. In such circumstances, we disclose information with respect to the nature and facts of the case.

Other provisions

We recognize a provision if, as a result of a past event, we have a present legal or constructive obligation that can be estimated reliably, and it is probable (i.e., more likely than not) 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.

Restructuring

A provision for restructuring is recognized when we have 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 when the expected benefits to be derived by us 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, we recognize any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized 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.

Recent Accounting Pronouncements

Refer to Note 3(s) to our consolidated financial statements.

5.A. Operating results

Income Statement Data

	For the year ended March 31,		2016	2015
	2017	2017		
	(Rs. in millions, U.S.\$ in millions)			
	<i>Convenience translation into U.S.\$</i>			
Revenues	U.S.\$ 2,171	Rs.140,809	Rs.154,708	Rs.148,189
Cost of revenues	963	62,453	62,427	62,786
Gross profit	1,208	78,356	92,281	85,403
Selling, general and administrative expenses	715	46,372	45,702	42,585
Research and development expenses	301	19,551	17,834	17,449
Other (income)/expense, net	(16)	(1,065)	(874)	(917)
Results from operating activities	208	13,498	29,619	26,286
Finance (expense)/income, net	12	806	(2,708)	1,682
Share of profit of equity accounted investees, net of tax	5	349	229	195
Profit before tax	226	14,653	27,140	28,163
Tax expense	40	2,614	7,127	5,984
Profit for the year	U.S.\$ 186	Rs.12,039	Rs.20,013	Rs.22,179

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			Percentage Increase/(Decrease)	
	For the year ended March 31,			2016 to	2015 to
	2017	2016	2015	2017	2016
Revenues	100.0%	100.0%	100.0%	(9.0%)	4.4%
Gross profit	55.6%	59.6%	57.6%	(15.1%)	8.1%
Selling, general, and administrative expenses	32.9%	29.5%	28.7%	1.5%	7.3%
Research and development expenses	13.9%	11.5%	11.8%	9.6%	2.2%
Other (income)/expense, net	(0.8%)	(0.6%)	(0.6%)	21.8%	(4.7%)
Results from operating activities	9.6%	19.1%	17.7%	(54.4%)	12.7%
Finance (expense)/income, net	0.6%	(1.8%)	1.1%	(129.8%)	(261.1%)
Share of profit of equity accounted investees, net of tax	0.2%	0.1%	0.1%	52.5%	17.7%
Profit before taxes	10.4%	17.5%	19.0%	(46.0%)	(3.6%)
Tax expense	(1.9%)	(4.6%)	(4.0%)	(63.3%)	19.1%
Profit for the year	8.5%	12.9%	15.0%	(39.8%)	(9.8%)

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

	For the year ended March 31,					
	2017		2016		2015	
	(Rs. in millions)					
	Revenues	Revenues (Segment % of Total)	Revenues	Revenues (Segment % of Total)	Revenues	Revenues (Segment % of Total)
Global Generics	Rs. 115,409	82%	Rs. 128,062	83%	Rs. 119,397	81%
Pharmaceutical Services and Active Ingredients	21,277	15%	22,379	14%	25,456	17%
Proprietary Products	2,363	2%	2,659	2%	2,172	1%
Others	1,760	1%	1,608	1%	1,164	1%
Total	Rs. 140,809	100%	Rs. 154,708	100%	Rs. 148,189	100%

Fiscal Year Ended March 31, 2017 compared to Fiscal Year Ended March 31, 2016

Revenues

Our overall consolidated revenues were Rs.140,809 million for the year ended March 31, 2017, a decrease of 9% as compared to Rs.154,708 million for the year ended March 31, 2016. This revenue decline for the year ended March 31, 2017 was primarily due to decreased sales (largely driven by reduced prices) in our Global Generics segment's North America (the United States and Canada) business and constrained operations in Venezuela.

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

	For the year ended March 31,					
	2017		2016		2015	
	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *
	(Rs. in millions)					
Global Generics	Rs. 115,409	82%	Rs. 128,062	83%	Rs. 119,397	81%
North America (the United States and Canada)	63,601	55%	75,445	59%	63,564	53%
Europe	7,606	7%	7,732	6%	6,481	5%
India	23,131	20%	21,293	17%	17,870	15%
Russia and other countries of the former Soviet Union	15,238	13%	14,176	11%	18,425	16%
Others	5,833	5%	9,416	7%	13,057	11%
Pharmaceutical Services and Active Ingredients	Rs. 21,277	15%	Rs. 22,379	14%	Rs. 25,456	17%
North America (the United States and Canada)	3,569	17%	3,052	14%	4,605	18%
Europe	8,410	40%	9,313	42%	10,507	41%
India	1,750	8%	2,618	12%	3,288	13%
Others	7,548	35%	7,396	32%	7,056	28%
Proprietary Products and Others	Rs. 4,123	3%	Rs. 4,267	3%	Rs. 3,336	2%
Total	Rs. 140,809	100%	Rs. 154,708	100%	Rs. 148,189	100%

* This represents the segment's revenue from sales in the respective geography as a percentage of the total segment's revenue.

For the year ended March 31, 2017, the U.S. dollar, Euro and Russian rouble appreciated by approximately 2%, 2% and 3%, respectively, against the Indian rupee as compared to the year ended March 31, 2016. These changes in exchange rates increased our reported revenues because of the increase in Indian rupee realization from sales in U.S. dollars, Euros and Russian roubles.

Segment analysis

Global Generics

Revenues from our Global Generics segment were Rs.115,409 million for the year ended March 31, 2017, a decrease of 10% as compared to Rs.128,062 million for the year ended March 31, 2016. The revenue decline was largely attributable to this segment's operations in the United States and Venezuela.

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 decrease in revenues of this segment was attributable to the following factors:

- a decrease of approximately 10% resulting from the net impact of changes in sales prices of the products in this segment; and
- a decrease of approximately 3% resulting from a net decrease in the sales volumes of existing products in this segment, which includes lower sales from Venezuela due to the voluntary reduction of our supply of products to this country as a risk mitigation approach; and
- the foregoing was partially offset by an increase of approximately 3% resulting from the introduction of new products during the intervening period.

North America (the United States and Canada): Our Global Generics segment's revenues from North America (the United States and Canada) were Rs.63,601 million for the year ended March 31, 2017, a decrease of 16% as compared to the year ended March 31, 2016. In U.S. dollar absolute currency terms (i.e., U.S. dollars without taking into account the effect of currency exchange rates), such revenues decreased by 18% for the year ended March 31, 2017 as compared to the year ended March 31, 2016.

This revenue decrease was largely attributable to the following:

- reduced sales (primarily due to significant price erosion) as a result of increased competition for our key products, such as valganciclovir, decitabine and azacitidine;
- a significant decline in our sale of products to McNeil Consumer Healthcare following the conclusion of some of our existing supply arrangements with them;
- price erosion in other existing products of this segment's base business; and
- the foregoing was partially offset by revenues from new products launched during the year ended March 31, 2017, such as nitroglycerin SLT (sublingual tablets), omeprazole sodium bicarbonate, and naproxen sodium IR (immediate-release).

During the year ended March 31, 2017, we made 26 new ANDA filings with the U.S. FDA. As of March 31, 2017 our cumulative filings were 265, which includes 3 NDA filings under section 505(b)(2) and 262 ANDA filings. These 262 ANDA filings include 8 ANDAs that we acquired from Teva Pharmaceutical Industries Ltd. As of March 31, 2017, we had 101 filings pending approval with the U.S. FDA (99 ANDAs and 2 NDAs under 505(b)(2) route). Of the 99 ANDAs which are pending approval, 62 are Paragraph IV filings, and we believe that we are the first to file with respect to 21 of these filings. Further, these 99 ANDAs which are pending for approval include 7 ANDAs acquired from Teva Pharmaceutical Industries Ltd, of which 6 are Paragraph IV filings.

India: Our Global Generics segment's revenues from India were Rs.23,131 million, for the year ended March 31, 2017, an increase of 9% as compared to the year ended March 31, 2016. This growth was largely attributable to revenues from new brands launched in India between April 1, 2016 and March 31, 2017, and an increase in sales volumes of our existing products, which was partially offset by the decrease in sales prices of our existing products. According to IMS Health in its Moving Annual Total report for the year ended March 31, 2017, our secondary sales in India grew by 4.5% during such period, as compared to the India pharmaceutical market's growth of 9.1% during such period. During the year ended March 31, 2017, we launched 18 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, primarily South Africa and Australia, as well as Venezuela) were Rs.21,071 million for the year ended March 31, 2017, a decrease of 11% as compared to the year ended March 31, 2016. As a result of the ongoing economic crisis in Venezuela, we

have discontinued our base prescription drug supply business in that country. Adjusted for this, our Global Generics Segment's revenues from our "Emerging Markets" for the year ended March 31, 2017 increased by 7% as compared to the year ended March 31, 2016. This revenue increase was largely attributable to increased revenues from Russia, as described below.

Russia: Our Global Generics segment's revenues from Russia were Rs.11,547 million for the year ended March 31, 2017, an increase of 9% as compared to the year ended March 31, 2016. In Russian rouble absolute currency terms (i.e., Russian roubles without taking into account the effect of currency exchange rates), such revenues increased by 8% for the year ended March 31, 2017 as compared to the year ended March 31, 2016. This revenue increase was largely attributable to increased sales volumes of our existing products. Our over-the-counter ("OTC") division's revenues from Russia for the year ended March 31, 2017 were 40% of our total revenues from Russia.

According to IMS Health, as per its report for the year ended March 31, 2017, 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, 2017			
	Dr. Reddy's		Russian pharmaceutical market	
	Sales value	Volume	Sales value	Volume
Prescription (Rx)	3.07%	2.38%	2.61%	(4.92%)
Over-the-counter (OTC)	6.81%	12.80%	10.88%	(1.02%)
Total (Rx + OTC)	4.49%	5.13%	5.60%	(3.92%)

As per the above referenced IMS Health report, our volume-based market shares in Russia for the years ended March 31, 2017 and 2016 were as follows:

	Year ended March 31,	
	2017	2016
Prescription (Rx)	4.30%	4.50%
Over-the-counter (OTC)	0.71%	0.66%
Total (Rx + OTC)	1.77%	1.77%

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.3,692 million for the year ended March 31, 2017, an increase of 4% as compared to the year ended March 31, 2016. This increase was largely attributable to the increased revenues from our existing products, as well as revenues from new products launched between April 1, 2016 and March 31, 2017, including omez injection, bortezomib, flucold, levolet and telmisartan.

"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.5,833 million for the year ended March 31, 2017, a decrease of 38% as compared to the year ended March 31, 2016. As a result of the ongoing economic crisis in Venezuela, we have discontinued our base prescription drug supply business in that country. Adjusted for this, revenues from our "Rest of the World" markets for the year ended March 31, 2017 increased by 6% as compared to the year ended March 31, 2016.

Europe: Our Global Generics segment's revenues from Europe are primarily derived from Germany, the United Kingdom and our out-licensing business across Europe, and were Rs.7,606 million for the year ended March 31, 2017, a decrease of 2% as compared to the year ended March 31, 2016. This decrease was primarily due to the impact of depreciation of the British pound sterling, largely driven by the "Brexit" vote.

Pharmaceutical Services and Active Ingredients ("PSAI")

Our PSAI segment's revenues were Rs.21,277 million for the year ended March 31, 2017, a decrease of 5% as compared to the year ended March 31, 2016. 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 decrease in revenues was largely attributable to:

- decreased sales of active pharmaceutical ingredients for the year ended March 31, 2017, primarily due to decreased sales volumes of existing products, which decreased our PSAI segment's revenues by approximately 8%; and
- the foregoing was partially offset by increased customer orders for our pharmaceutical development services, which increased our PSAI segment's revenues by approximately 3%.

During the year ended March 31, 2017, we filed 82 Drug Master Files ("DMFs") worldwide. Cumulatively, our total worldwide DMFs as of March 31, 2017 were 754, including 202 DMFs in the United States.

Gross Profit

Our total gross profit was Rs.78,356 million for the year ended March 31, 2017, representing 55.6% of our revenues for that period, as compared to Rs.92,281 million for the year ended March 31, 2016, representing 59.6% of our revenues for that period.

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

	For the year ended March 31,					
	2017		2016		2015	
	(Rs. in millions)					
	<u>Gross Profit</u>	<u>Gross Profit</u>	<u>Gross Profit</u>	<u>Gross Profit</u>	<u>Gross Profit</u>	<u>Gross Profit</u>
		(% of Segment Revenue)		(% of Segment Revenue)		(% of Segment Revenue)
Global Generics	Rs. 71,079	62%	Rs. 84,427	66%	Rs. 77,569	65%
Pharmaceutical Services and Active Ingredients	4,473	21%	4,931	22%	5,709	22%
Proprietary Products	1,951	83%	2,217	83%	1,796	83%
Others	853	49%	706	44%	329	28%
Total	Rs. 78,356	56%	Rs. 92,281	60%	Rs. 85,403	58%

After taking into account the impact of the exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, the gross profits from our Global Generics segment decreased to 61.6% for the year ended March 31, 2017, as compared to 65.9% for the year ended March 31, 2016. This decrease was largely attributable to the impact of changes in our existing business mix (i.e., a decrease in the proportion of sales of higher gross margin products and an increase in the proportion of sales of lower gross margin products).

The gross profits from our PSAI segment decreased to 21.0% for the year ended March 31, 2017, from 22.0% for the year ended March 31, 2016. This decrease was primarily due to a decrease in sales of products with higher gross profit margins during the year ended March 31, 2017.

Selling, general and administrative expenses

Our selling, general and administrative expenses were Rs.46,372 million for the year ended March 31, 2017, an increase of 1% as compared to Rs.45,702 million for the year ended March 31, 2016. 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:

- increased sales and marketing expenses, primarily on account of a provision of Rs.374 million as a potential liability arising out of a litigation relating to cardiovascular and anti-diabetic formulations (refer to Note 44 of our consolidated financial statements for further details), as well as higher spending in India, Russia and Proprietary products, all of which increased our selling, general and administrative expenses by approximately 4%; and
- the foregoing was partially offset by decreased other costs, which decreased our selling, general and administrative expenses by approximately 2%.

As a proportion of our total revenues, our selling, general and administrative expenses increased to 32.9% for the year ended March 31, 2017 as compared to 29.5% for the year ended March 31, 2016.

Research and development expenses

Our research and development expenses were Rs.19,551 million for the year ended March 31, 2017, an increase of 10% as compared to Rs.17,834 million for the year ended March 31, 2016. This increase was in accordance with our strategy to expand our research and development efforts in complex formulations, differentiated formulations and biosimilar compounds. In addition, our research and development expenses for the year ended March 31, 2017 include costs incurred towards assets in-licensed from Xenoport, Inc. and Eisai Co., Ltd. Our research and development expenses increased to 13.9% of our total revenues for the year ended March 31, 2017, as compared to 11.5% of our total revenues for the year ended March 31, 2016.

Other (income)/expense, net

Our net other income was Rs.1,065 million for the year ended March 31, 2017, an increase of 22% as compared to net other income of Rs.874 million for the year ended March 31, 2016.

Finance (expense)/income, net

Our net finance income was Rs.806 million for the year ended March 31, 2017, as compared to net finance expense of Rs.2,708 million for the year ended March 31, 2016. The decrease in net finance expense was attributable to:

- net foreign exchange loss of Rs.74 million for the year ended March 31, 2017, as compared to net foreign exchange loss of Rs.4,133 million for the year ended March 31, 2016;
- net interest expense of Rs.77 million for the year ended March 31, 2017, as compared to net interest income of Rs.573 million for the year ended March 31, 2016; and
- profit on sale of investments of Rs.957 million for the year ended March 31, 2017, as compared to profit on sale of investments of Rs.852 million for the year ended March 31, 2016.

Profit before tax

As a result of the above, profit before taxes was Rs.14,653 million for the year ended March 31, 2017, a decrease of 46% as compared to Rs.27,140 million for the year ended March 31, 2016.

Tax expense

Our consolidated weighted average tax rates for the years ended March 31, 2017 and 2016 were 18% and 26%, respectively. Income tax expense was Rs.2,615 for the year ended March 31, 2017, as compared to income tax expense of Rs. 7,127 for the year ended March 31, 2016. Our effective tax rate for the year ended March 31, 2017 decreased by 8% as compared to the year ended March 31, 2016, primarily due to the resolution of a certain tax matter resulting in a reversal of Rs.1,370 in income tax expense pertaining to earlier years.

Profit for the period

As a result of the above, our net profit was Rs.12,039 million for the year ended March 31, 2017, representing 8.5% of our total revenues for such period, as compared to Rs.20,013 million for the year ended March 31, 2016, representing 12.9% of our total revenues for such period.

Fiscal Year Ended March 31, 2016 compared to Fiscal Year Ended March 31, 2015

Revenues

Our overall consolidated revenues were Rs.154,708 million for the year ended March 31, 2016, an increase of 4% as compared to Rs.148,189 million for the year ended March 31, 2015. Revenue growth for the year ended March 31, 2016 was largely driven by our Global Generics segment's operations in the United States, India and Europe markets.

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

	For the year ended March 31,					
	2016		2015		2014	
	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *
	(Rs. in millions)					
Global Generics	Rs. 128,062	83%	Rs. 119,397	81%	Rs. 104,483	79%
North America (the United States and Canada)	75,445	59%	63,564	53%	54,622	52%
Europe	7,732	6%	6,481	5%	6,110	6%
India	21,293	17%	17,870	15%	15,713	15%
Russia and other countries of the former Soviet Union	14,176	11%	18,425	16%	20,679	20%
Others	9,416	7%	13,057	11%	7,359	7%
Pharmaceutical Services and Active Ingredients	Rs. 22,379	14%	Rs. 25,456	17%	Rs. 23,974	18%
North America (the United States and Canada)	3,052	14%	4,605	18%	3,820	16%
Europe	9,313	42%	10,507	41%	9,058	38%
India	2,618	12%	3,288	13%	3,787	16%
Others	7,396	32%	7,056	28%	7,309	30%
Proprietary Products and Others	Rs. 4,267	3%	Rs. 3,336	2%	Rs. 3,713	3%
Total	Rs. 154,708	100%	Rs. 148,189	100%	Rs. 132,170	100%

* This represents the segment's revenue from sales in the respective geography as a percentage of the total segment's revenue.

During the year ended March 31, 2016, the U.S. dollar appreciated by approximately 7% against the Indian rupee, while the Euro and the Russian rouble depreciated by approximately 7% and 27%, respectively, against the Indian rupee as compared to the year ended March 31, 2015. These changes in exchange rates increased our reported revenues because of the increase in Indian rupee realization from sales in U.S. dollars, partially offset by the decrease in Indian rupee realization from sales in Euros and Russian roubles. However, our higher realization for the U.S. dollar was offset by net losses realized on cash flow hedges undertaken by us to hedge the foreign currency risk associated with highly probable forecasted sales transactions.

Segment analysis

Global Generics

Revenues from our Global Generics segment were Rs.128,062 million for the year ended March 31, 2016, an increase of 7% as compared to Rs.119,397 million for the year ended March 31, 2015. The revenue growth was largely led by this segment's operations in the United States, India and Europe.

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 4% resulting from the introduction of new products during the year ended March 31, 2016;
- a decrease of approximately 8% resulting from the net impact of decreases in sales prices of products; and
- an increase of approximately 11% resulting from increased sales volumes of existing products (including the annualized impact of products launched during the year ended March 31, 2015).

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

North America (the United States and Canada): Our Global Generics segment’s revenues from North America (the United States and Canada) were Rs.75,445 million for the year ended March 31, 2016, an increase of 19% as compared to the year ended March 31, 2015. 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 12% for the year ended March 31, 2016 as compared to the year ended March 31, 2015.

This revenue growth was largely attributable to the following:

- revenues from new products launched during the year ended March 31, 2016, such as esomeprazole, memantine and pramipexole;
- a gain in market share of certain of our existing products, such as valganciclovir, Habitrol®, isotretinoin 30mg, metoprolol, decitabine injection, and sumatriptan injection; and
- the foregoing was partially offset by lower realization from certain of our existing products due to price decreases.

The following table sets forth products that we launched in the United States during the year ended March 31, 2016:

Product	Innovator’s Brand	Innovator
Esomeprazole DR	Nexium®	AstraZeneca
Pramipexole ER	Mirapex®	Boehringer Ingelheim
Memantine	Namenda®	Eli Lilly
Pravastatin	Pravachol®	Bristol Myers Squibb

During the year ended March 31, 2016, we made 14 filings in the United States, including 13 ANDA filings and one NDA filing under section 505(b)(2) of the Federal Food, Drug and Cosmetic Act (a “505(b)(2) NDA”). As of March 31, 2016 our cumulative filings in the United States were 236 including 233 ANDA filings and three 505(b)(2) NDA filings. As of March 31, 2016, we had 82 filings pending approval at the U.S. FDA including 79 ANDA filings and three 505(b)(2) NDA filings, of which 52 are Paragraph IV filings, and we believe we are the first to file with respect to 18 of these filings.

India: Our revenues from India for the year ended March 31, 2016 were Rs.21,293 million, an increase of 19% as compared to the year ended March 31, 2015. This growth was largely attributable to the increase in sales volumes across our key brands and revenues from new brands launched during the year ended March 31, 2016. The products that we acquired from UCB accounted for approximately 7% of the revenue growth for our India business. According to IMS Health in its Moving Annual Total report for the year ended March 31, 2016, our secondary sales in India grew by 12.2% during such period, as compared to the Indian pharmaceutical market’s growth of 14.4% during such period. During the year ended March 31, 2016, we launched 17 new brands in India.

Emerging Markets: Our revenues from our “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, primarily South Africa and Australia, as well as Venezuela) for the year ended March 31, 2016 were Rs.23,591 million, a decrease of 25% as compared to the year ended March 31, 2015. The reasons for this decrease are set forth below in the separate discussions of these geographies.

Russia: Our Global Generics segment’s revenues from Russia were Rs.10,640 million for the year ended March 31, 2016, a decrease of 29% as compared to the year ended March 31, 2015. 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, 2016 as compared to the year ended March 31, 2015. Our over-the-counter (“OTC”) division’s revenues from Russia for the year ended March 31, 2016 were 39% of our total revenues from Russia, and we intend to further strengthen our OTC sales by continuous branding initiatives.

According to IMS Health, as per its report for the year ended March 31, 2016, our sales value (in Russian roubles) growth and volume growth from Russia, as compared to the Russian pharmaceutical market sales value (in Russian roubles) growth and volume growth for the year ended March 31, 2016 was as follows:

	Year ended March 31, 2016			
	Dr. Reddy's		Russian pharmaceutical market	
	Sales value	Volume	Sales value	Volume
Prescription (Rx)	2.61%	(4.92%)	10.25%	(1.07%)
Over-the-counter (OTC)	10.88%	(1.02%)	6.73%	(5.09%)
Total (Rx + OTC)	5.60%	(3.92%)	8.36%	(3.96%)

As per the above referenced IMS Health report, our volume-based market shares in Russia for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31,	
	2016	2015
Prescription (Rx)	4.50%	4.68%
Over-the-counter (OTC)	0.66%	0.63%
Total (Rx + OTC)	1.77%	1.77%

Other countries of the former Soviet Union and Romania: Our revenues from other countries of the former Soviet Union and Romania for the year ended March 31, 2016 were Rs.3,536 million, an increase of 1% over the year ended March 31, 2015. This increase was largely on account of an increase in sales volumes in Romania and Ukraine, partially offset by depreciation of the Ukrainian hryvnia against the Indian rupee. During the year ended March 31, 2016, the Ukrainian hryvnia depreciated by approximately 34% as compared to the year ended March 31, 2015.

Rest of the World Markets: We refer to all markets of this segment other than North America, Europe, Russia and other countries of the former Soviet Union, Romania and India as our “Rest of the World” markets. Our revenues from our “Rest of the World” markets were Rs.9,416 million for the year ended March 31, 2016, a decrease of 28% as compared to the year ended March 31, 2015. The decrease was largely led by decreased revenues in Venezuela primarily due to reduction in the sales volume of our existing products. Our sales in Venezuela were Rs.4,666 million for the year ended March 31, 2016, as compared to Rs.8,335 million for the year ended March 31, 2015. This reduction in sales was primarily attributable to the ongoing economic crisis in the country and, correspondingly, our risk mitigation approach by way of moderating the supply of products to this country.

Europe: Our Global Generics segment’s revenues from Europe were Rs.7,732 million for the year ended March 31, 2016, an increase of 19% as compared to the year ended March 31, 2015. This growth was led by revenues from new products launched during the year ended March 31, 2015.

Pharmaceutical Services and Active Ingredients (“PSAI”)

Our PSAI segment’s revenues for the year ended March 31, 2016 were Rs.22,379 million, a decrease of 12% as compared to the year ended March 31, 2015. After taking into account the impact of the exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, this decrease was largely attributable to:

- decreased sales of active pharmaceutical ingredients for the year ended March 31, 2016, primarily attributable to decreased sales volumes and sales prices of existing products, which decreased our PSAI segment’s revenues by approximately 13%; and
- increased customer orders in our pharmaceutical development services for certain products provided to innovator companies, which increased our PSAI segment’s revenues by approximately 1%.

During the year ended March 31, 2016, we filed 50 Drug Master Files (“DMFs”) worldwide. Cumulatively, our total worldwide DMFs as of March 31, 2016 were 768, including 218 DMFs in the United States.

Gross Profit

Our total gross profit was Rs.92,281 million for the year ended March 31, 2016, representing 59.6% of our total revenues for this period, as compared to Rs.85,403 million for the year ended March 31, 2015, representing 57.6% of our total revenues for such period.

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

	For the year ended March 31,					
	2016		2015		2014	
	(Rs. in millions)					
	Gross Profit (% of Segment Revenue)		Gross Profit (% of Segment Revenue)		Gross Profit (% of Segment Revenue)	
	<u>Gross Profit</u>		<u>Gross Profit</u>		<u>Gross Profit</u>	
Global Generics	Rs. 84,427	66%	Rs. 77,569	65%	Rs. 68,544	66%
Pharmaceutical Services and Active						
Ingredients	4,931	22%	5,709	22%	4,848	20%
Proprietary Products	2,217	83%	1,796	83%	2,210	90%
Others	706	44%	329	28%	199	16%
Total	Rs. 92,281	60%	Rs. 85,403	58%	Rs. 75,801	57%

After taking into account the impact of the exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, the gross profits from our Global Generics segment increased to 65.9% for the year ended March 31, 2016 from 65.0% for the year ended March 31, 2015. This increase was largely attributable to the impact of changes in our existing business mix (i.e., an increase in the proportion of sales of higher gross margin products and a decrease in the proportion of sales of lower gross margin products).

The gross profits from our PSAI segment decreased to 22.0% for the year ended March 31, 2016, from 22.4% for the year ended March 31, 2015. This decrease was primarily due to a decrease in sales of products with higher gross profit margins during the year ended March 31, 2016.

Selling, general and administrative expenses

Our selling, general and administrative expenses were Rs.45,702 million for the year ended March 31, 2016, an increase of 7% as compared to Rs.42,585 million for the year ended March 31, 2015. 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:

- increased costs due to the ongoing remediation activities related to the warning letter received from the U.S. FDA for three of our manufacturing facilities in India, which increased our selling, general and administrative expenses by approximately 5%;
- increased personnel costs, due to annual raises and new recruitments, which increased our selling, general and administrative expenses by approximately 3%;
- increased amortization, primarily due to our acquisition of the Habitrol® brand in December 2014 and acquisition of a select portfolio of products business of UCB in June 2015, which increased our selling, general and administrative expenses by approximately 2%;
- for the year ended March 31, 2016 we had recorded impairment losses of Rs.61 million, as compared to impairment losses of Rs.509 million recorded for the year ended March 31, 2015, which resulted in an approximately 1% difference in selling, general and administrative expenses between the two periods; and
- decreased sales and marketing costs, which decreased our selling, general and administrative expenses by approximately 1%.

As a proportion of our total revenues, our selling, general and administrative expenses increased to 29.5% for the year ended March 31, 2016 from 28.7% for the year ended March 31, 2015.

Research and development expenses

Our research and development expenses were Rs.17,834 million for the year ended March 31, 2016, an increase of 2% as compared to Rs.17,449 million for the year ended March 31, 2015. This increase was in accordance with our strategy to expand our research and development efforts in complex formulations, differentiated formulations and biosimilar compounds. Approximately 65% of our research and development expenses for the year ended March 31, 2016 were incurred for the development of bio-equivalent products, and the other 35% was dedicated to innovative and bio-pharmaceutical research.

Other (income)/expense, net

Our net other income was Rs.874 million for the year ended March 31, 2016, as compared to net other income of Rs.917 million for the year ended March 31, 2015.

Finance (expense)/income, net

Our net finance expense was Rs.2,708 million for the year ended March 31, 2016, as compared to net finance income of Rs.1,682 million for the year ended March 31, 2015. The increase in net finance expense was attributable to:

- net foreign exchange gain of Rs.488 million (excluding the impact of our Venezuela operations described below) for the year ended March 31, 2016, as compared to net foreign exchange gain of Rs.1,801 million for the year ended March 31, 2015;
- foreign exchange losses related to our Venezuela operations of Rs.4,621 million for the year ended March 31, 2016, as compared to such losses of Rs.843 million for the year ended March 31, 2015. Refer to Note 39 to our consolidated financial statements for further details;
- net interest income of Rs.573 million for the year ended March 31, 2016, as compared to net interest expense of Rs.31 million for the year ended March 31, 2015; and
- profit on sale of investments of Rs.852 million for the year ended March 31, 2016, as compared to profit on sale of investments of Rs.755 million for the year ended March 31, 2015.

Profit before tax

As a result of the above, profit before taxes was Rs.27,140 million for the year ended March 31, 2016, a decrease of 4% as compared to Rs.28,163 million for the year ended March 31, 2015.

Tax expense

Our consolidated weighted average tax rate for the year ended March 31, 2016 was 26%, as compared to 21% for the year ended March 31, 2015. Income tax expense was Rs.7,127 million for the year ended March 31, 2016, as compared to income tax expense of Rs.5,984 million for the year ended March 31, 2015.

The increase in our effective tax rate for the year ended March 31, 2016 was primarily attributable to the following:

- non-deductible losses related to our Venezuela operations, which resulted in an increase in our effective tax rate by approximately 3.8% (refer to Note 39 of our consolidated financial statements for further details);
- deferred tax expense on undistributed earnings of a subsidiary outside India, which resulted in an increase in our effective tax rate by approximately 1.9%;
- an increase in the effective tax rate by approximately 1.8% due to non-recognition of certain deferred tax assets, as we believe that availability of taxable profits against which the temporary differences can be utilized is not probable;
- recognition of a previously unrecognized deferred tax asset pertaining to a jurisdiction outside of India, which resulted in a decrease in our effective tax rate by approximately 1.1%; and

- an increase in weighted deduction on eligible research and development expenditure in India, during the year ended March 31, 2016, as compared to the year ended March 31, 2015, has resulted in a decrease in the effective tax rate by 1.8%. The rate of weighted deduction on our eligible research and development expenditure was equal to 200% for the years ended March 31, 2016 and 2015, respectively.

Profit for the period

As a result of the above, our net result was a net profit of Rs.20,013 million for the year ended March 31, 2016, as compared to a net profit of Rs.22,179 million for the year ended March 31, 2015.

Fiscal Year Ended March 31, 2015 compared to Fiscal Year Ended March 31, 2014

Revenues

Our overall consolidated revenues were Rs.148,189 million for the year ended March 31, 2015, an increase of 12% as compared to Rs.132,170 million for the year ended March 31, 2014. Revenue growth for the year ended March 31, 2015 was largely driven by our Global Generics segment's operations in the United States, India and our "Rest of the World" markets (i.e., all markets other than North America, Europe, Russia and other countries of the former Soviet Union, and India), primarily Venezuela.

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

	For the year ended March 31,					
	2015		2014		2013	
	Revenues	% of Total Revenue *	Revenues (Rs. in millions)	% of Total Revenue *	Revenues	% of Total Revenue *
Global Generics	Rs. 119,397	81%	Rs. 104,483	79%	Rs. 82,516	71%
North America (the United States and Canada)	63,564	53%	54,622	52%	37,799	46%
Europe	6,481	5%	6,110	6%	7,011	8%
India	17,870	15%	15,713	15%	14,560	18%
Russia and other countries of the former Soviet Union	18,425	16%	20,679	20%	17,613	21%
Others	13,057	11%	7,359	7%	5,533	7%
Pharmaceutical Services and Active Ingredients	Rs. 25,456	17%	Rs. 23,974	18%	Rs. 30,702	26%
North America (the United States and Canada)	4,605	18%	3,820	16%	5,744	19%
Europe	10,507	41%	9,058	38%	12,007	39%
India	3,288	13%	3,787	16%	4,638	15%
Others	7,056	28%	7,309	30%	8,313	27%
Proprietary Products and Others	Rs. 3,336	2%	Rs. 3,713	3%	Rs. 3,048	3%
Total	Rs. 148,189	100%	Rs. 132,170	100%	Rs. 116,266	100%

* This represents the segment's revenue from sales in the respective geography as a percentage of the total segment's revenue.

During the year ended March 31, 2015, the Indian rupee depreciated by approximately 1.1% against the U.S. dollar, while the Euro and the Russian rouble depreciated by approximately 4.5% and 22.3%, respectively, against the Indian rupee as compared to the year ended March 31, 2014. These changes in exchange rates reduced our reported revenues because of the decrease in Indian rupee realization from sales in Euros and Russian roubles. However, our lower realization for the Russian rouble was partially offset by net gains realized on cash flow hedges undertaken by us to hedge the foreign currency risk associated with highly probable forecasted sales transactions. Accordingly, on a net basis, our realizations of Russian rouble denominated revenues reported in Indian rupees were lower by 19% for the year ended March 31, 2015, as compared to our revenues for the year ended March 31, 2014 adjusted for gains on such cash flow hedges, on account of the depreciation of the Russian rouble.

Segment analysis

Global Generics

Revenues from our Global Generics segment were Rs.119,397 million for the year ended March 31, 2015, an increase of 14% as compared to Rs.104,483 million for the year ended March 31, 2014. The revenue growth was largely led by this segment's operations in the United States, India and Venezuela.

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 7% resulting from the introduction of new products during the year ended March 31, 2015;
- a decrease of approximately 13% resulting from the net impact of decreases in sales prices of products; and
- an increase of approximately 20% resulting from increased sales volumes of existing products (including the annualized impact of products launched during the year ended March 31, 2014).

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

North America (the United States and Canada): Our Global Generics segment's revenues from North America (the United States and Canada) were Rs.63,564 million for the year ended March 31, 2015, an increase of 16% as compared to the year ended March 31, 2014. 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 15% for the year ended March 31, 2015 as compared to the year ended March 31, 2014.

This revenue growth was largely attributable to the following:

- revenues from new products launched during the year ended March 31, 2015, such as valganciclovir, sirolimus and Habitrol®;
- a gain in market share of certain of our existing products, such as divalproex sodium ER, azacitidine, decitabine, and ziprasidone; and
- the foregoing was partially offset by lower realization from certain of our existing products due to price decreases.

The following table sets forth products that we launched in the United States during the year ended March 31, 2015:

Product	Innovator's Brand	Innovator
Eszopiclone	Lunesta®	Seprocor
fenofibrate capsules	Antara®	Ethypharm
Paricalcitol	Zemlar®	Abbott
duloxetine delayed release capsules	Cymbalta®	Eli Lilly
levalbuterol hydrochloride	Xopenex®	Sunovion Pharmaceuticals
Sirolimus	Rapamune®	Pfizer
Docetaxel	Taxotere®	Sanofi
fexofenadine pseudophedrine HCL OTC	Allegra D12®	Sanofi
Fluconazole	Diflucan®	Pfizer
Valganciclovir	Valcyte®	Roche
isotretinoin 30 mg	Zenatane®	Roche

Furthermore, during the year ended March 31, 2015, we acquired from Novartis Consumer Health Inc. the title and rights to its Habitrol® brand (an over-the-counter nicotine replacement therapy transdermal patch) and related U.S. marketing rights, and we began marketing the product in the United States.

During the year ended March 31, 2015, we made 13 new ANDA filings, and as of March 31, 2015 our cumulative ANDA filings were 220. As of March 31, 2015, we had 68 ANDAs pending approval at the U.S. FDA, of which 43 are Paragraph IV filings, and we believe we are the first to file with respect to 13 of these filings.

India: Our revenues from India for the year ended March 31, 2015 were Rs.17,870 million, an increase of 14% as compared to the year ended March 31, 2014. This growth was largely attributable to the increase in sales volumes across our key brands and revenues from new brands launched during the year ended March 31, 2015. According to IMS Health in its Moving Annual Total report for the year ended March 31, 2015, our secondary sales in India grew by 13.1% during such period, as compared to the India pharmaceutical market's growth of 12.1% during such period. During the year ended March 31, 2015, we launched 18 new brands in India such as DOXT-SL™, Melgain®, Xalibo™, and Resof™ (sofosbuvir).

Furthermore, in April 2015, we entered into a definitive agreement with UCB India Private Limited and other UCB group companies (together referred to as “UCB”) to acquire a select portfolio of established products business in the territories of India, Nepal, Sri Lanka and Maldives for a total purchase consideration of Rs.8,000 million. The purchased business was acquired on a slump sale basis (an Indian tax law concept which refers to the transfer of a business as a going concern without values being assigned to individual assets and liabilities). The transaction includes approximately 350 employees engaged in the operations of the acquired India business. The acquisition is expected to strengthen our presence in the areas of dermatology, respiratory and pediatric products. The acquired business had revenues of approximately Rs.1,500 million for the year ended December 31, 2014. The transaction was closed on June 16, 2015 and we began marketing of these products.

Emerging Markets: Our revenues from our “Emerging Markets” (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our “Rest of the World” markets, primarily South Africa and Australia, as well as Venezuela) for the year ended March 31, 2015 were Rs.31,482 million, an increase of 12% as compared to the year ended March 31, 2014. The reasons for this growth are set forth below in the separate discussions of these geographies.

Russia: Our Global Generics segment’s revenues from Russia were Rs.14,922 million for the year ended March 31, 2015, a decrease of 9% as compared to the year ended March 31, 2014. In Russian rouble absolute currency terms (i.e., Russian roubles without taking into account the effect of currency exchange rates), such revenues increased by 13% for the year ended March 31, 2015 as compared to the year ended March 31, 2014. According to IMS Health, as per its moving annual total report for the 12 months ended March 31, 2014, our sales value growth and volume decline for the year ended March 31, 2015 were 10.1% and 2.7%, respectively, as compared to the Russian pharmaceutical market value growth and volume decline of 12.3% and 1.3%, respectively. During the same period, our volume market share decreased from 1.80% to 1.77%, according to IMS Health. Our over-the-counter (“OTC”) division’s revenues from Russia for the year ended March 31, 2015 were 36% of our total revenues from Russia, and we intend to further strengthen our OTC sales by continuous branding initiatives. As per IMS Health’s moving annual total report for the 12 months ended March 31, 2015, our OTC sales value and volume growths in Russia for the year ended March 31, 2015 were 16.9% and 7.3%, respectively, as compared to the Russian OTC pharmaceutical market value growth and volume decrease of 12.3% and 1.8%, respectively.

Other countries of the former Soviet Union and Romania: Our revenues from other countries of the former Soviet Union for the year ended March 31, 2015 were Rs.3,504 million, a decrease of 19% over the year ended March 31, 2014. This decline was largely on account of a decrease in sales volumes in Ukraine, primarily on account of the geo-political situation in Ukraine coupled with depreciation of the Ukrainian hryvnia against the Indian rupee. During the year ended March 31, 2015, the Ukrainian hryvnia depreciated by approximately 41% as compared to the year ended March 31, 2014.

Rest of the World Markets: We refer to all markets of this segment other than North America, Europe, Russia and other countries of the former Soviet Union and India as our “Rest of the World” markets. Our revenues from our “Rest of the World” markets were Rs.13,056 million for the year ended March 31, 2015, an increase of 77% as compared to the year ended March 31, 2014. The growth was largely led by increased revenues in Venezuela attributable to new marketing initiatives for prescription products. Our sales in Venezuela were Rs.8,335 million for the year ended March 31, 2015.

Europe: Our Global Generics segment’s revenues from Europe were Rs.6,481 million for the year ended March 31, 2015, an increase of 6% as compared to the year ended March 31, 2014. This growth was led by revenues from new products launched during the year ended March 31, 2015.

Pharmaceutical Services and Active Ingredients (“PSAI”)

Our PSAI segment’s revenues for the year ended March 31, 2015 were Rs.25,456 million, an increase of 6% as compared to the year ended March 31, 2014. After taking into account the impact of the exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, this increase was largely attributable to:

- increased sales of active pharmaceutical ingredients for the year ended March 31, 2015, primarily attributable to certain key products such as capecitabine and epoxide, partially offset by the net impact of changes in sales prices of existing products, all of which increased our PSAI segment’s revenues by approximately 5%; and
- increased customer orders in our pharmaceutical development services for certain products provided to innovator companies, which increased our PSAI segment’s revenues by approximately 1%.

During the year ended March 31, 2015, we filed 77 Drug Master Files (“DMFs”) worldwide. Cumulatively, our total worldwide DMFs as of March 31, 2015 were 735, including 219 DMFs in the United States.

Gross Profit

Our total gross profit was Rs.85,403 million for the year ended March 31, 2015, representing 57.6% of our total revenues for this period, as compared to Rs.75,801 million for the year ended March 31, 2014, representing 57.4% of our total revenues for such period.

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

	For the year ended March 31,					
	2015		2014		2013	
	(Rs. in millions)					
	Gross Profit	Gross Profit (% of Segment Revenue)	Gross Profit	Gross Profit (% of Segment Revenue)	Gross Profit	Gross Profit (% of Segment Revenue)
Global Generics	Rs.77,569	65%	Rs.68,544	66%	Rs.48,687	59%
Pharmaceutical Services and Active Ingredients	5,709	22%	4,848	20%	9,970	32%
Proprietary Products	1,796	83%	2,210	90%	1,358	90%
Others	329	28%	199	16%	564	37%
Total	Rs.85,403	58%	Rs.75,801	57%	Rs.60,579	52%

After taking into account the impact of the exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, the gross profits from our Global Generics segment decreased to 65.0% for the year ended March 31, 2015 from 65.6% for the year ended March 31, 2014. This decrease was largely attributable to the impact of changes in our existing business mix (i.e., a decrease in the proportion of sales of higher gross margin products and an increase in the proportion of sales of lower gross margin products).

The gross profits from our PSAI segment increased to 22.4% for the year ended March 31, 2015, from 20.2% for the year ended March 31, 2014. This increase was primarily due to an increase in sales of products with higher gross profit margins during the year ended March 31, 2015.

Selling, general and administrative expenses

Our selling, general and administrative expenses were Rs.42,585 million for the year ended March 31, 2015, an increase of 10% as compared to Rs.38,783 million for the year ended March 31, 2014. 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:

- increased personnel costs, due to annual raises and new recruitments, which increased our selling, general and administrative expenses by approximately 4%;
- for the year ended March 31, 2015 we had recorded impairment losses of Rs.509 million, as compared to a reversal of impairment losses of Rs.497 million recorded for the year ended March 31, 2014, which resulted in an approximately 3% difference in selling, general and administrative expenses between the two periods; and
- increased sales and marketing costs, which increased our selling, general and administrative expenses by approximately 1%.

As a proportion of our total revenues, our selling, general and administrative expenses decreased to 28.7% for the year ended March 31, 2015 from 29.3% for the year ended March 31, 2014.

Research and development expenses

Our research and development expenses were Rs.17,449 million for the year ended March 31, 2015, an increase of 41% as compared to Rs.12,402 million for the year ended March 31, 2014. This increase was in accordance with our strategy to expand our research and development efforts in complex formulations, differentiated formulations and biosimilar compounds. Approximately 60% of our research and development expenses for the year ended March 31, 2015 were spent towards the development of bio-equivalent products and the other 40% was dedicated to innovative and bio-pharmaceutical research.

Furthermore, consequent to our decision to discontinue the further development of certain 'In-Process Research and Development' assets pertaining to our Proprietary Products segment, we recorded Rs.95 million as impairment loss for the year ended March 31, 2015 under research and development expenses.

Other (income)/expense, net

Our net other income was Rs.917 million for the year ended March 31, 2015, as compared to net other income of Rs.1,416 million for the year ended March 31, 2014. Our net other income for the year ended March 31, 2014 included Rs.415 million from the resolution of litigation associated with the sale of one of our generic products in North America.

Finance (expense)/income, net

Our net finance income was Rs.1,682 million for the year ended March 31, 2015, as compared to net finance income of Rs.400 million for the year ended March 31, 2014. The increase in net finance income was attributable to:

- net foreign exchange gain of Rs.1,801 million (excluding the impact of Venezuela currency exchange loss described below) for the year ended March 31, 2015, as compared to net foreign exchange gain of Rs.372 million for the year ended March 31, 2014;
- foreign exchange loss of Rs.843 million for the year ended March 31, 2015 on translation of certain monetary assets and liabilities of our Venezuelan subsidiary. Refer to Note 39 to our consolidated financial statements for further details;
- net interest expense of Rs.31 million for the year ended March 31, 2015, as compared to net interest expense of Rs.189 million for the year ended March 31, 2014; and
- profit on sale of investments of Rs.755 million for the year ended March 31, 2015, as compared to profit on sale of investments of Rs.213 million for the year ended March 31, 2014.

Profit before tax

As a result of the above, profit before income taxes was Rs.28,163 million for the year ended March 31, 2015, an increase of 6% as compared to Rs.26,606 million for the year ended March 31, 2014.

Tax expense

Our consolidated weighted average tax rate for the year ended March 31, 2015 was 21.2%, as compared to 19.1% for the year ended March 31, 2014. Income tax expense was Rs.5,984 million for the year ended March 31, 2015, as compared to income tax expense of Rs.5,094 million for the year ended March 31, 2014. The effective tax rate for the period ended March 31, 2014 was lower primarily as a result of a favorable order from the Income Tax Appellate Tribunal, Hyderabad, India on a previously litigated tax matter relating to the deductibility of share-based payment expenses.

Profit for the period

As a result of the above, our net result was a net profit of Rs.22,179 million for the year ended March 31, 2015, as compared to a net profit of Rs.21,512 million for the year ended March 31, 2014.

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 making investments, 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. Through our subsidiary in Switzerland, we borrowed U.S.\$220 million during the year ended March 31, 2012, which was required to be repaid in eight quarterly installments beginning in December 2014. During the year ended March 31, 2016, we repaid the entire outstanding loan amount (including a prepayment of U.S.\$110 million), and our subsidiary in Switzerland further incurred U.S.\$82.5 million of new short-term borrowings, which was repaid by June 2016. We also borrowed U.S.\$150 million during the year ended March 31, 2014, which was to be repaid in five quarterly installments beginning February 2018. During the three months ended December 31, 2016, we entered into a financing arrangement with certain financial institutions to refinance this borrowing of U.S.\$150 million. As per the repayment schedule applicable to the refinanced borrowing, we repaid U.S.\$75 million on November 28, 2016 (refer to Note 18 to our consolidated financial statements for further details). These loans were incurred primarily to repay some of our then existing short term borrowings and to meet anticipated capital expenditures over the near term.

During the three months ended September 30, 2016, our subsidiary in Switzerland borrowed an additional U.S.\$350 million of short-term borrowings from certain institutional lenders (refer to Note 18 to our consolidated financial statements for further details). These loans were borrowed for the purpose of funding the acquisition of eight Abbreviated New Drug Applications (“ANDAs”) from Teva Pharmaceutical Industries Limited in the United States (refer to Note 42 of our consolidated financial statements for additional details). The following table summarizes our statements of cash flows for the periods presented:

	For the year ended March 31,		
	2017	2016	2015
	(Rs. in millions)		
Net cash provided by/(used in):			
Operating activities	Rs. 21,513	Rs. 41,247	Rs. 25,033
Investing activities	(18,471)	(20,423)	(22,904)
Financing activities	(3,692)	(17,001)	(4,118)
Net increase/(decrease) in cash and cash equivalents	(650)	3,823	(1,989)
Effect of exchange rate changes on cash	(492)	(4,296)	(1,068)

In addition to cash, inventory and our balance of accounts receivable, our unused sources of liquidity included Rs.21,156 million in available credit under revolving credit facilities with banks as of March 31, 2017. We had no other material unused sources of liquidity as of March 31, 2017.

Cash Flow from Operating Activities

The net result of our operating activities was a net cash inflow of Rs.21,513 million for the year ended March 31, 2017, as compared to a net cash inflow of Rs.41,247 million for the year ended March 31, 2016. Accordingly, our net cash inflow decreased by Rs.19,734 million during the year ended March 31, 2017 as compared to the year ended March 31, 2016, primarily due to increases in working capital requirements and decreases in our earnings as described below.

Increases in working capital accounted for net cash outflows of Rs.5,350 million and Rs.188 million during the years ended March 31, 2017 and 2016, respectively. This increase in working capital requirements during the year ended March 31, 2017, as compared to the year ended March 31, 2016, resulted in a significant decrease in our net cash provided by operating activities. The increase in working capital requirements during the year ended March 31, 2017 primarily resulted from an increase in our inventories by Rs.6,325 million. This decrease was primarily due to lower sales of some of our key products on account of increased competition during the year ended March 31, 2017.

For the years ended March 31, 2017 and 2016, our profit for the year before interest expense/income, profit/loss on sale of investments, tax expense, impairment loss, depreciation and amortization was Rs.25,495 million and Rs.36,253 million, respectively.

The net result of our operating activities was a cash inflow of Rs.41,247 million for the year ended March 31, 2016, as compared to a cash inflow of Rs.25,033 million for the year ended March 31, 2015. Accordingly, the net cash provided by our operating activities increased by Rs.16,214 million for the year ended March 31, 2016, as compared to the year ended March 31, 2015, primarily due to decreases in working capital requirements as described below.

Increases in working capital accounted for net cash outflows of Rs.188 million and Rs.15,040 million during the years ended March 31, 2016 and 2015, respectively. This lower increase in working capital requirements during the year ended March 31, 2016, as compared to the year ended March 31, 2015, resulted in a significant increase in our net cash provided by operating activities during the year ended March 31, 2016 as compared to the year ended March 31, 2015. The increase in working capital requirements during the year ended March 31, 2015 primarily resulted from an increase in our trade receivables by Rs.10,905 million and an increase in our inventories by Rs.5,447 million. The increase in our trade receivables was primarily due to an increase in the proportion of sales made to customers with longer credit periods in the United States. The increase in our inventories was primarily to support the increased sales of our existing products as well as launches of new products.

Our days' sales outstanding ("DSO") as at March 31, 2017, March 31, 2016 and March 31, 2015, computed based on the sales for the three months then ended, were 96 days, 99 days and 95 days, respectively. The decrease in our DSO was primarily due to improved collections from customers in the United States.

Cash Flow from Investing Activities

Our investing activities resulted in a net cash outflow of Rs.18,471 million and Rs.20,423 million for the years ended March 31, 2017 and 2016, respectively. This decrease in net cash outflow of Rs.1,952 million was primarily due to:

- an increase in net cash inflow by Rs.20,923 million for the year ended March 31, 2017, as compared to the year ended March 31, 2016, in the proceeds from redemption of investments in mutual funds and fixed deposits having an original maturity of more than three months;
- the foregoing was partially offset by a net increase in amounts spent on property, plant and equipment by Rs.301 million during the year ended March 31, 2017 as compared to the year ended March 31, 2016; and
- in addition, the foregoing was also partially offset by a net increase of Rs.18,579 in the net cash outflow attributable to key acquisitions in the year ended March 31, 2017 as compared to the year ended March 31, 2016:
 - Rs.7,936 million was paid to UCB India Private Limited and other UCB group companies ("UCB") for the acquisition of a select portfolio of established products business during the year ended March 31, 2016 (refer to Note 6 of our consolidated financial statements for further details);
 - Rs.1,158 million was paid to Alchemia Limited for the purchase of worldwide, exclusive intellectual property rights to fondaparinux sodium during the year ended March 31, 2016 (refer to Note 36 of our consolidated financial statements for further details);
 - Rs.23,366 million was paid to Teva Pharmaceutical Industries Limited for the acquisition of eight Abbreviated New Drug Applications ("ANDAs") during the year ended March 31, 2017 (refer to Note 42 of our consolidated financial statements for further details);
 - Rs.3,159 million was paid to XenoPort, Inc. for the acquisition of exclusive U.S. rights for the development and commercialization of a clinical stage oral new chemical entity which forms a part of our Proprietary Products segment, during the year ended March 31, 2017 (refer to Note 40 of our consolidated financial statements for further details);
 - Rs.1,148 million paid to Ducere Pharma LLC for the purchase of six OTC brands which forms a part of our Global Generics segment, during the year ended March 31, 2017 (refer to Note 41 of our consolidated financial statements for further details);

Our investing activities resulted in a net cash outflow of Rs.20,423 million and Rs.22,904 million for the years ended March 31, 2016 and 2015, respectively. This decrease in net cash outflow of Rs.2,481 million was primarily due to:

- there was a net increase of Rs.3,997 million in the net cash outflow attributable to key acquisitions in the year ended March 31, 2016 as compared to the year ended March 31, 2015:
 - Rs.7,936 million was paid to UCB for the acquisition of a select portfolio of products business during the year ended March 31, 2016 (refer to Note 6 to our consolidated financial statements for further details);

- Rs.1,158 million was paid to Alchemia Limited for the purchase of worldwide, exclusive intellectual property rights to fondaparinux sodium during the year ended March 31, 2016 (refer to Note 38 to our consolidated financial statements for further details);
- Rs.5,097 million was paid for the acquisition from Novartis Consumer Health Inc. of the title and rights to its Habitrol® brand (an over-the-counter nicotine replacement therapy transdermal patch) and related U.S. marketing rights during the year ended March 31, 2015 (refer to Note 39 to our consolidated financial statements for further details);
- our net investments in mutual funds and time deposits having an original maturity of more than three months decreased by Rs.9,311 million for the year ended March 31, 2016 as compared to the year ended March 31, 2015; and
- a net increase in amounts spent on property, plant and equipment by Rs.2,678 million during the year ended March 31, 2016 as compared to the year ended March 31, 2015.

Cash Flows from Financing Activities

Our financing activities resulted in a net cash outflow of Rs.3,692 million and Rs.17,001 million for the years ended March 31, 2017 and 2016, respectively.

During the year ended March 31, 2017, we bought back and extinguished 5,077,504 equity shares for an aggregate purchase price of Rs.15,694 million (refer to Note 16 of our consolidated financial statements for further details). In addition, we repaid long term borrowings of Rs.5,220 million, which primarily consisted of the partial repayment of a U.S.\$150 million loan by our parent company (refer to Note 18 to our consolidated financial statements for further details). Furthermore, we incurred net short-term borrowings of Rs.21,536 million during the year ended March 31, 2017, including borrowings of Rs.23,366 million (U.S.\$350 million) by our Swiss subsidiary for the purpose of acquiring eight ANDAs from Teva Pharmaceutical Industries Limited and an affiliate of Allergan plc (refer to note 42 of our consolidated financial statements for further details). Furthermore, we also paid dividends (including dividend distribution taxes) of Rs.3,390 million.

During the year ended March 31, 2016, we repaid long term borrowings of Rs.11,706 million, which primarily consisted of the repayment of all long term borrowings by our subsidiaries in Switzerland and the United Kingdom (refer to Note 18 to our consolidated financial statements for further details). Furthermore, we also paid dividends (including dividend distribution taxes) of Rs.4,106 million and repaid short term loans of Rs.273 million during the year ended March 31, 2016.

Our financing activities resulted in a net cash outflow of Rs.17,001 million and Rs.4,118 million for the years ended March 31, 2016 and 2015, respectively.

During the year ended March 31, 2015, we had a cash inflow on account of net short term borrowing proceeds of Rs.4,068 million. Furthermore, during that year we repaid two installments amounting to Rs.3,452 million (U.S.\$55 million) due under a loan agreement by our Swiss subsidiary, and we paid dividends (including corporate dividend tax) of Rs.3,587 million.

Principal obligations

The following table summarizes our principal debt obligations (excluding capital lease obligations) outstanding as of March 31, 2017:

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 from banks	Rs. 43,539	Rs. 43,539	Rs. —	Rs. —
Long term debt in foreign currency	4,852	—	4,852	—
Total obligations	Rs. 48,391	Rs. 43,539	Rs. 4,852	Rs. —

Annual rate of interest

Short term borrowings

	As at March 31, 2017				
	Outstanding balance	Currency	Interest rate	Average amount outstanding	Maximum amount outstanding
	(All amounts in Rs. millions)				
Packing credit borrowings	Rs. 18,699	USD	LIBOR + (30) to 1 bps	Rs. 20,725	Rs. 24,462
		USD	0.01%		
		INR	T-Bill + 30 bps		
		INR	6.92% to 6.95%		
Other foreign currency borrowings	24,840	RUB	9.95%	18,842	29,043
		USD	LIBOR + 40 to 60 bps		
		RUB	10.48%		

	As at March 31, 2016				
	Outstanding balance	Currency	Interest rate	Average amount outstanding	Maximum amount outstanding
	(All amounts in Rs. millions)				
Packing credit borrowings	Rs. 20,896	USD	LIBOR + (5) to 15 bps	Rs. 20,477	Rs. 22,459
		EURO	LIBOR + 5 to 7.5 bps		
		RUB	10.65% to 11.57%		
Other foreign currency borrowings	1,822	USD	LIBOR + 40 bps	3,552	5,364
Other rupee borrowings	—	INR	10%	813	1,000

The maturities of our short-term borrowings from banks vary from one month to twelve months. Our objective in determining the borrowing maturity is to ensure a balance between flexibility, cost and the continuing availability of funds.

Long term borrowings

	As at March 31,			
	2017		2016	
	Currency	Interest Rate	Currency	Interest Rate
Foreign currency borrowings	USD	LIBOR + 82.7 bps	USD	LIBOR + 125 bps

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. Refer to Note 39 of our consolidated financial statements for further details.

Cash and cash equivalents are primarily held in Indian rupees, U.S. dollars, U.K. pounds sterling, Euros, Russian roubles, Venezuela bolivars and Swiss francs.

As of March 31, 2017 and 2016, we had committed to spend Rs.5,256 million and Rs.5,065 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 long term 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 new 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 active pharmaceutical ingredients and intermediates (“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 manufacture of differentiated formulations. These novel products fall within the dermatology and neurology therapeutic areas.

In the years ended March 31, 2017, 2016 and 2015, we expended Rs.19,551 million, Rs.17,834 million and Rs.17,449 million, respectively, on research and development activities. The increase in research and development expenditure was in line with our strategy to expand our research and development efforts in complex formulations, differentiated formulations and bio-similar compounds.

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, 2017, we have approximately 1,634 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

Please see “Item 5: Operating and Financial Review and Prospects” and “Item 4. Information on the Company” for 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, 2017 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments due by period (Rs. in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
<i>Operating lease obligations</i>	Rs. 1,711	Rs. 384	Rs. 611	Rs. 350	Rs. 366
<i>Capital lease obligations</i>	707	110	107	110	380
Purchase obligations					
Agreements to purchase property, plant and equipment and other capital commitments ⁽¹⁾	5,256	5,256	—	—	—
<i>Short term debt obligations</i>	43,539	43,539	—	—	—
<i>Long term debt obligations</i>	4,852	—	1,610	3,242	—
<i>Estimated interest payable on long-term debt</i> ⁽²⁾	255	89	149	17	—
<i>Post-retirement benefits obligations</i> ⁽³⁾	2,255	241	455	430	1,129
Total contractual obligations	Rs. 58,575	Rs. 49,619	Rs. 2,932	Rs. 4,149	Rs. 1,875

- (1) These amounts are net of capital advances paid in respect of such purchases and are expected to be funded from internally generated funds and proceeds from long term borrowings.
- (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, 2017 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.

5.G. Safe harbor

See page 3 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, 2017 was as follows:

<u>Directors Name⁽¹⁾</u>	<u>Age (in yrs.)</u>	<u>Position</u>
Mr. K. Satish Reddy ⁽²⁾⁽³⁾	50	Chairman
Mr. G.V. Prasad ⁽²⁾⁽⁴⁾	57	Co-Chairman, Managing Director and Chief Executive Officer
Mr. Anupam Puri	71	Director
Ms. Kalpana Morparia	68	Director
Dr. Omkar Goswami	60	Director
Dr. Bruce L.A. Carter	73	Director
Dr. Ashok S. Ganguly	82	Director
Mr. Sridar Iyengar	69	Director
Mr. Bharat Narotam Doshi	68	Director
Mr. Hans Peter Hasler	61	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.

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 organization. As of March 31, 2017, the Management Council consisted of:

<u>Name and Designation</u>	<u>Education/Degrees Held</u>	<u>Age</u>	<u>Experience in years</u>	<u>Date of commencement of employment</u>	<u>Particulars of last employment</u>
K. Satish Reddy ⁽¹⁾ Chairman	B. Tech., M.S. (Medicinal Chemistry)	50	25	January 18, 1993	Director, Globe Organics Limited
G.V. Prasad ⁽²⁾ Co-Chairman, Managing Director and Chief Executive Officer	B. E. (Chem. Eng.), M.S. (Incl. Admn.)	57	33	June 30, 1990	Promoter Director, Benzex Labs Private Limited
Abhijit Mukherjee ⁽³⁾ Chief Operating Officer	B. Tech. (Chem.)	59	37	January 15, 2003	President, Atul Limited
Alok Sonig Executive Vice President and Head - North America Generics	B.E., MBA	45	22	June 11, 2012	Vice President and Head of Global Commercial Excellence, Strategy and Business Model Innovation, Bristol Myers Squibb
Dr. Amit Biswas Executive Vice President and Head - Integrated Product Development Organization	B. Tech. (Chem.), Masters (Polymer Science), Ph.D.	57	29	July 12, 2011	Senior Vice President, Reliance Industries Limited
Dr. Cartikeya Reddy Executive Vice President and Head-Biologics	B. Tech, M.S., Ph.D.	47	26	July 20, 2004	Senior Engineer, Genetech Inc.
Dr. KVS Ram Rao Sr. Vice President and Head-PSAI Commercial Organization	B.Tech., M.E., Ph. D.(Chem Eng)	54	24	April 3, 2000	Head of Technical Services, Jubilant Life Sciences

Name and Designation	Education/Degrees Held	Age	Experience in years	Date of commencement of employment	Particulars of last employment
M.V. Ramana Executive Vice President and Head Branded Markets (India & Emerging Countries)	MBA	49	25	October 15, 1992	—
Dr. S. Chandrasekhar President and Global Head of Human Resources	MBA., Ph.D.	60	38	August 12, 2013	Vice President and Head of Human Resources, IBM India.
Samiran Das Executive Vice President and Head- Global Manufacturing Operations	B. Tech (Mechanical)	57	35	June 15, 2011	Executive Director, PepsiCo India.
Saumen Chakraborty President and Chief Financial Officer and Global Head of Information Technology and Business Process Excellence	B.Sc. (H), MBA (IIM)	56	33	July 2, 2001	Vice President, Tecumseh Products India Private Limited
Ganadhish Kamat Executive Vice President and Head Global Quality Organisation	Master of Pharmacy and Diploma in Business Management	54	32	April 18, 2016	Executive Vice President – Corporate Quality, Lupin Limited
J. Ramachandran Executive Vice President – Management Systems and Corporate Initiatives	Master’s Degree (IIT)	53	25	September 15, 2016	Global CEO, Birla soft
Anil Namboodiripad Senior Vice President and Head - Proprietary Products	Ph.D. Physiology and Molecular Biophysics	50	19	September 9, 2007	Abbott Laboratories, Bristol- Myers Squibb, Booz and Co

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

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

* In June 2017, Ms. Archana Bhaskar joined the Company as Executive Vice President and Chief Human Resources Officer (“CHRO”). She will be a member of our Management Council. She is a graduate from Lady Shriram College, Delhi University majoring in Psychology & Mathematics and an MBA at the Indian Institute of Management, Bengaluru and has over 25 years of experience across various industries, geographies and companies. She was last employed with Royal Dutch Shell, Singapore where she headed Human Resources for the Global Commercial businesses.

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 a member of our Board of Directors and serves as our Chairman of the Board. Prior to May 2014, he held the titles 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 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 was the President of the Indian Pharmaceutical Alliance, a premier industry association of leading research-based Indian companies. 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.

In May 2015, the Ministry of Labour and Employment, Government of India, nominated Mr. Reddy as Chairman of the Board of Governors of the National Safety Council. In addition to positions held in our subsidiaries and joint ventures, he is also a Director of Green Park Hotels and Resorts Limited, Dr. Reddy’s Holdings Limited, Stamlo Industries Limited, Araku Originals Limited, Dr. Reddy’s Research Foundation, 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, Molecular Connections Private Limited, Dr. Reddy’s Trust Services Private Limited, KAR Holdings (Singapore) Private Limited, Singapore, KAREUS Therapeutics (Singapore) Private Limited, Singapore and KAREUS Therapeutics, SA, Switzerland.

Mr. G.V. Prasad is a member of our Board of Directors and serves as our Co-Chairman, Managing Director and Chief Executive Officer. 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 us. 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. He has been involved with the Andhra Pradesh chapter of the Worldwide Fund for nature and the Acumen Fund, a non-profit venture that uses entrepreneurial approaches to eliminate global poverty. Mr. Prasad was recognized as “India’s Best CEO” in the Large Company category by Business Today in 2014, and as “India Business Leader of the Year” by CNBC Asia in 2015. In addition to positions held in our subsidiaries and joint ventures, he is a Director of Green Park Hotels and Resorts Limited, Dr. Reddy’s Holdings Limited, Stamlo Industries Limited, Dr. Reddy’s Institute of Life Sciences, Dr. Reddy’s Research Foundation, International Foundation for Research and Education, Molecular Connections Private Limited, Dr. Reddy’s Trust Services Private Limited, Indian School of Business, Andhra Pradesh State Skill Development Corporation and the Acumen Fund in the United States of America.

Mr. Anupam Puri has been a member of our Board of Directors since 2002. He retired from McKinsey and Company in late 2000. He was a Director and played a variety of other leadership roles during his 30-year career there. Before joining McKinsey and Company, he was Advisor for Industrial Development to the President of Algeria, and consultant to General Electric’s Center for Advanced Studies. He holds a Bachelor of Arts degree in Economics from St. Stephen’s College, Delhi University, and Master of Arts and M. Phil. degrees from Oxford University. He is also on the Board of Directors of Mahindra and Mahindra Limited, Tech Mahindra Limited, Mumbai Mantra Media Limited and our wholly owned subsidiary Dr. Reddy’s Laboratories Inc. in the United States of America.

Dr. Omkar Goswami has been a member of our Board of Directors since 2000. He is a founder and Chairman of CERG Advisory Private Limited, a corporate advisory and economic research and consulting company. He was a senior consultant and chief economist at the Confederation of Indian Industry for six years. He has also served as editor of Business India, associate professor at the Indian Statistical Institute, Delhi, and as an honorary advisor to the Ministry of Finance. He holds a Bachelor of Economics degree from St. Xavier’s College, Calcutta University, a Master of Economics degree from the Delhi School of Economics, Delhi University and a Ph.D. degree from Oxford University. He is also a Director on the Boards of CG Power and Industrial Solutions Limited, Ambuja Cements Limited, Cairn India Limited, Godrej Consumer Products Limited, Infosys BPO Limited, Bajaj Finance Limited, Max Healthcare Institute Limited, IDFC Financial Holding Company Limited, Hindustan Construction Company Limited and DSP Black Rock Investment Managers Private Limited.

Ms. Kalpana Morparia has been a member of our Board of Directors since 2007. Ms. Morparia is Chief Executive Officer of J.P. Morgan, South and Southeast Asia. Ms. Morparia is a member of J.P. Morgan’s Asia Pacific Management Committee. Prior to becoming Chief Executive Officer of J.P. Morgan, South and Southeast Asia, Ms. Morparia served as Chief Executive Officer of J.P. Morgan India and Vice Chair on the Board of ICICI Group. She was a Joint Managing Director of ICICI Group from 2001 to 2007. Ms. Morparia has also served as Chief Strategy and Communications Officer—ICICI Group. Ms. Morparia had been with the ICICI Group since 1975. A graduate in law from Bombay University, Ms. Morparia has served on several committees constituted by the Government of India. Ms. Morparia was named one of “The 50 Most Powerful Women in International Business” by Fortune magazine in 2008 and one of the 25 most powerful women in Indian business by Business Today, a leading Indian business journal, in the years 2004, 2005, 2006 and 2008. Ms. Morparia was also named one of the “The 100 Most Powerful Women” by Forbes Magazine in 2006. She also serves on the Board of Hindustan Unilever Limited, J.P. Morgan Services India Private Limited, and Philip Morris International Inc. in the United States of America. She also serves as a member on the Board of Governors of Bharati 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. Dr. Carter was appointed as Chairman of the Board of ZymoGenetics in April 2005. From April, 1998 to January, 2009, he served as Chief Executive Officer of ZymoGenetics. Dr. Carter first joined ZymoGenetics in 1986 as Vice President of Research and Development. In 1988, Novo Nordisk acquired ZymoGenetics and, in 1994, Dr. Carter was promoted to Corporate Executive Vice President and Chief Scientific Officer for Novo Nordisk A/S, the then parent company of ZymoGenetics. Dr. Carter led the negotiations that established ZymoGenetics as an independent company from Novo Nordisk in 2000. Dr. Carter held various positions of increasing responsibility at G.D. Searle and Co., Ltd. from 1982 to 1986 and was a Lecturer at 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 also on the Board of Directors of TB Alliance, New York Xencor Inc., Mirati Therapeutics Inc, Accelerator Corporation and Enanta Pharmaceutical Inc. in the United States of America and our wholly-owned subsidiary Aurigene Discovery Technologies Limited.

Dr. Ashok S. Ganguly has been a member of our Board of Directors since 2009. Dr. Ashok Ganguly is the Chairman of ABP Private Ltd. (formerly Ananda Bazar Patrika Group), and was a Director on the Central Board of the Reserve Bank of India from 2001 to 2009. Dr. Ganguly's principal professional career spanned 35 years with Unilever Plc/NV. He was the Chairman of Hindustan Lever Ltd. from 1980 to 1990 and a member of the Unilever Board of Directors from 1990 to 1997 with responsibility for world-wide research and technology. He is a former member of the Board of British Airways Plc (1996-2005). He has served on several public bodies, the principal among them being as a member of the Science Advisory Council to the Prime Minister of India (1985-1989) and the U.K. Advisory Board of Research Councils (1991-1994). Currently, he is a member of the Prime Minister's Council on Trade and Industry, Investment Commission and the India-U.S.A. CEO Council, set up by the Prime Minister of India and the President of the United States of America. He is also a member of the National Knowledge Commission to the Prime Minister. He is a recipient of the "Padma Bhushan" as well as the "Padma Vibhushan", two of India's prestigious civilian honors. He was also a member of the Rajya Sabha, the upper house of the Parliament of India from 18 November 2009 to 17 November 2015. Dr. Ganguly also serves as a Director of Wipro Limited and ABP Private Limited.

Mr. Sridar Iyengar has been a member of our Board of Directors since 2011. Mr. Sridar Iyengar is an independent mentor investor in early stage start-up companies. For more than 35 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. Mr. Iyengar is the former President of Foundation for Democratic Reforms in India, a U.S. based non-profit organization. He is also an advisor to several venture and private equity funds in India. 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 also on the Board of Directors of Mahindra Holidays and Resorts India Limited, CL Educate Limited, ICICI Venture Funds Management Company Limited, Cleartrip Private Limited, CL Media Private Limited, AverQ Inc., in the United States of America, Cleartrip Inc. in the Cayman Islands, Holiday Club Resorts OY, 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 on the Central Board of Directors of the Reserve Bank of India in March 2016. He is the Chairman of Mahindra Intertrade Limited and a Director on the Board of Mahindra Holdings Limited. He is also an Independent Director of Godrej Consumer Products Limited. He also serves on Advisory Board of Excellence Enablers, an organization committed to promoting corporate governance in India. Mr. Doshi is a fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and holds Master's degree in Law from Bombay University. He is an alumnus of Harvard Business School (Program for Management Development) and Fellow of the Salzburg Seminar on 'Asian Economies: Regional and Global Relationships'.

Mr. Hans Peter Hasler has been a member of our Board of Directors since 2016. Mr. Hasler is the Principal of HPH Management GmbH, Küssnacht, Switzerland, the Chairman of HBH Healthcare Investments AG in Zug since June 2009 and Founder of Vicarius Pharma Limited AG, in Switzerland. He is also the Chairman of the Board of Medical Imaging Analysis Center (MIAC) of the University Hospital, Basel, a non-profit organization, since December 2012 and a Director on the Boards of Patheon Inc., USA and AOP Orphan Pharmaceuticals, Austria. Mr. Hasler holds a Federal Swiss Commercial Diploma from Canton of Bern, Switzerland (Kaufmann) and a Diploma in Business Management from Swiss Institute of Business, Zurich. Mr. Hasler is an experienced pharmaceutical and biotechnology executive and has an international track record and in-depth operational, commercial and general management expertise. He also acts as a top-level advisor to the life-science industry. In his career, he has managed the growth of leading companies in the pharmaceutical industry and successfully launched several blockbuster drugs. He is also on the Board of Directors of our wholly owned subsidiary, Dr. Reddy's Laboratories S.A. in Switzerland.

Biographies—Executive Officers

Mr. Abhijit Mukherjee is the Chief Operating Officer of our company. Before joining us, he worked with Atul Limited for 10 years, where he held numerous positions of increasing responsibility. In his last assignment there he was President, Bulk Chemicals and Intermediates Business, and Managing Director, Atul Products Limited. He started his career as a management trainee in Hindustan Lever Limited ("HLL") and worked at that company for 13 years, including three years in a Unilever company. He was primarily involved in technical assignments in the aroma chemicals business in HLL and Unilever and also in detergents and sulphonation plants of HLL. He holds a degree in Chemical Engineering from the Indian Institute of Technology in Kharagpur, India.

Mr. Alok Sonig is the Executive Vice President and head of North America Generics. He joined us in June 2012 and has over 21 years of experience in healthcare, technology and consumer marketing. Prior to joining us, he worked with Bristol Myers Squibb in Princeton, New Jersey, U.S.A., as Vice President and Head of Global Commercial Excellence, Strategy and Business Model Innovation. Mr. Sonig holds a Bachelor's of Engineering from Punjab Engineering College in India and an MBA from American University, Washington, D.C.

Dr. Amit Biswas is the Executive Vice President and Head of Integrated Product Development ("IPDO"). He joined us in July 2011 and has 28 years of diverse and rich international experience, spanning academic and industrial research, product development, technical service and management of research and technology in the areas of commodity plastics, engineering polymers, high performance fibers, industrial/automotive coatings and alternate energy technologies. He previously worked with companies such as DuPont (USA), ICI India and GE Advanced Materials. Prior to joining us, he worked with Reliance Industries Limited as Senior Vice President, Technology Services and Emerging Technologies-Reliance Technology Group and was responsible for design and implementation of Research and Technology Management processes, Business Transformation and Change Management, and interfacing with private/public institutions on Alternate Energy Technologies. He is a Master Black Belt in Six Sigma (GE Certification). He was also a member of various councils, including National Chemical Laboratory (Pune) Research Council, Indian Institute of Chemical Technology (Hyderabad) Research Council, Indian Institute of Technology Bombay Advisory Council and currently is a member of All India CII Technology Council. He was made an Adjunct Professor at the Centre for Research in Nanotechnology and Science at the Indian Institute of Technology in Bombay, India. He has 44 international publications, 3 book chapters and 4 patents. He holds a Ph.D. and Masters in Polymer Science from Case Western Reserve University, Ohio, U.S.A. and a Bachelor of Technology in Chemical Engineering from the Indian Institute of Technology, Bombay, India.

Dr. Cartikeya Reddy is the Executive Vice President and head of our Biologics division, which focuses on the development of biosimilar molecules for the Indian and global markets. Prior to joining us in 2004, Dr. Reddy worked with Genentech Inc., where he was a Group Leader in the area of Cell Culture Process Development. Before that, he was with the Biotechnology Division of Bayer Corporation, where he successfully led teams in the areas of Bioprocess Development and pilot scale manufacturing. Mr. Reddy holds a Master of Science degree and Ph.D. in Chemical Engineering from the University of Illinois, Urbana-Champaign, and was a Visiting Scholar at the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States of America. He also graduated with a Bachelor of Technology degree in Chemical Engineering from the Indian Institute of Technology in Chennai, India.

Dr. KVS Ram Rao is the Senior Vice President and Head of PSAI Commercial Organization. He joined us in 2000 and has over 23 years of experience in New Product Development-API and Global Oncology. In his current role, he is responsible for our PSAI commercial organization managing sales, strategy, business development and new product management. Prior to joining us, Dr. Ram Rao worked at Jubilant Life Sciences where he headed the Technical Services Division and Gujarat Heavy Chemicals Limited where he was the Head of Research and Development. He holds a Ph.D. and a Masters degree in Chemical Engineering from the Indian Institute of Science ("IISc"), Bangalore along with a Bachelors Degree in Chemical Engineering from Osmania University, Hyderabad, India. He also holds a Diploma in Project Management from Narsee Monjee Institute of Management Studies ("NMIMS"), India.

Mr. M.V. Ramana is the Executive Vice President and Head of Branded Markets (India and Emerging countries). He joined us on October 15, 1992 as a Management Trainee in the International Marketing division of our Branded Formulations business. In his 24 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 done the ISB-Kellogg management development program.

Dr. S. Chandrasekhar is the President and Global Head of our Human Resources (“HR”). He joined us in August 2013 and leads a wide range of HR initiatives in leadership development and coaching, talent development, employee engagement and organization design to integrate, grow and transform the organization globally in order to enable our enterprise to meet our business objectives. He has over 37 years of experience across India’s leading firms in public and private sectors engaged in multiple industries such as steel, manufacturing, telecom, information technology services and consulting. He is also among the first few Indians who have been accredited by the International Coach Federation – the world’s leading coach certification body—in the professional practice of executive coaching. Prior to joining us, Dr. Chandrasekhar worked with IBM, India as Vice President and Head of Human Resources for the India/South Asia region. At IBM, he was a key member of the India Leadership Team and a Director on the Board of IBM India Private Limited. Dr. Chandrasekhar holds an MBA from Leeds Business School, United Kingdom and a Ph. D in Organizational Behavior from Andhra University, India.

Mr. Samiran Das is the Executive Vice President and Head of Global Manufacturing Operations. He joined us in June 2011 and has diverse and rich experience in manufacturing across multiple sectors. Prior to joining us, he worked with Pepsico India as Executive Director, Technical Operations for Pepsico’s beverage business in the India region and was responsible for supply strategy and implementation, manufacturing footprint and expansion, quality assurance, safety, development of co-packing network, procurement and new product commercialization, and supply chain validation. At Pepsico, he was a member of the Regional Executive Committee and the Division Operations Leadership Council, with active involvement in Corporate Governance and Corporate Social Responsibility activities. Before that, he worked with companies like Union Carbide, ICI India, Hindustan Unilever, Godrej Pillsbury, Frito Lay India and D1-BP Fuel Crops India in different roles. He holds a Bachelors degree in Mechanical Engineering from the Indian Institute of Technology, Delhi, India.

Mr. Saumen Chakraborty is the President and Chief Financial Officer. In this role, he is responsible for managing our global finance functions including, among others, Accounts and Controlling, Taxation, Compliance, Secretarial, Investor Relations and Treasury. In addition, Mr. Chakraborty is also responsible for our Information Technology (“IT”) and Business Process Excellence (“BPE”) functions. As the Chief Financial Officer, Mr. Chakraborty was recognized as the Best CFO for Healthy Balance Sheet management India’s Best CFO with Exemplary at BW Businessworld-YES Bank Best CFO Awards 2015-16, CFO of the year by International Market Assessment (“IMA”), All Round Performance in the 5th Annual Business Today in 2014 – Yes Bank Best CFO Awards event. Mr. Chakraborty joined us in 2001 as Global Chief of Human Resources. He later took over as Chief Financial Officer in 2006 and then became our President—Corporate and Global Generics Operations in early 2009. In 2010 he was appointed as President and Global Head of Quality, Human Resources and Information Technology and focused on the integration of people practices, processes and information across the organization. He has 32 years of experience in strategic and operational aspects of management. Prior to joining us, he held various line management, human resources and other positions, including Senior Manager (Finance and Accounts) in the Eicher Group and Vice President (Operations) in Tecumseh Products Company. Saumen is also a member of the National Leadership Committee of CII. He has been on the Board of the AHRD and various joint ventures/subsidiaries of our Company. He graduated with honors as the valedictorian of his class from Visva-Bharati University in Physics and holds degree in Management from the Indian Institute of Management, Ahmedabad, Gujarat, India.

Mr. Ganadhish Kamat is the Executive Vice President and Global Head of Quality. He has joined us in April 2016 and in this role he is responsible for Global Quality. He holds a Master of Pharmacy degree from Mumbai University and a Diploma in Business Management from Goa University. He has close to 31 years of rich experience in the pharmaceutical industry. During his long career, Mr. Kamat has 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), the expert committee of Indian Pharmacopoeia, and the Quality Forum of the Indian Pharmaceutical Association (IPA).

Mr. J. Ramachandran is the Executive Vice President – Management Systems and Corporate Initiatives. He joined us in September 2016 and in this role he is responsible for our strategic initiatives and management systems. Mr. Ramachandran has over two decades of corporate leadership and entrepreneurial experience, including a decade spent at IBM Global Services USA leading business transformative programs across worldwide geographies. Upon his return to India, Mr. Ramachandran led Birlasoft as the Global CEO, founded a successful technology company and offered strategy consulting for varied businesses. Mr. Ramachandran has conceptualized and led business/organizational transformations for diverse industry verticals and Fortune 500 customers spread across five continents. He holds a Master’s degree from IIT Kanpur.

Mr. Anil Namboodiripad is the Senior Vice President and Head-Proprietary Products. He has 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 us, he spent a number of years at Abbott Laboratories’s subsidiary 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.

6.B. Compensation

Directors’ compensation

Full-Time Directors: The compensation of our Chairman of the Board and our Co-Chairman, Managing Director and Chief Executive Officer (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.

Our Chairman of the Board and our Co-Chairman, Managing Director and Chief Executive Officer 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 our Chairman of the Board and our Co-Chairman, Managing Director and Chief Executive Officer within the limits of 0.75% and 0.75%, respectively, 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, 2017, 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 or Dr. Reddy’s Employees ADR Stock Option Scheme, 2007 in the year ended March 31, 2017.

For the year ended March 31, 2017, 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	Rs. 63.00	Rs. 6.32	Rs. 3.12	Rs. 72.44
Mr. G.V. Prasad	75.00	18.52	4.22	97.74
Dr. Omkar Goswami	8.37	—	—	8.37
Mr. Ravi Bhoothalingam *	4.35	—	—	4.35
Mr. Anupam Puri	9.76	—	—	9.76
Ms. Kalpana Morparia	9.03	—	—	9.03
Dr. Bruce L.A. Carter	8.77	—	—	8.77
Dr. Ashok S. Ganguly	8.37	—	—	8.37
Mr. Sridar Iyengar	9.09	—	—	9.09
Mr. Bharat N. Doshi	9.69	—	—	9.69
Mr. Hans Peter Hasler **	6.65	—	—	6.65

* Compensation for part of the year, term ended on July 27, 2016.

** Compensation for part of the year, appointed with effect from June 17, 2016.

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 two employee stock option schemes: the Dr. Reddy's Employees Stock Option Scheme, 2002 and the Dr. Reddy's Employees ADR Stock Option Scheme, 2007. 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, 2017 and stock options issued to all of our other executive officers during the year ended March 31, 2017:

Compensation for Executive Officers

Name	Compensation ⁽¹⁾⁽³⁾ (Rs. in millions)	No. of Options ⁽²⁾
Abhijit Mukherjee	60.4	5,500
Alok Sonig	43.8	3,760
Dr. Cartikeya Reddy	27.3	3,500
Saumen Chakraborty	42.3	4,000
M.V. Ramana	31.1	3,760
Samiran Das	24.2	3,000
Dr. Amit Biswas	25.0	3,000
Dr. K.V.S. Ram Rao	20.0	2,700
Dr. S. Chandrasekhar	22.1	3,000
Dr. Raghav Chari (until October 31, 2016)	21.9	3,760
Mr. Ganadhish Kamat	25.1	3,096
Mr. J. Ramachandran	13.1	—
Mr. Anil Namboodiripad	18.9	1,400

(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) The options vest 25% each year on various dates beginning in the year ended March 31, 2018 and ending in the year ended March 31, 2021 subject to the employee being in continued service on the date of vesting. The options expire after five years from the date of vesting. Each of the options has an exercise price of Rs.5 and results in the issuance of one equity share upon its exercise.

(3) These compensation amounts do not include Rs.79 million accrued towards a long term incentive plan for the services rendered by our executive officers for the year ended March 31, 2017 (refer to Note 29 to our consolidated financial statements for further details).

Retirement benefits:

We provide the following benefit plans to our employees:

Gratuity benefits: In accordance with applicable Indian laws, we provide for gratuity, a defined benefit plan (the “Gratuity Plan”) covering certain categories of employees of the parent company. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, at an amount based on the respective employee’s last drawn salary and the years of employment with us. Effective September 1, 1999, we established the Dr. Reddy’s Laboratories Gratuity Fund (the “Gratuity Fund”). Liability with regard to the Gratuity Plan is determined by an actuarial valuation, based upon which we make contributions to the Gratuity Fund. Trustees administer the contributions made to the Gratuity Fund. The amounts contributed to the Gratuity Fund are primarily invested in Indian Government bonds and corporate debt securities. A small portion of the fund is also invested in equity securities of Indian companies.

The net periodic gratuity benefit cost recognized by us towards the aforesaid Gratuity Plan was Rs.235 million and Rs.179 million for the years ended March 31, 2017 and 2016, respectively.

Superannuation benefits: Certain categories of our employees participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. We make annual contributions based on a specified percentage of each covered employee’s salary. We have no further obligations under the plan beyond our annual contributions. We contributed Rs.79 million and Rs.71 million to the superannuation plan during the years ended March 31, 2017 and 2016, respectively.

Provident fund benefits. In India, certain employees receive benefits from a provident fund, a defined contribution plan. Both the employee and employer each make monthly contributions to the plan equal to 12% of the covered employee’s basic salary. We have no further obligations under the plan beyond our monthly contributions. We contributed Rs.682 million and Rs.574 million to the provident fund plan during the years ended March 31, 2017 and 2016, respectively.

401(k) retirement savings plans. In the United States, we sponsor a defined contribution 401(k) retirement savings plan for all eligible employees who meet minimum age and service requirements. We contributed Rs.231 million and Rs.204 million to this 401(k) retirement savings plan for the years ended March 31, 2017 and 2016, respectively.

National Insurance 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. We sponsor a defined contribution plan for such National Insurance contributions. The contribution amounts are determined based upon the employee’s base salary. We have no further obligations under the plan beyond our monthly contributions. We contributed Rs.134 million and Rs.156 million to the U.K. National Insurance scheme during the years ended March 31, 2017 and 2016, respectively.

Pension. All employees of Industrias Quimicas Falcon de Mexico, SA de CV (“Falcon”), our subsidiary in Mexico, are governed by a defined benefit pension plan. The pension plan provides a 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 we make 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 net periodic cost recognized under the Falcon pension plan was Rs.25 million each during the years ended March 31, 2017 and 2016.

Compensated leave of absence. Our current policies permit certain categories of 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. We measure the expected cost of accumulating compensated absences as the additional amount that we expect to pay as a result of the unused entitlement that has accumulated at the statement of financial position date. Such measurement is based on actuarial valuation as at the statements of financial position date carried out by a qualified actuary. Towards this benefit, we recorded a total liability of Rs.855 million and Rs.792 million as at March 31, 2017 and 2016, respectively.

Long term incentive plan. Certain senior management employees of our company participate in a long term incentive plan which is aimed at rewarding the individual based on the performance of such individual, their business unit/function and our company as a whole, with significantly higher rewards for superior performances. The total liability recorded by us towards this benefit was Rs.622 million as of March 31, 2017.

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, 2017, we had ten directors on our Board, of which seven 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, 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.

The Ministry of Corporate Affairs, Government of India, by a circular dated June 9, 2014, stated that all non-full time independent directors (including existing non-full time independent directors) are required to be appointed expressly under the provisions of the Companies Act, 2013 before March 31, 2015. Accordingly, all of our non-full time independent directors were re-appointed by our shareholders at the July, 2014 annual general meeting.

The terms of each of our directors and their expected expiration dates are provided in the table below:

<u>Name</u>	<u>Expiration of Current Term of Office</u>	<u>Term of Office</u>	<u>Period of Service</u>
Mr. G.V. Prasad ⁽¹⁾	January 29, 2021	5 years	31 years
Mr. K. Satish Reddy ⁽¹⁾⁽⁴⁾	September 30, 2022	5 years	24 years
Mr. Anupam Puri ⁽²⁾⁽³⁾	July 31, 2018	4 years	15 years
Ms. Kalpana Morparia ⁽²⁾⁽³⁾	July 31, 2019	5 years	10 years
Dr. Omkar Goswami ⁽²⁾⁽³⁾	July 31, 2019	5 years	16.5 years
Dr. Bruce L.A. Carter ⁽²⁾⁽³⁾	July 31, 2019	5 years	9 years
Dr. Ashok S. Ganguly ⁽²⁾⁽³⁾	July 31, 2017	3 years	7.5 years
Mr. Sridar Iyengar ⁽²⁾⁽³⁾	July 31, 2019	5 years	6 years
Mr. Bharat N Doshi ⁽²⁾	May 10, 2021	5 years	1 year
Mr. Hans Peter Hasler ⁽²⁾	June 16, 2021	5 years	1 year

(1) Full time director.

(2) Non-full time independent director.

(3) These non-full time independent directors were appointed at our annual general meeting on July 31, 2014, under the provisions of the Companies Act, 2013 for a term stated in the above table. This appointment of our non-full time independent directors was to comply with the circular dated June 9, 2014 issued by the Ministry of Corporate Affairs, Government of India requiring us to appoint all of our non-full time independent directors specifically under the provisions of the Companies Act, 2013.

(4) Reappointed by the Board of Directors at their meeting held on May 12, 2017 for a further period of five years effective as of October 1, 2017 (expiring January 29, 2021), subject to approval by our shareholders at their next Annual General Meeting scheduled on July 28, 2017.

As a result of the above, a proposal to vary the terms of appointment so that only our full time directors are subject to retirement by rotation was approved by our shareholders at the July 2014 annual general meeting. Accordingly, our full time directors are now subject to retirement by rotation. The directors are not eligible for any termination benefit on the termination of their tenure with us. As a result of the above, Mr. G.V. Prasad shall retire by rotation and the proposal to reappoint him is being placed before our shareholders at the July 2017 annual general meeting.

Committees of the Board

Committees appointed 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 or approval. We had seven Board-level Committees as of March 31, 2017:

- Audit Committee.
- Nomination, Governance and Compensation Committee.
- Science, Technology and Operations Committee.
- Risk Management Committee.
- Stakeholders' Relationship Committee.
- 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, Shareholders' Grievance 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://drreddys.com/investors/governance/committees-of-the-board.aspx>.

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 consists of the following four non-full time, independent directors:

- Mr. Sridar Iyengar (Chairman);
- Dr. Omkar Goswami;
- Ms. Kalpana Morparia; and
- Mr. Bharat Narotam Doshi.

Our Company Secretary is the Secretary of the Audit Committee. This Committee met five times during the year ended March 31, 2017. 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 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 approval of related party transactions;
- Review the functioning of whistle blower mechanism;
- Review the implementation of applicable provisions of the Sarbanes-Oxley Act, 2002;
- Scrutinize our inter-company loans and investments;
- Value our undertakings and assets, wherever it is necessary;

- Evaluation of internal financial controls; and
- Review any findings of investigations related to suspected fraud committed against us.

Nomination, Governance and Compensation Committee. The primary functions of the Nomination, Governance and Compensation Committee are 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 consists of the following non-full time, independent directors:

- Dr. Ashok S. Ganguly (Chairman);
- Mr. Anupam Puri;
- Ms. Kalpana Morparia; and
- Mr. Bharat Narotam Doshi.

The corporate officer heading our Human Resources function serves as the Secretary of the Committee. The Nomination, Governance and Compensation Committee met four times during the year ended March 31, 2017.

Science, Technology and Operations Committee. The primary functions of the Science, Technology and Operations Committee are 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 staying abreast of novel scientific and technologies developments and innovations, anticipating emerging concepts and trends in therapeutic research and development, and making well-informed choices in committing our resources;
- 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 consists of the following non-full time, independent directors:

- Dr. Bruce L.A. Carter (Chairman);
- Mr. Anupam Puri;
- Dr. Ashok S. Ganguly; and
- Mr. Hans Peter Hasler.

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, 2017.

Risk Management Committee. The primary function of the Risk Management Committee is 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, along with the risk management 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 consists of the following non-full time, independent directors:

- Dr. Omkar Goswami (Chairman);
- Dr. Bruce L.A. Carter;
- Mr. Sridar Iyengar and
- Mr. Hans Peter Hasler.

Our Chief Financial Officer is the Secretary of the Risk Management Committee. This Committee met three times during the year ended March 31, 2017.

Corporate Social Responsibility (“CSR”) Committee. The primary function of the Corporate Social Responsibility Committee is 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 monitoring their progress; and
- Monitor implementation and adherence to our corporate social responsibility policy from time to time.

The Corporate Social Responsibility Committee consists of the following directors:

- Mr. Bharat Narotam Doshi (Chairman);
- Mr. G.V. Prasad; and
- Mr. K. Satish Reddy.

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, 2017.

Stakeholders Relationship Committee. Effective May 13, 2014, the name of our “Shareholders Grievance Committee” has been changed to “Stakeholders Relationship Committee” in accordance with the provisions of Section 178 of the Indian Companies Act, 2013. The primary function of the Stakeholders’ Relationship Committee is to:

- Review investor complaints and their redress;
- Review queries received from investors;
- Review work done by our share transfer agent; and
- Review corporate actions related to our security holders.

The Stakeholders’ Relationship Committee consists of the following directors:

- Ms. Kalpana Morparia (Chairperson);
- Mr. Bharat Narotam Doshi;
- Mr. G.V. Prasad; and
- Mr. K. Satish Reddy.

Our Company Secretary is the Secretary of the Stakeholders' Relationship Committee. This Committee met four times during the year ended March 31, 2017.

6.D. Employees

The following table sets forth the number of our employees as at March 31, 2017, 2016 and 2015.

	As at March 31, 2017				Total
	India	North America	Europe	Rest of World	
Manufacturing ⁽¹⁾	11,261	293	164	300	12,018
Sales and marketing ⁽²⁾	5,778	161	48	1,351	7,338
Research and development ⁽³⁾	1,945	60	143	59	2,207
Others ⁽⁴⁾	768	100	51	189	1,108
Total	19,752	614	406	1,899	22,671

	As at March 31, 2016				Total
	India	North America	Europe	Rest of World	
Manufacturing ⁽¹⁾	10,584	352	169	259	11,364
Sales and marketing ⁽²⁾	5,625	141	33	1,388	7,187
Research and development ⁽³⁾	2,298	49	120	50	2,517
Others ⁽⁴⁾	724	105	65	213	1,107
Total	19,231	647	387	1,910	22,175

	As at March 31, 2015				Total
	India	North America	Europe	Rest of World	
Manufacturing ⁽¹⁾	9,442	420	155	285	10,302
Sales and marketing ⁽²⁾	4,953	137	35	1,375	6,500
Research and development ⁽³⁾	2,202	45	120	46	2,413
Others ⁽⁴⁾	727	104	94	233	1,158
Total	17,324	706	404	1,939	20,373

(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, 2017 and 2016, and we consider our relationship with our employees and labor unions to be good. Approximately 4% of our employees belong to labor unions.

6.E. Share ownership

The following table sets forth, as of March 31, 2017 for each of our directors and executive officers, the total number of our equity shares and options owned by them:

<u>Name</u>	<u>No. of Shares Held ^{(1) (2)}</u>	<u>% of Outstanding Capital</u>	<u>No. of Options Held⁽⁵⁾</u>	<u>Vesting and Expiration Date (See note no.)</u>
G.V. Prasad ⁽³⁾	1,344,640	0.81%	—	—
K. Satish Reddy ⁽³⁾	1,310,332	0.79%	—	—
Dr. Omkar Goswami ⁽³⁾	22,800	0.01%	—	—
Anupam Puri (ADRs) ⁽³⁾	18,302	0.01%	—	—
Kalpana Morparia ⁽³⁾	10,800	0.01%	—	—
Dr. Bruce L.A. Carter (ADRs) ⁽³⁾	7,800	0.00%	—	—
Dr. Ashok S. Ganguly ⁽³⁾	4,800	0.00%	—	—
Sridar Iyengar ⁽³⁾	—	—	—	—
Bharat N Doshi ⁽³⁾	1,000	0.00%	—	—
Hans Peter Hasler ⁽³⁾	—	—	—	—
Abhijit Mukherjee	27,736	0.02%	12,875	(4)
Dr. Cartikeya Reddy	—	—	8,225	(4)
Saumen Chakraborty	35,250	0.02%	8,875	(4)
M.V. Ramana	16,996	0.01%	8,760	(4)
Samiran Das	2,825	0.00%	10,975	(4)
Dr. Amit Biswas	5,174	0.00%	7,100	(4)
Alok Sonig	9,760 ⁽⁶⁾	0.00%	4,400	(4)
Dr. K. V. S. Ram Rao	7,100	0.00%	5,850	(4)
Dr. S. Chandrasekhar	1,875	0.00%	6,125	(4)
Ganadhish Kamat	—	—	3,096	(4)
Mr. J. Ramachandran	—	—	—	(4)
Dr. Anil Namboodiripad (ADRs)	6,734	—	2,944	(4)

1) Shares held in their individual name only.

(2) All shares have voting rights.

(3) Not eligible for grant of stock options.

(4) The options vest on various dates between the year ending March 31, 2017 and the year ending March 31, 2021.

(5) The options expire after five years from the date of vesting. Each of the options has an exercise price of Rs.5 and results in the issuance of one equity share upon its exercise.

(6) Includes 3,760 ADRs.

Employee Stock Incentive Plans

We have adopted a number of stock option incentive plans covering either our ordinary shares or our ADSs, and we are currently operating under the Dr. Reddy's Employees Stock Option Plan-2002 and the Dr. Reddy's Employees ADR Stock Option Plan-2007. During the year ended March 31, 2017, options to purchase ordinary shares and ADSs were awarded to various of our executive officers and other employees under these two plans as follows: an aggregate of 156,092 options were granted having an average exercise price of Rs.5 per share or ADS and no options were granted at a fair market value based exercise price. Each option granted had an expiration date of five years from the vesting date, and each grant provided for time-based vesting in 25% increments over four years. As of March 31, 2017, options were outstanding under these two plans for an aggregate of 418,283 shares and ADSs with an average exercise price of Rs.5 per share.

For the years ended March 31, 2017 and 2016, Rs.398 million and Rs.471 million, respectively, have been recorded as employee share-based payment expense under all of our employee stock incentive plans. As of March 31, 2017, there was Rs.432 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 2.95 years. For further information regarding our options and stock option incentive plans, see Note 20 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, 2017, a total of 26.79% of our equity shares were held by the following parties:

- Mr. G.V. Prasad (Co-Chairman, Managing Director and Chief Executive Officer);
- Mr. K. Satish Reddy (Chairman of the Board);
- Mrs. K. Samrajyam, mother of Mr. K. Satish Reddy, and Mrs. G. Anuradha, wife of Mr. G.V. Prasad (hereafter collectively referred as the “Family Members”); 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 as 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, 2017:

Name	Equity Shares Beneficially Owned ⁽¹⁾	
	Number of Shares	Percentage of Shares
Dr. Reddy’s Holdings Limited ⁽²⁾	40,627,000	24.51%
Mr. G.V. Prasad ⁽²⁾	1,344,640	0.81%
Mr. K. Satish Reddy ⁽²⁾	1,310,332	0.79%
Family Members	1,116,856	0.68%
Subtotal	44,398,828	26.79%
Others/public float	121,342,885	73.21%
Total number of shares outstanding	165,741,713	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.

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. 2 to Schedule 13D filed with the U.S. Securities and Exchange Commission on February 14, 2017, such equity shares held by other parties to the Deed of Family Settlement consisted of, in each case as of January 16, 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.

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, 2017		March 31, 2016		March 31, 2015	
	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*	40,627,000	24.51%	39,961,234	23.42%	39,729,284	23.32%
First State Investments Management (UK) Limited, Commonwealth Bank of Australia and their associates**	14,907,551	12.32%	15,181,101	8.90%	14,389,390	8.45%
Oppenheimer Funds Distributor, Inc. and its associates	5,372,121	5.23%	8,731,914	5.12%	7,661,494	4.50%

* 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.

** Based on information provided to us by First State Investments Management (UK) Limited, as of March 31, 2017, they held an additional 2.02% of the aggregate shares of our Company in the form of ADSs in addition to the equity shares listed above.

For the years ended March 31, 2016 and 2015, the figures in the above table only include Indian equity shares, which were the only holdings known to the Company.

As of March 31, 2017, we had 165,741,713 outstanding equity shares. As of March 31, 2017, there were 129,507 record holders of our equity shares listed and traded on the Indian stock exchanges. Our American Depositary Shares ("ADSs") are listed on the New York Stock Exchange. One ADS represents one equity share of Rs.5 par value per share. As of March 31, 2017, 16.39% of our issued and outstanding equity shares were held by ADS holders. On March 31, 2017 we had approximately 63 registered shareholders and 15,702 beneficial shareholders of record in the United States.

7.B. Related party transactions

Refer to Note 29 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 Firm
- Consolidated statement of financial position as of March 31, 2017 and 2016
- Consolidated income statement for the years ended March 31, 2017, 2016 and 2015
- Consolidated statement of comprehensive income for the years ended March 31, 2017, 2016 and 2015
- Consolidated statement of changes in equity for the years ended March 31, 2017, 2016 and 2015
- Consolidated statement of cash flows for the years ended March 31, 2017, 2016 and 2015
- 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, 2017, our export revenues (i.e., revenues from all geographies other than India) were Rs.115,882 million, and accounted for 82% of our total revenues.

Legal Proceedings

Refer to Note 44 of our consolidated financial statements.

Dividend Policy

In the years ended March 31, 2015, 2016 and 2017, we paid cash dividends of Rs.18, Rs.20 and Rs.20 respectively, per equity share. 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. In our Board of Directors' meeting held on May 12, 2017, the Board of Directors proposed a dividend per share of Rs.20 and aggregating to Rs.3,315 million plus an additional amount of Rs.675 million, which is intended to equal the applicable dividend tax, 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 depository in Indian rupees and are converted by the depository into U.S. dollars and distributed, net of depository fees, taxes, if any, and expenses, to the holders of such ADSs.

8.B. Significant changes

Refer to note 46 to our consolidated financial statements.

ITEM 9. THE OFFER AND LISTING

9.A. Offer and listing details

Information Regarding Price History

The following tables set forth the price history for our shares on the BSE Limited (formerly known as the Bombay Stock Exchange Limited) (“BSE”) and for our ADSs on the New York Stock Exchange (“NYSE”).

Year Ended March 31,	BSE		NYSE	
	Price Per Equity Share ⁽¹⁾		Price Per ADS ⁽¹⁾	
	High (Rs.)	Low (Rs.)	High (U.S.\$)	Low (U.S.\$)
2013	1,968.60	1,528.00	36.73	27.28
2014	2,939.80	1,766.30	47.93	31.32
2015	3,662.00	2,250.00	59.02	38.23
2016	4,382.95	2,750.00	68.00	40.68
2017	3,689.00	2,560.00	54.73	39.04

Quarter Ended	BSE		NYSE	
	Price Per Equity Share ⁽¹⁾		Price Per ADS ⁽¹⁾	
	High (Rs.)	Low (Rs.)	High (U.S.\$)	Low (U.S.\$)
June 30, 2015	3,808.75	3,250.15	60.85	51.25
September 30, 2015	4,337.00	3,502.45	68.00	55.48
December 31, 2015	4,382.95	2,950.50	68.00	43.41
March 31, 2016	3,280.00	2,750.00	49.40	40.68
June 30, 2016	3,396.70	2,825.00	51.30	41.60
September 30, 2016	3,689.00	2,925.10	54.73	42.52
December 31, 2016	3,394.95	2,842.00	50.10	44.06
March 31, 2017	3,203.95	2,560.00	46.95	39.04

Month Ended	BSE		NYSE	
	Price Per Equity Share ⁽¹⁾		Price Per ADS ⁽¹⁾	
	High (Rs.)	Low (Rs.)	High (U.S.\$)	Low (U.S.\$)
October 31, 2016	3,394.95	2,842.00	49.96	44.92
November 30, 2016	3,357.00	2,960.40	50.10	44.45
December 31, 2016	3,247.00	2,980.00	47.75	44.06
January 31, 2017	3,203.95	2,910.00	46.92	42.78
February 28, 2017	3,175.00	2,803.50	46.95	42.86
March 31, 2017	2,948.00	2,560.00	44.23	39.04

(1) Source: www.bseindia.com and www.nyse.com, respectively.

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”), or collectively, the “Indian Stock Exchanges.” 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.” Each ADS represents one equity share. Our ADSs began trading on the NYSE on April 11, 2001. Our shareholders approved the delisting of our shares from the Hyderabad Stock Exchange Limited, The Stock Exchange, Ahmedabad, The Madras Stock Exchange Limited and The Calcutta Stock Exchange Association Limited at the general shareholders meeting held on August 25, 2003.

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 parent company's authorized share capital pursuant to the amalgamation of Perlecan Pharma Private Limited into our parent 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 the existing Articles of Association of the Company. 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.

10.C. Material contracts

Asset purchase agreement with Teva Pharmaceutical Industries Limited

On June 10, 2016, we entered into definitive asset purchase agreements with Teva Pharmaceutical Industries Limited ("Teva") and an affiliate of Allergan plc ("Allergan") to acquire eight Abbreviated New Drug Applications ("ANDAs") in the United States for U.S.\$350 million in cash at closing. The acquired products were divested by Teva as a precondition to the closing of its acquisition of Allergan's generics business. The acquisition of these ANDAs was also contingent on the closing of the Teva/Allergan generics purchase transaction and approval by the U.S. Federal Trade Commission. The acquisition was consummated on August 3, 2016 upon the completion of all closing conditions, and the Company paid U.S.\$350 million as the consideration for the acquired ANDAs.

The two asset purchase agreements have been attached as Exhibits 2.6 and 2.7, respectively, to this report on Form 20-F. Each such agreement 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 agreement. Representations and warranties may be used as a tool to allocate risks between the respective parties to such agreement, 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 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

The Foreign Direct Investment Policy under the Reserve Bank of India’s (“RBI”) Automatic Route enables Indian companies (other than those specifically excluded thereunder) to issue shares to persons who reside outside of India without prior permission from the RBI, except in cases where there are ceilings of investments in certain industry sectors and subject to certain conditions.

The Department of Industrial Policy and Promotion, a part of the Ministry of Commerce and Industry, issued detailed guidelines in January 1997 for consideration of foreign direct investment proposals by the Foreign Investment Promotion Board (the “Guidelines”). The basic objective of the Guidelines is to improve the transparency and objectivity of the Foreign Investment Promotion Board’s consideration of proposals. However, since these are administrative guidelines and have not been codified as either law or regulations, they are not legally binding with respect to any recommendation made by the Foreign Investment Promotion Board or with respect to any decision taken by the Government of India in cases involving foreign direct investment.

Under the Guidelines, sector specific guidelines for foreign direct investment and the levels of permitted equity participation have been established. In February 2000, the Department of Industrial Policy and Promotion issued a notification that foreign ownership of up to 50%, 51%, 74% or 100%, depending on the category of industry, would be allowed without prior permission of the Foreign Investment Promotion Board and, in certain cases, without prior permission of the RBI. Over a period of time, the Government of India has relaxed the restrictions on foreign investment, including the revision of the investment cap from 26% to 49% in the insurance sector and 74% subject to RBI guidelines for setting up branches/subsidiaries of foreign banks in the private banking sector.

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.

In addition, offerings by Indian companies of any such securities to foreign investors require Foreign Investment Promotion Board approval, whether or not the stipulated percentage limit would be reached if the proceeds will be used for investment in specified industries.

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.

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. The current policy with respect to purchase or sale of securities of an Indian company by an FII is in Schedule 2 and Regulation 5(2) of the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000.

Portfolio Investments by FPIs

Effective June 1, 2014, the regime permitting Portfolio Investments by FIIs has been replaced with the SEBI (Foreign Portfolio Investors) Regulations, 2014 (the “FPI Regulations”), a new regime permitting Portfolio Investments by Foreign Portfolio Investors (“FPIs”). FPIs are subject to ownership limits in Portfolio Investments, as further described below, and only certain categories of FPIs may invest or deal in “offshore derivative instruments” (defined under the FPI Regulations as any instrument which is issued overseas by a FPI against underlying securities held by it that are listed or proposed to be listed on any recognized stock exchange in India). FPIs are required to be registered with the designated depository participant on behalf of SEBI subject to compliance with “Know Your Customer” rules.

Certain FIIs may continue to remain eligible to make Portfolio Investments for a limited time under the transition rules. Any FII or Qualified Foreign Investor (“QFI”) who holds a valid certificate of registration will be deemed to be a FPI until the expiration of three years from the date on which fees have been paid per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995. All existing FIIs and sub accounts, subject to payment of conversion fees specified in the FPI Regulations, may continue to buy, sell or otherwise deal in securities subject to the provisions of the FPI Regulations, until the earlier of (i) expiration of its registration as a FII or sub-account, or (ii) obtaining a certificate of registration as a FPI. Effective as of June 1, 2015, a QFI must obtain a certificate of registration as a FPI in order to be eligible to buy, sell or otherwise deal in securities.

Subject to compliance with the FPI Regulations, a FPI may issue or otherwise deal in “offshore derivative instruments” (defined under the FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with “know your client” norms. Offshore derivative instruments may not be dealt with by “Category III” FPIs, or by unregulated broad based funds which are classified as “Category II” FPIs by virtue of their investment manager being appropriately regulated. A FPI is also required to ensure that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority.

In furtherance of the FPI Regulations, the RBI amended relevant provisions of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 by a notification dated March 13, 2014. The portfolio investor registered in accordance with the FPI Regulations would be called a “Registered Foreign Portfolio Investor” (or “RFPI”). Accordingly, a RFPI may purchase and sell shares and convertible debentures of an Indian company through a registered broker as well as purchase shares and convertible debentures offered to the public under the FPI Regulations.

Further, a RFPI 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, 1998. A RFPI 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 Chapter XB of the SEBI (ICDR) Regulations, 2009.

Ownership restrictions

The SEBI and the RBI regulations restrict portfolio investments in Indian companies by FIIs, NRIs, RFPIs and OCBs, all of which we refer to as “foreign portfolio investors.” Under current Indian law, FIIs or 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 an publicly traded Indian company through portfolio investments. The 24.0% limit referred to above can be increased to sectoral cap/statutory limits as applicable if a resolution is passed by the board of directors of the company followed by a special resolution passed by the shareholders of the company to that effect. The 10.0% limit referred to above may be increased to 24.0% if the shareholders of the company pass a special resolution to that effect.

No single FII or 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.

Our shareholders have passed a resolution enhancing the limits of portfolio investment by FIIs in the aggregate to 49%. NRIs in the aggregate may hold not more than 10.0% of our equity shares through portfolio investments. Holders of ADSs are not subject to the rules governing FIIs or FPIs unless they convert their ADSs into equity shares.

As of March 31, 2017, FIIs and FPIs collectively held 32.4% of our equity shares and NRIs held 1.15% 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.

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 financial 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 shares or debentures so held by him, in compliance with the conditions specified in the relevant Schedule of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (the "Foreign Exchange Management Regulations") as follows:

- (i) A person resident outside India, not being a NRI or an OCB, may transfer by way of sale or gift, the shares or convertible debentures held by him or it to any person resident outside India;
- (ii) A NRI may transfer by way of sale or gift, the shares or convertible debentures held by that person to another NRI; provided that the person to whom the shares are being transferred has obtained prior permission of the Government of India to acquire the shares if he has a previous venture or tie up in India through an investment in shares or debentures or a technical collaboration or a trade mark agreement or investment by whatever name called in the same field or allied field in which the Indian company whose shares are being transferred is engaged. Provided further that the restriction in clauses (i) and (ii) shall not apply to the transfer of shares to international financial institutions such as Asian Development Bank ("ADB"), International Finance Corporation ("IFC"), Commonwealth Development Corporation ("CDC"), Deutsche Entwicklungs Gesellschaft ("DEG") and transfer of shares of an Indian company engaged in the Information Technology sector. However, a transfer of shares from a NRI to a non-resident (who is not a not a NRI or OCB) requires the prior approval of the Reserve Bank of India.
- (iii) A person resident outside India holding the shares or convertible debentures of an Indian company in accordance with the Foreign Exchange Management Regulations, (a) may transfer such shares or convertible debentures to a person resident in India by way of gift; or (b) may sell such shares or convertible debentures on a recognized Stock Exchange in India through a registered broker.

Restrictions for subsequent transfers of shares of Indian companies between residents and non-residents (other than OCBs) were relaxed significantly as of October 2004. As a result, for a transfer between a resident and a non-resident of securities of an Indian company, no prior approval of either the RBI or the Government of India is required, as long as certain conditions are met.

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 Depositary 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. While the Depository Receipts Scheme has not been fully implemented yet, below is a brief summary of some of the key provisions.

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 Department of Economic Affairs, Ministry of Finance made amendments to certain provisions of the Securities Contracts (Regulation) Rules, 1957 vide Securities Contracts (Regulation) (Amendment) Rules, 2015, on February 25, 2015. An amended definition of “public shareholding” has introduced to define equity shares of the Company held by the public to include 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. However, the Depository Receipts Scheme has not yet been fully implemented.

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.

The RBI placed various restrictions on the eligibility of OCBs to make investments in Indian companies in AP (DIR) Series Circular No. 14 dated September 16, 2003. For further information on these restrictions, the circular is available on www.rbi.org.in for review.

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 2016 amended section 6 of the Income-tax Act. Pursuant to the amended provision, 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.

- a) As per Section 10(34) of the Income-tax Act, dividends paid by Indian companies to their shareholders are not subject to tax in the hands of the shareholders, except as discussed in paragraph (b) below. For periods prior to March 31, 2013, Indian companies were liable to pay a dividend distribution tax (“DDT”) at the rate of 16.22%, inclusive of applicable surcharges and a special levy called the “Education and Higher Education Cess” (hereinafter, the “education cess”). Effective April 1, 2013, the Finance Act, 2013 increased the surcharge on the DDT from 5% to 10%, which resulted in an increase in the effective rate of DDT from 16.22% to 16.995%. The Finance Act (No 2) 2014 amended section 115-O, which requires grossing up of the dividend amount distributed for purposes of computing DDT. Pursuant to the amendment, effective October 1, 2014, the effective rate of DDT increased from 16.995% to 19.994%, inclusive of surcharge and cess, and as a result, dividend amounts receivable by our shareholders after taxes are reduced. Furthermore, as a result of the increase in rate of surcharge in the Finance Act, 2015, effective April 1, 2015, the effective rate of DDT has further increased from 19.994% to 20.3576%.
- b) Dividends received by resident individuals, HUFs or firms exceeding Rs.1,000,000 are taxable at a 10% rate. This tax will not be withheld by the company paying the dividend and has to be paid by the shareholder receiving such dividend.
- c) 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 surcharge and education cess; short-term capital gains on such a transfer will be taxed at graduated rates with a maximum of 30%, plus the applicable surcharge and 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 surcharge and 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 and any short term capital gain is taxed at 15%, excluding the applicable surcharge and education cess, if the sale of such equity shares is settled on a recognized stock exchange and 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 Act, 2017, the rate of surcharge for every individual or Hindu undivided family 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 having income exceeding Rs.5,000,000 but not exceeding Rs.10,000,000 is 10%.

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:

<u>Due Date of Installment</u>	<u>Amount Payable</u>
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.

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 applicable surcharge and 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, Mumbai 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. Indian companies are not subject to any tax on the buy-back of their shares. However, the shareholders are taxed on any resulting gains. We are required to deduct tax at the source according to the capital gains tax liability of a non-resident shareholder. Furthermore, in the case of a buy-back of unlisted securities as per section 115QA of the Finance Act 2013, unlisted domestic 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.

Stamp Duty and Transfer Tax. Upon issuance of the equity shares underlying our ADSs, we are required to pay a stamp duty of Rs.0.3 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. The issuance or transfer of shares in dematerialized form is currently not subject to stamp duty.

Wealth Tax: Wealth Tax has been abolished with effect from April 1, 2015.

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.

Service Tax. Brokerage fees or commissions paid to stockbrokers in connection with the sale or purchase of shares is subject to a service tax of 12.36%. The stockbroker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority. Effective June 1, 2015, the Finance Act 2015 increased the rate of service tax from 12.36% (inclusive of surcharge and cess) to a consolidated rate of 14%. Furthermore, effective November 2015, the service tax of 14% was increased by an additional 0.5% cess called the “Swatch Bharat Cess” to a consolidated rate of 14.50%. Effective June 1, 2016, the Finance Act 2016 further increased the service tax rate to 15% through introduction of another 0.5% cess called the “Krishi Kalyan 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. 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 or holders of 10% or more, by voting power or value, of our shares. 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, 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 Depository, 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 comprehensive income tax treaty between India and the United States.

Qualifying dividends will generally be taxed at a maximum income tax rate of 15% except for U.S. holders who are subject to tax on their income at the income tax rate 39.6%. Qualifying dividends received by U.S. holders whose income tax rate is 39.6% (i.e., with incomes exceeding \$415,050 or, in the case of taxpayers filing joint tax returns, \$466,950) will be subject to tax at the rate of 20% on such qualifying dividends. Further, qualifying dividends received by U.S. holders whose income tax rate is 15% or lower 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 may 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, and will be "passive category income" or "general category 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. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your 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 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 maximum 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." 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 may 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 unearned 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 28%) 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 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 current fiscal year ended March 31, 2017. 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, 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 report and other information filed or to be filed by us can be inspected and copied at the public reference facilities maintained by the SEC at Room 1200, 450 Fifth Street, Washington, DC, U.S.A. These reports and other information may also be accessed via the SEC’s website at www.sec.gov.

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 and long term debt. 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 Rate Risk

Our foreign exchange risk arises from our foreign operations, foreign currency revenues and expenses (primarily in U.S. dollars, Russian roubles, British pound sterling and Euros) and foreign currency borrowings in U.S. dollars, Russian roubles and Euros. 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 forecasted 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, 2017:

Category	Instrument	Currency	Cross Currency	Amounts in millions	Buy/Sell
Hedges of recognized assets and liabilities	Forward contract	U.S.\$	INR	U.S.\$ 193.5	Sell
	Forward contract	U.S.\$	RON	U.S.\$ 3.0	Buy
	Forward contract	U.S.\$	RUB	U.S.\$ 20.0	Buy
	Forward contract	EUR	U.S.\$	EUR 95.0	Sell
	Forward contract	GBP	U.S.\$	GBP 14.1	Buy
	Option contract	U.S.\$	INR	U.S.\$ 80.0	Sell
Hedges of highly probable forecasted transactions				RUB	
	Forward contract	RUB	INR	150.0	Sell
	Option contract	U.S.\$	INR	U.S.\$ 180.0	Sell

Sensitivity Analysis of Exchange Rate Risk.

In respect of our forward, option and currency swap 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.1,154/(710) million increase/(decrease) in our hedging reserve and an approximately Rs.2,143/(2,287) million increase/(decrease) in our net profit as at March 31, 2017.

For a detailed analysis of our foreign exchange rate risk, please refer to Notes 30 and 31 in our consolidated financial statements.

Commodity Rate Risk

Our exposure to market risk with respect to commodity prices primarily arises from the fact that we are a purchaser and seller of active pharmaceutical ingredients and the components for such active pharmaceutical ingredients. These are commodity products whose prices can fluctuate sharply over short periods of time. The prices of our raw materials generally fluctuate in line with commodity cycles, though the prices of raw materials used in our active pharmaceutical ingredients business are generally more volatile. Raw material expense forms the largest portion of our operating expenses. We evaluate and manage our commodity price risk exposure through our operating procedures and sourcing policies. 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, 2017, we had loans of Rs.41,407 million carrying a floating interest rate. 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 at March 31,			
	2017		2016	
	Currency	Interest Rate	Currency	Interest Rate
Packing credit borrowings	USD	LIBOR + (30) to 1 bps	USD	LIBOR + (5) to 15 bps
	USD	0.01%	—	—
	INR	T-Bill + 30bps	EURO	LIBOR + 5 to 7.5 bps
	INR	6.92% to 6.95%	—	—
	RUB	9.95%	RUB	10.65% to 11.57%
Other foreign currency borrowings	USD	LIBOR + 40 to 60 bps	USD	LIBOR + 40 bps
	RUB	10.48%	—	—

The interest rate profile of our long-term loans and borrowings is as follows:

	As at March 31,			
	2017		2016	
	Currency	Interest Rate	Currency	Interest Rate
Foreign currency borrowings	USD	LIBOR + 82.7 bps	USD	LIBOR + 125 bps

Maturity profile.

The aggregate maturities of interest-bearing long term loans and borrowings, based on contractual maturities, as of March 31, 2017 are as follows:

Maturing in the year ending March 31,	Foreign currency loan		Obligations under finance leases		Total
	Rs.		Rs.		
2018	Rs.	—	Rs.	110	Rs. 110
2019		—		56	56
2020		1,610		51	1,661
2021		3,242		53	3,295
2022		—		57	57
Thereafter		—		380	380
	Rs.	4,852	Rs.	707	Rs. 5,559

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.

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.

Fees and Charges for Holders of American Depositary Shares

J.P. Morgan Chase Bank, N.A., as the 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:

<u>Category (as defined by SEC)</u>	<u>Depository actions</u>	<u>Associated Fee</u>
(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.
(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: The amount of such expenses incurred by the Depositary.

- compliance with foreign exchange control regulations or any law or regulation relating to foreign investment;
- the depositary'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 depositary 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 depositary or its agents.

As provided in the Deposit Agreement, the Depositary 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 Depositary may generally refuse to provide services until its fees for those services are paid.

Fees paid by Depositary

Direct Payments

The Depositary 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, 2017, the Depositary has not reimbursed us for any such amounts. The amounts the Depositary reimburses are not related to the fees collected by the Depositary from ADS holders. Under certain circumstances, including termination of our ADS program prior to May 11, 2022, we are required to repay to the Depositary amounts reimbursed in prior periods.

The table below sets forth the types of expenses that the Depositary has agreed to reimburse us for and the amounts reimbursed during the fiscal year ended March 31, 2017.

<u>Category of expenses</u>	<u>Amount reimbursed during the year ended March 31, 2017</u>
Legal and accounting fees incurred in connection with preparation of Form 20-F and ongoing SEC compliance and listing requirements	None
Listing fees	None
Investor relations	None
Advertising and public relations	None
Broker reimbursements	None

Indirect Payments

As part of its service to us, the Depositary 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 Depositary 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, 2017, 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, 2017 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, 2017.

The effectiveness of our internal control over financial reporting as of March 31, 2017 has been audited by KPMG, 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/G.V. Prasad
Co-Chairman and Chief Executive Officer

/s/Saumen Chakraborty
President and Chief Financial Officer

(c) *Attestation Report of the Registered Public Accounting Firm.*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Dr. Reddy's Laboratories Limited:

We have audited Dr. Reddy's Laboratories Limited's ("the Company") internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). 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. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Dr. Reddy's Laboratories Limited and its subsidiaries as of March 31, 2017 and 2016, and the related consolidated income statement, statement of comprehensive income, changes in equity and cash flows for each of the three-year period ended March 31, 2017, and our report dated June 19, 2017 expressed an unqualified opinion on those consolidated financial statements.

KPMG

Hyderabad, India
June 19, 2017

(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 adopted 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 is available on our corporate website at <http://www.drreddys.com/investors/cobe.html>. The CoBE has provisions for employees and other stakeholders to raise concerns regarding possible violations of the CoBE to the Chief Compliance Officer or the Chief Ombudsperson. Further, our Ombudsperson Policy includes certain anti-retaliation safeguards designed to protect persons who raise concerns in good faith.

ITEM 16.C.PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth for the years ended March 31, 2017 and 2016, the fees paid to our principal accountant and its associated entities for various services they provided us in these periods.

<u>Type of Service</u>	<u>For the year ended March 31,</u>		<u>Description of Services</u>
	<u>2017</u>	<u>2016</u>	
	<u>(Rs. in millions)</u>		
Audit fees	Rs. 67.83	Rs. 78.49	Audit and review of financial statements
Audit related fees	—	0.30	Due diligence and other related services
Tax fees	5.13	3.90	Tax returns filing and transfer pricing related services
All other fees	3.47	2.87	Statutory certifications and other matters.
Total	Rs. 76.43	Rs. 85.56	

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 non-audit 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 as “Tax fees” and “All other fees” 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

During the year ended March 31, 2017, there was no purchase made by or on behalf of us or any affiliated purchaser of shares of any class of our securities that are registered by us pursuant to Section 12 of the Exchange Act, except as set forth below.

Our Board of Directors, in their meeting held on February 17, 2016, approved a proposal to buyback our equity shares, subject to approval by our shareholders, for an aggregate amount not exceeding Rs.15,694 million (referred to as the “Maximum Buyback Size”) and at a price not exceeding Rs.3,500 per equity share (referred to “Maximum Buyback Price”) from our shareholders (including persons who become our shareholders by cancelling American Depository Shares and receiving underlying equity shares, and excluding our promoters and promoter group) under the open market route in accordance with the provisions contained in the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and the Companies Act, 2013 and rules made thereunder. The shares bought back under this plan were required to be extinguished.

Our shareholders approved the buyback plan on April 1, 2016 and implementation of the buyback plan commenced on April 18, 2016 and closed on June 28, 2016. The Company bought back and extinguished 5,077,504 equity shares pursuant to this buyback plan, as follows:

<u>Period</u>	<u>Total Number of Equity Shares Purchased</u>	<u>Average Price Paid per Equity Share</u>	<u>Total Number of Equity Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Approximate Value of Equity Shares that may yet be purchased under the Plans or Programs (in Rs millions)</u>
April 1 - April 30, 2016	350,000	Rs. 3,105.2	350,000	Rs. 14,607
May 1 - May 31, 2016	1,226,556	3,063.7	1,226,556	10,849
June 1 - June 30, 2016	3,500,948	3,099.0	3,500,948	Nil
Total	5,077,504		5,077,504	

ITEM 16.F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

None.

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

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.

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.

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.

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.

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.

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.

Listed companies must solicit proxies for all meetings of shareholders.

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.

Our practice

We comply with this standard. Eight of our ten directors are “independent directors,” as defined by the NYSE.

We comply with this standard. Our non-management directors meet periodically without management directors in scheduled executive sessions.

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.

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.

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. The committee has a written charter that meets these requirements. We also have an internal audit function. We have evaluated the performance of our Audit Committee.

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.

We comply with this standard. More details on our Code of Business Conduct and Ethics are given under Item 16.B.

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.

Standard for U.S. NYSE Listed Companies

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.

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.

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.

Our practice

We do not have such a practice.

There have been no such instances.

We filed our most recent annual written affirmation, in the form specified by NYSE, on July 9, 2016.

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, 2017 are incorporated herein by reference and are included in this Item 18 of this report on Form 20-F:

- [Report of Independent Registered Public Accounting Firm](#) F - 1
- [Consolidated statement of financial position as of March 31, 2017 and 2016](#) F - 2
- [Consolidated income statement for the years ended March 31, 2017, 2016 and 2015](#) F - 4
- [Consolidated statement of comprehensive income for the years ended March 31, 2017, 2016 and 2015](#) F - 5
- [Consolidated statement of changes in equity for the years ended March 31, 2017, 2016 and 2015](#) F - 6
- [Consolidated statement of cash flows for the years ended March 31, 2017, 2016 and 2015](#) F - 9
- [Notes to the consolidated financial statements](#) F - 10

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Dr. Reddy's Laboratories Limited:

We have audited the accompanying consolidated statements of financial position of Dr. Reddy's Laboratories Limited and subsidiaries ("the Company") as of March 31, 2017 and 2016, and the related consolidated income statements, statements of comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Dr. Reddy's Laboratories Limited's internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control – Integrated Framework(2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 19, 2017 expressed an unqualified opinion on the effectiveness of Dr. Reddy's Laboratories Limited's internal control over financial reporting:

KPMG

Hyderabad, India
June 19, 2017

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, 2017	March 31, 2017	March 31, 2016
		<i>Unaudited convenience translation into U.S.\$ (See Note 2(d))</i>		
ASSETS				
Current assets				
Cash and cash equivalents	15	U.S.\$ 60	Rs. 3,866	Rs. 4,921
Other investments	11	220	14,270	35,034
Trade and other receivables	13	587	38,065	41,306
Inventories	12	440	28,529	25,578
Derivative financial instruments	30	4	262	175
Current tax assets		53	3,413	1,664
Other current assets	14	185	11,970	11,010
Total current assets		U.S.\$ 1,548	Rs. 100,375	Rs. 119,688
Non-current assets				
Property, plant and equipment	7	U.S.\$ 881	Rs. 57,160	Rs. 53,961
Goodwill	8	58	3,752	3,848
Other intangible assets	9	693	44,925	20,796
Trade and other receivables – non-current	13	3	206	—
Investment in equity accounted investees		25	1,603	1,309
Other investments – non-current	11	81	5,237	1,988
Deferred tax assets	27	86	5,580	4,997
Other non-current assets	14	15	983	1,063
Total non-current assets		U.S.\$ 1,842	Rs. 119,446	Rs. 87,962
Total assets		U.S.\$ 3,390	Rs. 219,821	Rs. 207,650
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	22	U.S.\$ 207	Rs.13,417	Rs. 12,300
Derivative financial instruments	30	0	10	108
Current tax liabilities		23	1,483	2,581
Bank overdraft	15	1	87	—
Short-term borrowings	18	671	43,539	22,718
Long-term borrowings, current portion	18	2	110	110
Provisions	21	70	4,509	4,759
Other current liabilities	23	337	21,845	22,070
Total current liabilities		U.S.\$ 1,311	Rs. 85,000	Rs. 64,646
Non-current liabilities				
Long-term borrowings, excluding current portion	18	U.S.\$ 84	Rs.5,449	Rs. 10,685
Provisions – non-current	21	1	47	55
Deferred tax liabilities	27	19	1,204	767
Other non-current liabilities	23	63	4,077	3,161
Total non-current liabilities		U.S.\$ 166	Rs. 10,777	Rs. 14,668
Total liabilities		U.S.\$ 1,477	Rs. 95,777	Rs. 79,314

The accompanying notes form an integral part of these consolidated financial statements.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions, except share and per share data)

<u>Particulars</u>	<u>Note</u>	<u>As of</u>		
		<u>March 31, 2017</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
		<i>Unaudited convenience translation into U.S.\$ (See Note 2(d))</i>		
Equity				
Share capital	16	U.S.\$ 13	Rs. 829	Rs. 853
Share premium		113	7,359	22,601
Share based payment reserve		15	998	1,100
Retained earnings		1,669	108,224	99,550
Other components of equity		102	6,634	4,232
Total equity		U.S.\$ 1,913	Rs. 124,044	Rs. 128,336
Total liabilities and equity		U.S.\$ 3,390	Rs. 219,821	Rs. 207,650

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,			
		2017 <i>Unaudited convenience translation into U.S.\$ (See Note 2(d))</i>	2017	2016	2015
Revenues	24	U.S.\$ 2,171	Rs. 140,809	Rs. 154,708	Rs. 148,189
Cost of revenues		963	62,453	62,427	62,786
Gross profit		1,208	78,356	92,281	85,403
Selling, general and administrative expenses		715	46,372	45,702	42,585
Research and development expenses		301	19,551	17,834	17,449
Other (income)/expense, net	25	(16)	(1,065)	(874)	(917)
Total operating expenses		1,000	64,858	62,662	59,117
Results from operating activities		208	13,498	29,619	26,286
Finance income		24	1,587	2,251	2,774
Finance expense		(12)	(781)	(4,959)	(1,092)
Finance (expense)/income, net	26	12	806	(2,708)	1,682
Share of profit of equity accounted investees, net of tax		5	349	229	195
Profit before tax		226	14,653	27,140	28,163
Tax expense	27	40	2,614	7,127	5,984
Profit for the year		186	12,039	20,013	22,179
Attributable to:					
Equity holders of the Company		186	12,039	20,013	22,179
Non-controlling interest		—	—	—	—
Profit for the year		U.S.\$ 186	Rs. 12,039	Rs. 20,013	Rs. 22,179
Earnings per share:	17				
Basic earnings per share of Rs.5/- each		U.S.\$ 1.11	Rs. 72.24	Rs. 117.34	Rs. 130.22
Diluted earnings per share of Rs.5/- each		U.S.\$ 1.11	Rs. 72.09	Rs. 116.98	Rs. 129.75
Weighted average number of equity shares used in computing earnings per share:	17				
Basic			166,648,943	170,547,643	170,314,506
Diluted			166,997,675	171,072,780	170,933,433

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,			
	2017	2017	2016	2015
	U.S.\$	Rs.	Rs.	Rs.
Profit for the year	186	12,039	20,013	22,179
Other comprehensive income/(loss)				
<i>Items that will not be reclassified to the consolidated income statement:</i>				
Actuarial gains/(losses) on post-employment benefit obligations	(1)	(39)	(185)	(47)
Tax on items that will not be reclassified to the consolidated income statement	0	14	64	16
Total of items that will not be reclassified to the consolidated income statement	(0)	(25)	(121)	(31)
<i>Items that may be reclassified subsequently to the consolidated income statement:</i>				
Changes in fair value of available for sale financial instruments	34	2,209	(19)	1,429
Foreign currency translation adjustments	(5)	(339)	31	(196)
Effective portion of changes in fair value of cash flow hedges, net	15	968	966	99
Tax on items that may be reclassified subsequently to the consolidated income statement	(6)	(411)	(173)	(96)
Total of items that may be reclassified subsequently to the consolidated income statement	37	2,427	805	1,236
Other comprehensive income/(loss) for the year, net of tax	37	2,402	684	1,205
Total comprehensive income for the year	223	14,441	20,697	23,384
Attributable to:				
Equity holders of the Company	223	14,441	20,697	23,384
Non-controlling interest	—	—	—	—
Total comprehensive income for the year	223	14,441	20,697	23,384

The accompanying notes form an integral part of these consolidated financial statements.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions, except share and per share data and where otherwise stated)

Particulars	Share capital		Share premium	Fair value reserve
	Shares	Amount	Amount	Amount
Balance as of April 1, 2014 (A)	170,108,868	Rs. 851	Rs. 21,553	Rs. 78
Total comprehensive income				
Profit for the year	—	Rs. —	Rs. —	Rs. —
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.366	—	—	—	1,063
Foreign currency translation adjustments, net of tax benefit of Rs.174	—	—	—	—
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.96	—	—	—	—
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.16	—	—	—	—
Total comprehensive income (B)	—	Rs. —	Rs. —	Rs. 1,063
Transactions with owners of the Company				
<i>Contributions and distributions</i>				
Issue of equity shares on exercise of options	272,306	Rs. 1	Rs. 429	Rs. —
Share based payment expense	—	—	—	—
Dividend paid (including corporate dividend tax)	—	—	—	—
Sale of equity shares held by controlled trust ⁽¹⁾	—	—	196	—
Total contributions and distributions	272,306	Rs. 1	Rs. 625	Rs. —
<i>Changes in ownership interests</i>				
Total transactions with owners of the Company (C)	272,306	Rs. 1	Rs. 625	Rs. —
Balance as of March 31, 2015 [(A)+(B)+(C)]	170,381,174	Rs. 852	Rs. 22,178	Rs. 1,141
Balance as of April 1, 2015 (A)	170,381,174	Rs. 852	Rs. 22,178	Rs. 1,141
Total comprehensive income				
Profit for the year	—	Rs. —	Rs. —	Rs. —
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.88	—	—	—	(107)
Foreign currency translation adjustments, net of tax expense of Rs.62	—	—	—	—
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.23	—	—	—	—
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.64	—	—	—	—
Total comprehensive income (B)	—	Rs. —	Rs. —	Rs. (107)
Transactions with owners of the Company				
<i>Contributions and distributions</i>				
Issue of equity shares on exercise of options	226,479	Rs. 1	Rs. 423	Rs. —
Share based payment expense	—	—	—	—
Dividend paid (including corporate dividend tax)	—	—	—	—
Total contributions and distributions	226,479	Rs. 1	Rs. 423	Rs. —
<i>Changes in ownership interests</i>				
Total transactions with owners of the Company (C)	226,479	Rs. 1	Rs. 423	Rs. —
Balance as of March 31, 2016 [(A)+(B)+(C)]	170,607,653	Rs. 853	Rs. 22,601	Rs. 1,034
Balance as of April 1, 2016 (A)	170,607,653	Rs. 853	Rs. 22,601	Rs. 1,034
Total comprehensive income				
Profit for the year	—	Rs. —	Rs. —	Rs. —

Net change in fair value of available for sale financial instruments, net of tax expense of Rs.499	—	—	—	1,710
Foreign currency translation adjustments, net of tax benefit of Rs.148	—	—	—	—
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.60	—	—	—	—
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.14	—	—	—	—
Total comprehensive income (B)	<u>—</u>	<u>Rs. —</u>	<u>Rs. —</u>	<u>Rs. 1,710</u>
Transactions with owners of the Company				
<i>Contributions and distributions</i>				
Issue of equity shares on exercise of options	211,564	Rs. 1	Rs. 452	Rs. —
Share based payment expense	—	—	—	—
Buyback of equity shares ⁽²⁾	(5,077,504)	(25)	(15,669)	—
Dividend paid (including corporate dividend tax)	—	—	—	—
Transfer to capital redemption reserve	—	—	(25)	—
Total contributions and distributions	<u>Rs. (4,865,940)</u>	<u>Rs. (24)</u>	<u>Rs. (15,242)</u>	<u>Rs. —</u>
<i>Changes in ownership interests</i>				
Total transactions with owners of the Company (C)	<u>Rs. (4,865,940)</u>	<u>Rs. (24)</u>	<u>Rs. (15,242)</u>	<u>Rs. —</u>
Balance as of March 31, 2017 [(A)+(B)+(C)]	<u>165,741,713</u>	<u>Rs. 829</u>	<u>Rs. 7,359</u>	<u>Rs. 2,744</u>
Unaudited convenience translation into U.S.\$ (See Note 2(d))		<u>U.S.\$ 13</u>	<u>U.S.\$ 114</u>	<u>U.S.\$ 42</u>

[Continued on next page]

The accompanying notes form an integral part of these consolidated financial statements.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions, except share and per share data and where otherwise stated)

[Continued from above table, first column repeated]

<u>Particulars</u>	<u>Foreign currency translation reserve</u>		<u>Hedging reserve</u>		<u>Share based payment reserve</u>	
	<u>Amount</u>		<u>Amount</u>		<u>Amount</u>	
Balance as of April 1, 2014 (A)	Rs.	4,477	Rs.	(1,960)	Rs.	1,008
Total comprehensive income						
Profit for the year	Rs.	—	Rs.	—	Rs.	—
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.366		—		—		—
Foreign currency translation adjustments, net of tax benefit of Rs.174		(22)		—		—
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.96		—		195		—
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.16		—		—		—
Total comprehensive income (B)	Rs.	(22)	Rs.	195	Rs.	—
Transactions with owners of the Company						
<i>Contributions and distributions</i>						
Issue of equity shares on exercise of options	Rs.	—	Rs.	—	Rs.	(425)
Share based payment expense		—		—		498
Dividend paid (including corporate dividend tax)		—		—		—
Sale of equity shares held by controlled trust ⁽¹⁾		—		—		—
<i>Total contributions and distributions</i>	Rs.	—	Rs.	—	Rs.	73
<i>Changes in ownership interests</i>	Rs.	—	Rs.	—	Rs.	—
Total transactions with owners of the Company (C)	Rs.	—	Rs.	—	Rs.	73
Balance as of March 31, 2015 [(A)+(B)+(C)]	Rs.	4,455	Rs.	(1,765)	Rs.	1,081
Balance as of April 1, 2015 (A)	Rs.	4,455	Rs.	(1,765)	Rs.	1,081
Total comprehensive income						
Profit for the year	Rs.	—	Rs.	—	Rs.	—
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.88		—		—		—
Foreign currency translation adjustments, net of tax expense of Rs.62		(31)		—		—
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.23		—		943		—
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.64		—		—		—
Total comprehensive income (B)	Rs.	(31)	Rs.	943	Rs.	—
Transactions with owners of the Company						
<i>Contributions and distributions</i>						
Issue of equity shares on exercise of options	Rs.	—	Rs.	—	Rs.	(423)
Share based payment expense		—		—		442
Dividend paid (including corporate dividend tax)		—		—		—
<i>Total contributions and distributions</i>	Rs.	—	Rs.	—	Rs.	19
<i>Changes in ownership interests</i>	Rs.	—	Rs.	—	Rs.	—
Total transactions with owners of the Company (C)	Rs.	—	Rs.	—	Rs.	19
Balance as of March 31, 2016 [(A)+(B)+(C)]	Rs.	4,424	Rs.	(822)	Rs.	1,100
Balance as of April 1, 2016 (A)	Rs.	4,424	Rs.	(822)	Rs.	1,100
Total comprehensive income						
Profit for the year	Rs.	—	Rs.	—	Rs.	—
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.499		—		—		—

Foreign currency translation adjustments, net of tax benefit of Rs.148	(191)	—	—
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.60	—	908	—
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.14	—	—	—
Total comprehensive income (B)	Rs. (191)	Rs. 908	Rs. —
Transactions with owners of the Company			
<i>Contributions and distributions</i>			
Issue of equity shares on exercise of options	Rs. —	Rs. —	Rs. (452)
Share based payment expense	—	—	350
Buyback of equity shares ⁽²⁾	—	—	—
Dividend paid (including corporate dividend tax)	—	—	—
Transfer to capital redemption reserve	—	—	—
Total contributions and distributions	Rs. —	Rs. —	Rs. (102)
<i>Changes in ownership interests</i>	Rs. —	Rs. —	Rs. —
Total transactions with owners of the Company (C)	Rs. —	Rs. —	Rs. (102)
Balance as of March 31, 2017 [(A)+(B)+(C)]	Rs. 4,233	Rs. 86	Rs. 998
Unaudited convenience translation into U.S.\$ (See Note 2(d))	U.S.\$ 65	U.S.\$ 1	U.S.\$ 15

[Continued on next page]

The accompanying notes form an integral part of these consolidated financial statements.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions, except share and per share data and where otherwise stated)

[Continued from above table, first column repeated]

<u>Particulars</u>	<u>Retained earnings</u> <u>Amount</u>	<u>Actuarial gains/</u> <u>(losses)</u> <u>Amount</u>	<u>Equity shares held by</u> <u>a controlled trust</u> <u>Amount</u>	<u>Total</u> <u>Amount</u>
Balance as of April 1, 2014 (A)	Rs. 65,051	Rs. (252)	Rs. (5)	Rs. 90,801
Total comprehensive income				
Profit for the year	Rs. 22,179	Rs. —	Rs. —	Rs. 22,179
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.366	—	—	—	1,063
Foreign currency translation adjustments, net of tax benefit of Rs.174	—	—	—	(22)
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.96	—	—	—	195
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.16	—	(31)	—	(31)
Total comprehensive income (B)	Rs. 22,179	Rs. (31)	Rs. —	Rs. 23,384
Transactions with owners of the Company				
<i>Contributions and distributions</i>				
Issue of equity shares on exercise of options	Rs. —	Rs. —	Rs. —	Rs. 5
Share based payment expense	—	—	—	498
Dividend paid (including corporate dividend tax)	(3,587)	—	—	(3,587)
Sale of equity shares held by controlled trust ⁽¹⁾	—	—	5	201
Total contributions and distributions	Rs. (3,587)	Rs. —	Rs. 5	Rs. (2,883)
Changes in ownership interests	Rs. —	Rs. —	Rs. —	Rs. —
Total transactions with owners of the Company (C)	Rs. (3,587)	Rs. —	Rs. 5	Rs. (2,883)
Balance as of March 31, 2015 [(A)+(B)+(C)]	Rs. 83,643	Rs. (283)	Rs. —	Rs. 111,302
Balance as of April 1, 2015 (A)	Rs. 83,643	Rs. (283)	Rs. —	Rs. 111,302
Total comprehensive income				
Profit for the year	Rs. 20,013	Rs. —	Rs. —	20,013
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.88	—	—	—	(107)
Foreign currency translation adjustments, net of tax expense of Rs.62	—	—	—	(31)
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.23	—	—	—	943
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.64	—	(121)	—	(121)
Total comprehensive income (B)	Rs. 20,013	Rs. (121)	Rs. —	Rs. 20,697
Transactions with owners of the Company				

Contributions and distributions				
Issue of equity shares on exercise of options	Rs. —	Rs. —	Rs. —	Rs. 1
Share based payment expense	—	—	—	442
Dividend paid (including corporate dividend tax)	(4,106)	—	—	(4,106)
Total contributions and distributions	Rs. (4,106)	Rs. —	Rs. —	Rs. (3,663)
Changes in ownership interests	Rs. —	Rs. —	Rs. —	Rs. —
Total transactions with owners of the Company (C)	Rs. (4,106)	Rs. —	Rs. —	Rs. (3,663)
Balance as of March 31, 2016 [(A)+(B)+(C)]	Rs. 99,550	Rs. (404)	Rs. —	Rs. 128,336
Balance as of April 1, 2016 (A)	Rs. 99,550	Rs. (404)	Rs. —	Rs. 128,336
Total comprehensive income				
Profit for the year	Rs. 12,039	Rs. —	Rs. —	Rs. 12,039
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.499	—	—	—	1,710
Foreign currency translation adjustments, net of tax benefit of Rs.148	—	—	—	(191)
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.60	—	—	—	908
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.14	—	(25)	—	(25)
Total comprehensive income (B)	Rs. 12,039	Rs. (25)	Rs. —	Rs. 14,441
Transactions with owners of the Company				
Contributions and distributions				
Issue of equity shares on exercise of options	Rs. —	Rs. —	Rs. —	Rs. 1
Share based payment expense	—	—	—	350
Buyback of equity shares ⁽²⁾	—	—	—	(15,694)
Dividend paid (including corporate dividend tax)	(3,390)	—	—	(3,390)
Transfer to capital redemption reserve	25	—	—	—
Total contributions and distributions	Rs. (3,365)	Rs. —	Rs. —	Rs. (18,733)
Changes in ownership interests	Rs. —	Rs. —	Rs. —	Rs. —
Total transactions with owners of the Company (C)	Rs. (3,365)	Rs. —	Rs. —	Rs. (18,733)
Balance as of March 31, 2017 [(A)+(B)+(C)]	Rs. 108,224	Rs. (429)	Rs. —	Rs. 124,044
Unaudited convenience translation into U.S.\$ (See Note 2(d))	U.S.\$ 1,669	U.S.\$ (7)	U.S.\$ —	U.S.\$ 1,913

- (1) During the year ended March 31, 2015, the Company disposed of all the shares held by its controlled trust for a total consideration of Rs.201. A gain of Rs.196 arising from this transaction is recorded in share premium.
- (2) Refer to Note 16 of these consolidated financial statements.

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 and where otherwise stated)

Particulars	Note	For the Years Ended March 31,			
		2017	2017	2016	2015
		<i>Unaudited convenience translation into U.S.\$ (See Note 2(d))</i>			
Cash flows from/(used in) operating activities:					
Profit for the year	U.S.\$	186	Rs. 12,039	Rs. 20,013	Rs. 22,179
<i>Adjustments for:</i>					
Income tax expense		40	2,614	7,127	5,984
Dividend and profit on sale of investments		(15)	(956)	(852)	(755)
Depreciation and amortization		174	11,277	10,250	8,100
Impairment loss on property, plant and equipment and other intangible assets		7	445	288	629
Inventory write-downs		48	3,085	2,746	3,635
Allowance for doubtful trade and other receivables		2	138	137	168
Loss/(profit) on sale of property, plant and equipment and other intangible assets, net		1	80	112	144
Allowance for sales returns		49	3,177	3,272	3,535
Share of profit of equity accounted investees		(5)	(349)	(229)	(195)
Exchange (gain)/loss, net		9	568	1,066	673
Exchange loss related to Venezuela operations	39	1	41	4,621	843
Interest (income)/expense, net		1	76	(573)	31
Share based payment expense		6	398	471	498
<i>Changes in operating assets and liabilities:</i>					
Trade and other receivables		47	3,037	833	(10,905)
Inventories		(98)	(6,325)	(2,522)	(5,447)
Trade and other payables		29	1,886	746	55
Other assets and other liabilities		(61)	(3,948)	755	1,257
Cash generated from operations		421	27,283	48,261	30,431
Income tax paid		(89)	(5,770)	(7,014)	(5,396)
Net cash from operating activities	U.S.\$	332	Rs. 21,513	Rs. 41,247	Rs. 25,033
Cash flows from/(used in) investing activities:					
Expenditures on property, plant and equipment	U.S.\$	(189)	Rs. (12,278)	Rs. (12,017)	Rs. (9,339)
Proceeds from sale of property, plant and equipment		1	44	84	172
Expenditures on other intangible assets		(443)	(28,706)	(2,858)	(5,988)
Investment in equity accounted investees		(1)	(86)	—	—
Purchase of other investments		(766)	(49,651)	(68,249)	(53,466)
Proceeds from sale of other investments		1,104	71,595	69,270	45,176
Cash paid for acquisition of business, net of cash acquired		(0)	(17)	(7,936)	(276)
Interest and dividend received		10	628	1,283	817
Net cash used in investing activities	U.S.\$	(285)	Rs. (18,471)	Rs. (20,423)	Rs. (22,904)
Cash flows from/(used in) financing activities:					
Proceeds from issuance of equity shares	U.S.\$	0	Rs. 1	Rs. 1	Rs. 5
Buyback of equity shares		(242)	(15,694)	—	—

Proceeds from sale of equity shares held by a controlled trust		—	—	—	201
Proceeds from/(repayment of) short term borrowings, net		332	21,536	(273)	4,068
Repayment of long term borrowings		(80)	(5,220)	(11,706)	(3,716)
Dividend paid (including corporate dividend tax)		(52)	(3,390)	(4,106)	(3,587)
Interest paid		(14)	(925)	(917)	(1,090)
Net cash used in financing activities		U.S.\$ (57)	Rs. (3,692)	Rs. (17,001)	Rs. (4,118)
Net increase/(decrease) in cash and cash equivalents		(10)	(650)	3,823	(1,989)
Effect of exchange rate changes on cash and cash equivalents		(8)	(492)	(4,296)	(1,068)
Cash and cash equivalents at the beginning of the year	15	<u>76</u>	<u>4,921</u>	<u>5,394</u>	<u>8,451</u>
Cash and cash equivalents at the end of the year	15	U.S.\$ 59	Rs. 3,779	Rs. 4,921	Rs. 5,394
<u>Supplemental schedule of non-cash investing and financing activities:</u>					
Investment in shares of Curis, Inc.	32	U.S.\$ 19	Rs. 1,247	Rs. —	Rs. 1,452
Acquisition of select products portfolio of UCB	6	—	—	64	—
Property, plant and equipment and intangibles purchased on credit during the year, including contingent consideration on purchase of intangibles		5	301	1,064	323
Property, plant and equipment purchased under capital lease		0	3	—	107

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 and where otherwise stated)

1. Reporting entity

Dr. Reddy's Laboratories Limited ("DRL" or the "parent company"), together with its subsidiaries, associates and joint ventures (collectively, the "Company"), is a leading India-based pharmaceutical company headquartered 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 Telangana, India, Cambridge, United Kingdom and Leiden, the Netherlands; its principal manufacturing facilities are located in Telangana, India, Andhra Pradesh, India, Himachal Pradesh, India, Cuernavaca-Cuautla, Mexico, Mirfield, United Kingdom, Louisiana, United States, and Tennessee, United States; and its principal markets are in India, Russia, the United States, the United Kingdom, Venezuela and Germany. The Company's shares trade on the Bombay Stock Exchange and the National Stock Exchange in India and also 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 at and for the year ended March 31, 2017 have been prepared in accordance 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 for 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, 2017. These consolidated financial statements were authorized for issuance by the Company's Board of Directors on June 19, 2017.

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;
- available-for-sale financial assets are measured at fair value;
- employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation;
- long term borrowings, except obligations under finance leases, are measured at amortized cost using the effective interest rate method; and
- investments in joint ventures are accounted for using the equity method.

c. Functional and presentation currency

These consolidated financial statements are presented in Indian rupees, which is the functional currency of the parent company. All financial information presented in Indian rupees has been rounded to the nearest million.

In respect of certain non-Indian subsidiaries that operate as marketing arms of the parent company in their respective countries/regions, the functional currency has been determined to be the functional currency of the parent company (i.e., the Indian rupee). The operations of these entities are largely restricted to importing of finished goods from the parent company in India, sales of these products in the foreign country and making of import payments to the parent company. The cash flows 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.

d. 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, 2017 have been translated into U.S. dollars at the certified foreign exchange rate of U.S.\$1.00 = Rs.64.85, as published by the Federal Reserve Board of Governors on March 31, 2017. 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 auditors.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data and where otherwise stated)

2. Basis of preparation of financial statements (continued)

e. 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(a) — Evaluation of joint arrangements;
- Note 3(b) — Assessment of functional currency;
- Note 3(c) and 30 — Financial instruments;
- Notes 3(d) — Business combinations;
- Notes 3(e) and (f) — Useful lives of property, plant and equipment and intangible assets;
- Note 3(h) — Valuation of inventories;
- Notes 3(i), 7, 8 and 9— Measurement of recoverable amounts of cash-generating units;
- Note 3 (j) and 19 — Assets and obligations relating to employee benefits;
- Note 3 (j) — Share based payments;
- Note 3(k) — Provisions and other accruals;
- Note 3(l) — Sales returns, rebates and chargeback provisions;
- Note 3(o) — Evaluation of recoverability of deferred tax assets; and
- Note 44 — Contingencies

f. Change in the functional currency of a foreign operation

Until July 31, 2016, the functional currency of Dr. Reddy's Laboratories, SA, one of the Company's subsidiaries in Switzerland (the "Swiss Subsidiary"), was determined to be the Indian rupee. During the three months ended September 30, 2016, the Swiss Subsidiary borrowed U.S.\$350 from certain institutional lenders to acquire eight ANDAs in the United States (refer to Note 42 of these consolidated financial statements for further details). The Company believes that the aforesaid transactions have had significant impact on the primary economic environment of the Swiss Subsidiary and, accordingly, the Swiss Subsidiary's operating, investing and financing activities will have a greater reliance on the United States dollar.

Accordingly, effective August 1, 2016, the functional currency of the Swiss Subsidiary was changed to the United States dollar. The change in functional currency of the Swiss subsidiary was applied prospectively from date of change in accordance with IAS 21, "The Effect of Changes in Foreign Exchange Rate".

3. 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. 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.

Associates and joint arrangements (equity accounted investees)

Joint arrangements are those arrangements over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entities but is not control or joint control of those policies. Significant influence is generally presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

a. Basis of consolidation (continued)

Investments in associates and joint ventures are accounted for using the equity method (equity accounted investees) 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.

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.

Acquisition of non-controlling 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, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

b. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency shall be 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 other comprehensive income ("OCI"):

- available for sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to the consolidated income statement);
- 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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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3. Significant accounting policies (continued)

b. Foreign currency (continued)

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 a part of 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 transferred to the consolidated income statement.

c. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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 maturity 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.

Other investments

Other investments consist of term deposits with original maturities of more than three months, and investments in mutual funds and equity securities.

Investments in mutual funds and equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in OCI and presented within equity under "fair value reserve". When an investment is derecognized, the cumulative gain or loss in equity is transferred to the consolidated income statement.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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3. Significant accounting policies (continued)

c. Financial instruments (continued)

Debt instruments and other financial liabilities

The Company initially recognizes debt instruments issued on the date that they originate. All other financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. These are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other non-derivative financial instruments

Other non-derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual right to the cash flows from that asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing, at amortized cost, for the proceeds received.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized as profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right and ability to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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, Romanian new leus ("RON"), Venezuelan bolivars and Euros, and foreign currency debt in U.S. dollars, Russian roubles and Euros.

The Company uses foreign exchange forward contracts, option contracts and swap contracts (derivative financial instruments) 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.

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 revenue 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. Remeasurement gain/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 revenue in the period corresponding to the occurrence of the forecasted transactions.

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3. Significant accounting policies (continued)

c. Financial instruments (continued)

Upon initial designation of a hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125% relative to the gain or loss on the hedged items. For cash flow hedges to be "highly effective", a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

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 forecast transaction occurs. If the forecast 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 as part of "net finance income/(expense)" 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.

d. Business combinations

The Company uses the acquisition method of accounting to account for business combinations that occurred on or after April 1, 2009. 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 measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed. When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognized immediately in the consolidated income statement. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the consolidated income statement.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Transaction costs that the Company incurs

in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

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3. Significant accounting policies (continued)

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.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not depreciated.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. 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	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 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.

f. Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

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3. Significant accounting policies (continued)

f. Goodwill and other intangible assets (continued)

Other intangible assets

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.

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.

Research and development

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.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be 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.

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 International Accounting Standard 38 ("IAS 38") (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets that are under development are recognized as In-Process Research and Development assets ("IPR&D"). 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 "Research and Development expenses".

Subsequent expenditure on an in-process research or development project acquired separately or in a business combination and recognized as an intangible asset is:

- a) recognized as an expense when incurred, if it is research expenditure;
- b) recognized as an expense when incurred, if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset in paragraph 57 of IAS 38; and
- c) added to the carrying amount of the acquired in-process research or development project, if it is development expenditure that satisfies the recognition criteria in paragraph 57 of IAS 38.

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.

Amortization

Amortization is recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets. 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:

Trademarks	3 - 12 years
Product related intangibles	5 - 15 years
Customer-related intangibles	1 - 11 years
Technology related intangibles	3 - 13 years
Other intangibles	3 - 15 years

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3. Significant accounting policies (continued)

f. Goodwill and other intangible assets (continued)

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

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 on the date of de-recognition.

g. Leases

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 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 statements 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.

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 allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

i. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. All impairment losses/(reversals of impairment losses) are recognized in the consolidated income statement.

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3. Significant accounting policies (continued)

i. Impairment (continued)

When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in OCI is transferred to the consolidated income statement. An impairment loss may be reversed in subsequent periods, if the indicators for the impairment no longer exist. Such reversals are recognized in OCI.

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 generates 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 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 an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is 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.

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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 rates on government bonds are used. The current service cost of the defined benefit plan, recognized in the consolidated income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are 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 employee benefit expense in the consolidated income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity 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 statements of financial position date. Such measurement is based on actuarial valuation as at the statements of financial position date carried out by a qualified actuary.

Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee 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 non-market 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 non-market 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.

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 in the consolidated income statement, 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.

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3. Significant accounting policies (continued)

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.

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.

l. Revenue

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods includes excise duty and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Revenue from sales of generic products in India is recognized upon delivery of products to distributors by clearing and forwarding agents of the Company. Significant risks and rewards in respect of ownership of generic products are transferred by the Company when the goods are delivered to distributors from clearing and forwarding agents. Clearing and forwarding agents are generally compensated on a commission basis as a percentage of sales made by them. Revenue from sales of active pharmaceutical ingredients and intermediates in India is recognized on delivery of products to customers (generally formulation manufacturers), from the factories of the Company.

Revenue from export sales and other sales outside of India is recognized when the significant risks and rewards of ownership of products are transferred to the customers, which occurs 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

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 purchase 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 in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available. Otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognized for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company's Board of Directors authorizes the issuance of its financial statements for the applicable period.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

l. Revenue (continued)

Milestone payments and out licensing arrangements

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. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period the Company has continuing performance obligations, if the milestones are not considered substantive. 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.

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 upon the expiration of limited competition or exclusivity periods. These credits are customary in the pharmaceutical industry, and are intended to reduce the customer inventory cost to better reflect the current market prices. The determination to grant a shelf stock adjustment to a customer is based on the terms of the applicable contract, which may or may not specifically limit the age of the stock on which a credit would be offered.

Sales Returns

The Company accounts for sales returns accrual by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns. The Company deals in various products and operates in various markets. Accordingly, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors.

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.

Export entitlements

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.

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.

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3. Significant accounting policies (continued)

n. Finance income and expense

Finance income consists of interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale 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 by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be 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 tax benefit will be realized.

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.

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

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.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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3. Significant accounting policies (continued)

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. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9, "Financial instruments". IFRS 9 significantly differs from IAS 39, "Financial Instruments: Recognition and Measurement", and includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company believes that the new Standard will materially impact the classification and measurement of the Company's financial instruments, documentation relating to hedging financial exposures and recognition of certain fair value changes.

IFRS 15, Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The new revenue recognition standard was issued with an effective date of January 1, 2017. However, in April 2015, the IASB voted to defer the effective date of the new revenue recognition standard to January 1, 2018. Early application of the new standard is permitted. The Company is in the process of evaluating the impact of the new standard on its consolidated financial statements.

IFRS 16, Leases

In January 2016, the IASB issued a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, "Leases", and related interpretations and is effective for periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, "Revenue from Contracts with Customers", has also been applied.

The Company is currently in the process of evaluating the impact of this new accounting standard on its consolidated financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC Interpretation 22, "Foreign Currency Transactions and Advance Consideration," which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently in the process of evaluating the impact of this change in the accounting standard on its consolidated financial statements.

IFRIC 23, Uncertainty over Income Tax treatments

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 "Income taxes", are applied where there is uncertainty over income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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3. Significant accounting policies (continued)

s. Recent accounting pronouncements (continued)

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. An entity can, on initial application, elect to apply this interpretation either:

- retrospectively applying IAS 8, if possible without the use of hindsight; or
- retrospectively, with the cumulative effect of initially applying the interpretation recognized at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).

The Company is in the process of evaluating the impact of IFRIC 23 on the consolidated financial statements and the period of adoption.

t. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

When shares recognized as equity are repurchased, the amount of consideration paid, which includes costs that are directly attributable, is recognized as a deduction from equity.

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.

(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 after deduction of a fair return on other assets that are part of creating the related cash flows.

(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 available-for-sale 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).

Finance
(expense)/income,
net

Share of profit of
equity accounted
investees, net of
tax

Profit before tax

Tax expense

Profit for the year

[Continued on next page]

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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5. Segment reporting (continued)

[Continued from above table, first column repeated]

Information about segments:	For the Year Ended March 31,					
	Others			Total		
Reportable segments	2017	2016	2015	2017	2016	2015
Revenues^{(1) (2)}	Rs. 1,760	Rs. 1,608	Rs. 1,164	Rs. 140,809	Rs. 154,708	Rs. 148,189
Gross profit	Rs. 853	Rs. 706	Rs. 329	Rs. 78,356	Rs. 92,281	Rs. 85,403
Selling, general and administrative expenses				46,372	45,702	42,585
Research and development expenses				19,551	17,834	17,449
Other (income)/expense, net				(1,065)	(874)	(917)
Results from operating activities				Rs. 13,498	Rs. 29,619	Rs. 26,286
Finance (expense)/income, net				806	(2,708)	1,682
Share of profit of equity accounted investees, net of tax				349	229	195
Profit before tax				Rs. 14,653	Rs. 27,140	Rs. 28,163
Tax expense				2,614	7,127	5,984
Profit for the year				Rs. 12,039	Rs. 20,013	Rs. 22,179

- (1) Revenues for the year ended March 31, 2017 do not include inter-segment revenues from PSAI to Global Generics which is accounted for at a cost of Rs.6,181 (as compared to Rs.5,447 and Rs.6,904 for the years ended March 31, 2016 and 2015, respectively).
- (2) During the three months ended June 30, 2015, there was a change in the monitoring of performance of one product from the Global Generics segment to the Proprietary Products segment. Consequently, revenues and gross profit from such product for the year ended March 31, 2015 have been reclassified to conform to the change.

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,		
	2017	2016	2015
India	Rs. 24,927	Rs. 23,913	Rs. 21,158
United States	69,816	81,154	69,840
Russia	11,547	10,640	14,922
Others	34,519	39,001	42,269
	Rs. 140,809	Rs. 154,708	Rs. 148,189

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,		
	2017	2016	2015
Gastrointestinal	Rs. 21,190	Rs. 21,253	Rs. 21,524
Oncology	17,054	19,410	19,459
Cardiovascular	15,553	19,009	17,569
Pain Management	14,323	16,240	16,591
Central Nervous System	12,749	14,739	14,935
Anti-Infective	7,189	12,711	8,393
Others	27,351	24,700	20,926
Total	Rs. 115,409	Rs. 128,062	Rs. 119,397

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5. Segment reporting (continued)

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,		
	2017	2016	2015
Cardiovascular	Rs. 5,078	Rs. 5,077	Rs. 4,695
Pain Management	3,290	4,085	3,793
Central Nervous System	2,758	3,021	2,800
Anti-Infective	1,859	2,015	2,338
Dermatology	1,606	1,485	1,234
Oncology	1,534	2,570	4,274
Others	5,152	4,126	6,322
Total	Rs. 21,277	Rs. 22,379	Rs. 25,456

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,	
	2017	2016
India	Rs. 57,997	Rs. 54,987
Switzerland	31,543	6,576
United States	8,660	7,519
Germany	3,220	4,200
Others	6,213	6,632
	Rs. 107,633	Rs. 79,914

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,	
	2017	2016
India	Rs. 10,545	Rs. 19,389
Switzerland	26,639	2,325
United States	2,657	1,019
Others	728	586
	Rs. 40,569	Rs. 23,319

Analysis of depreciation and amortization, included in cost of revenues, by reportable segments:

	For the Year Ended March 31,		
	2017	2016	2015
Global Generics	Rs. 3,381	Rs. 2,742	Rs. 2,044
PSAI	2,674	2,437	2,034
Proprietary Products	—	—	—
Others	62	62	76
	Rs. 6,117	Rs. 5,241	Rs. 4,154

Information about major customers

Revenues from one of the customers of the Company's Global Generics segment were Rs.22,760, representing 16% of the Company's total revenues, for the year ended March 31, 2017.

Revenues from two of the customers of the Company's Global Generics segment were Rs.21,600 and Rs.15,998, representing 14% and 10%, respectively, of the Company's total revenues, for the year ended March 31, 2016.

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6. Acquisition of select products portfolio of UCB

On April 1, 2015, the Company entered into a definitive agreement with UCB India Private Limited and other UCB group companies (together referred to as "UCB") to acquire a select portfolio of products business in the territories of India, Nepal, Sri Lanka and Maldives. The transaction included approximately 350 employees engaged in operations of the acquired India business. The acquisition was expected to strengthen the Company's presence in the areas of dermatology, respiratory and pediatric products.

The total purchase consideration was Rs.8,000, payable in cash. The acquisition was closed on June 16, 2015. The Company has accounted for the transaction under IFRS 3, "Business Combinations," and allocated the aggregate purchase consideration as follows:

<u>Particulars</u>	<u>Amount</u>
Total consideration	Rs. 8,000
Identifiable assets acquired	
Property, plant and equipment	6
Other intangible assets:	
Product related intangibles	6,734
Marketing rights	743
Current assets, net of current liabilities assumed	194
Total identifiable net assets	Rs. 7,677
Goodwill	Rs. 323

The total goodwill of Rs.323 is attributable primarily to the acquired employee workforce, intangible assets that do not qualify for separate recognition and the expected synergies. The entire amount of goodwill is deductible for tax purposes.

Acquisition related costs of Rs.9 were excluded from the consideration transferred and were recognized as expense under "Selling, general and administrative expenses" in the consolidated income statement for the year ended March 31, 2016.

Current assets, net of current liabilities assumed, includes trade receivables of Rs.118, which were expected to be fully recoverable.

Out of the total purchase consideration of Rs.8,000, the Company has paid Rs.7,936 to UCB as of March 31, 2017.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
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7. 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	Computer equipment	Furniture, fixtures and office equipment	Vehicles	Total
Gross carrying value							
Balance as at April 1, 2015	Rs. 3,789	Rs. 16,505	Rs. 46,940	Rs. 2,003	Rs. 2,148	Rs. 626	Rs. 72,011
Acquisitions through business combinations ⁽¹⁾	—	—	—	6	—	—	6
Other additions	24	2,402	7,890	372	208	186	11,082
Disposals	(7)	(3)	(651)	(144)	(105)	(33)	(943)
Effect of changes in foreign exchange rates	8	191	214	9	14	(2)	434
Balance as at March 31, 2016	Rs. 3,814	Rs. 19,095	Rs. 54,393	Rs. 2,246	Rs. 2,265	Rs. 777	Rs. 82,590
Balance as at April 1, 2016	Rs. 3,814	Rs. 19,095	Rs. 54,393	Rs. 2,246	Rs. 2,265	Rs. 777	Rs. 82,590
Acquisitions through business combinations	—	—	—	—	—	—	—
Other additions	98	2,395	9,090	566	205	96	12,450
Disposals	—	(34)	(521)	(70)	(19)	(120)	(764)
Effect of changes in foreign exchange rates	(44)	(165)	(533)	(15)	(23)	(2)	(782)
Balance as at March 31, 2017	Rs. 3,868	Rs. 21,291	Rs. 62,429	Rs. 2,727	Rs. 2,428	Rs. 751	Rs. 93,494
Accumulated Depreciation							
Balance as at April 1, 2015	Rs. —	Rs. 3,472	Rs. 23,158	Rs. 1,308	Rs. 1,796	Rs. 306	Rs. 30,040
Depreciation for the year	—	763	5,341	325	243	108	6,780
Impairment loss ⁽²⁾	—	20	46	23	4	1	94
Disposals	—	(0)	(615)	(108)	(100)	(25)	(848)
Effect of changes in foreign exchange rates	—	47	52	5	10	(1)	113
Balance as at March 31, 2016	Rs. —	Rs. 4,302	Rs. 27,982	Rs. 1,553	Rs. 1,953	Rs. 389	Rs. 36,179
Balance as at April 1, 2016	Rs. —	Rs. 4,302	Rs. 27,982	Rs. 1,553	Rs. 1,953	Rs. 389	Rs. 36,179
Depreciation for the year	—	896	5,971	378	231	120	7,596
Impairment loss	38	214	69	10	—	—	331
Disposals	—	(23)	(499)	(67)	(14)	(116)	(719)
Effect of changes in foreign exchange rates	—	(71)	(298)	(13)	(24)	(1)	(407)
Balance as at March 31, 2017	Rs. 38	Rs. 5,318	Rs. 33,225	Rs. 1,861	Rs. 2,146	Rs. 392	Rs. 42,980
Net carrying value							
As at April 1, 2015	Rs. 3,789	Rs. 13,033	Rs. 23,782	Rs. 695	Rs. 352	Rs. 320	Rs. 41,971
As at March 31, 2016	Rs. 3,814	Rs. 14,793	Rs. 26,411	Rs. 693	Rs. 312	Rs. 388	Rs. 46,411
Add: Capital-work-in-progress							Rs. 7,550
Total as at March 31, 2016							Rs. 53,961
As at March 31, 2017	Rs. 3,830	Rs. 15,973	Rs. 29,204	Rs. 866	Rs. 282	Rs. 359	Rs. 50,514
Add: Capital-work-in-progress							Rs. 6,646
Total as at March 31, 2017							Rs. 57,160

- (1) Acquisitions through business combinations were on account of the Company's acquisition of a select portfolio of products from UCB. Refer to Note 6 of these consolidated financial statements for further details.
- (2) Impairment loss pertains to the assets forming part of the Company's Venezuelan subsidiary. Refer to Note 39 of these consolidated financial statements for further details.

Impairment losses recorded for the year ended March 31, 2017

During the three months ended March 31, 2017, the Company witnessed a significant decline in the expected cash flows of some of the products forming part of a cash generating unit ("CGU") under its Global Generics segment. Consequently, the Company, following the guidance under IAS 36 "Impairment of assets", determined that the estimated recoverable amount of the CGU is lower than its carrying cost. Accordingly, an amount of Rs.335 (including Rs.4 towards capital-work-in-progress) was recorded as an impairment during the quarter ended March 31, 2017. Such impairment charge was recorded under "cost of revenues".

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Key assumptions upon which the Company has based its determinations of value-in-use include:

- a) Estimated cash flows for the remaining useful life, based on management's budgets.
- b) the terminal value is considered to be zero.
- c) The post-tax discount rates used are based on the Company's weighted average cost of capital. The post-tax discount rates used was 6.68%. The pre-tax discount rates was 9.02%.

Capital commitments

As of March 31, 2017 and 2016, the Company was committed to spend Rs.5,256 and Rs.5,065, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchase commitments.

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7. Property, plant and equipment (continued)

Interest capitalization

During the years ended March 31, 2017 and 2016, the Company capitalized interest cost of Rs.65 and Rs.51, respectively, with respect to qualifying assets. The rate for capitalization of interest cost for the years ended March 31, 2017 and 2016 was approximately 2.14% and 2.07%, respectively.

Assets acquired under finance leases

Property, plant and equipment include Rs.511 and Rs.637 of assets acquired (net of accumulated depreciation) under finance leases as of March 31, 2017 and 2016, respectively.

8. Goodwill

Goodwill arising upon business acquisitions 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, 2017 and 2016:

	As of March 31,	
	2017	2016
Opening balance, gross ⁽¹⁾	Rs. 20,122	Rs. 19,654
Goodwill arising on business combinations during the year ^{(2) (3)}	10	323
Effect of translation adjustments	(106)	145
Impairment loss ⁽⁴⁾	(16,274)	(16,274)
Closing balance ⁽¹⁾	Rs. 3,752	Rs. 3,848

- (1) This does not include goodwill arising upon investment in an associate of Rs.181, which is included in the carrying value of the investment in equity accounted investees.
- (2) Rs.10 as of March 31, 2017 represents goodwill arising from the acquisition of Imperial Credit Private Limited.
- (3) Rs.323 as of March 31, 2016 represents goodwill arising from the acquisition of a select portfolio of products business from UCB during the three months ended June 30, 2015. Refer to Note 6 of these consolidated financial statements for further details.
- (4) The impairment loss of Rs.16,274 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 during 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 an associate) was allocated to cash generating units as follows:

	As of March 31,	
	2017	2016
PSAI-Active Pharmaceutical Operations	Rs. 997	Rs. 997
Global Generics-Complex Injectables	1,148	1,249
Global Generics-North America Operations	995	998
Global Generics-Branded Formulations	491	491
Others	121	113
	Rs. 3,752	Rs. 3,848

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 budgets.
- b) A terminal value arrived at by extrapolating the last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.

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8. 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 6.68% to 12.76% for various cash generating units. The pre-tax discount rates range from 9.02% to 22.29%.

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.

9. Other intangible assets

The following is a summary of changes in the carrying value of intangible assets:

	<u>Trademarks with finite useful life</u>	<u>Product related intangibles</u>	<u>Technology related intangibles</u>	<u>Customer related intangibles</u>	<u>Others</u>	<u>Total</u>
Gross carrying amount						
Balance as at April 1, 2015	Rs. 9,349	Rs. 27,623	Rs. 1,593	Rs. 1,165	Rs. 952	Rs. 40,682
Acquisitions through business combinations ⁽¹⁾	—	6,734	—	—	743	7,477
Other additions	—	1,554	1,158	—	596	3,308
De-recognitions	—	—	—	(132)	—	(132)
Effect of changes in foreign exchange rates	829	1,829	96	67	4	2,825
Balance as at March 31, 2016	Rs. 10,178	Rs. 37,740	Rs. 2,847	Rs. 1,100	Rs. 2,295	Rs. 54,160
Balance as at April 1, 2016	Rs. 10,178	Rs. 37,740	Rs. 2,847	Rs. 1,100	Rs. 2,295	Rs. 54,160
Acquisitions through business combinations	—	—	—	—	—	—
Other additions ⁽²⁾	1,148	27,419	27	—	611	29,205
De-recognitions ⁽³⁾	(32)	(269)	—	(706)	(124)	(1,131)
Effect of changes in foreign exchange rates	(617)	(2,265)	(230)	(37)	(19)	(3,168)
Balance as at March 31, 2017	Rs. 10,677	Rs. 62,625	Rs. 2,644	Rs. 357	Rs. 2,763	Rs. 79,066
Amortization/impairment loss						
Balance as at April 1, 2015	Rs. 6,688	Rs. 18,413	Rs. 960	Rs. 1,118	Rs. 453	Rs. 27,632
Amortization for the year	504	2,414	254	11	287	3,470
Impairment loss	—	174	—	20	—	194
De-recognitions	—	—	—	(132)	—	(132)
Effect of changes in foreign exchange rates	494	1,598	39	68	1	2,200
Balance as at March 31, 2016	Rs. 7,686	Rs. 22,599	Rs. 1,253	Rs. 1,085	Rs. 741	Rs. 33,364
Balance as at April 1, 2016	Rs. 7,686	Rs. 22,599	Rs. 1,253	Rs. 1,085	Rs. 741	Rs. 33,364
Amortization for the year	578	2,304	443	15	341	3,681
Impairment loss	32	40	38	—	—	110
De-recognitions ⁽³⁾	(32)	(269)	—	(706)	(124)	(1,131)
Effect of changes in foreign exchange rates	(457)	(1,215)	(159)	(37)	(15)	(1,883)
Balance as at March 31, 2017	Rs. 7,807	Rs. 23,459	Rs. 1,575	Rs. 357	Rs. 943	Rs. 34,141
Net carrying amount						
As at April 1, 2015	Rs. 2,661	Rs. 9,210	Rs. 633	Rs. 47	Rs. 499	Rs. 13,050
As at March 31, 2016	Rs. 2,492	Rs. 15,141	Rs. 1,594	Rs. 15	Rs. 1,554	Rs. 20,796
As at March 31, 2017	Rs. 2,870	Rs. 39,166	Rs. 1,069	Rs. —	Rs. 1,820	Rs. 44,925

- (1) Acquisitions through business combinations were on account of the Company's acquisition of a select portfolio of products from UCB. Refer to Note 6 of these consolidated financial statements for further details.
- (2) Other additions during the year ended March 31, 2017 primarily consists of: (a) Rs.23,366, representing the consideration paid to Teva Pharmaceutical Industries Limited to acquire eight Abbreviated New Drug Applications ("ANDAs") in the United States (refer to Note 42 of these consolidated financial statements for further details); and (b) Rs.3,159, representing the consideration for the acquisition from XenoPort, Inc. of exclusive U.S. rights for the development and commercialization of a clinical stage oral new chemical entity (refer to Note 40 of these consolidated financial statements for further details).
- (3) During the year ended March 31, 2017, the Company derecognized certain intangible assets which were fully amortized and from which no future economic benefits were expected, either from use or from their disposal. Accordingly, an amount of Rs.1,131 was reduced both from gross carrying amount and accumulated amortization.

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9. Other intangible assets (continued)

In-process research and development assets:

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:

<u>Particulars</u>	<u>Year Ended</u>	
	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Opening balance at the beginning of the year	Rs. 1,096	Rs. 203
Add: Additions during the year ⁽¹⁾	26,858	1,035
Less: Capitalizations during the year	—	(102)
Less: Impairments during the year ⁽²⁾	(38)	(100)
Effect of changes in exchange rates	(766)	60
Closing balance at the year end	<u>Rs. 27,150</u>	<u>Rs. 1,096</u>

(1) Additions during the year ended March 31, 2017 primarily consists of:

- a. Rs.23,366, representing the consideration paid to Teva Pharmaceutical Industries Limited to acquire eight Abbreviated New Drug Applications (“ANDAs”) in the United States (refer to Note 42 of these consolidated financial statements for further details); and
- b. Rs.3,159, representing the consideration for the acquisition from XenoPort, Inc. of exclusive U.S. rights for the development and commercialization of a clinical stage oral new chemical entity (refer to Note 40 of these consolidated financial statements for further details).

(2) Refer to “Impairment losses recorded for the year ended March 31, 2017” in this Note 9 for further details

Asset held for sale

During the three months ended December 31, 2016, the management of the Company decided to and committed to a plan to sell certain intangible assets forming part of the Company’s Global Generics business. Accordingly, these assets have been disclosed as “Assets held for sale” as on December 31, 2016.

However, during the three months ended March 31, 2017, the proposed arrangement to sell the intangible assets did not take place and, subsequently, the Company discontinued its plans to sell these intangible assets. Accordingly, the aforesaid intangible assets cease to be classified as held for sale.

Amortization of other intangible assets:

	<u>For the Year Ended March 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Selling, general and administrative expenses	Rs. 3,198	Rs. 3,262	Rs. 2,326
Cost of revenues	300	110	—
Research and development expenses	183	98	55
	<u>Rs. 3,681</u>	<u>Rs. 3,470</u>	<u>Rs. 2,381</u>

The weighted average remaining useful life of intangibles was 8.6 years as at March 31, 2017.

Interest capitalization

During the year ended March 31, 2017, the Company capitalized interest cost of Rs.258 with respect to certain qualifying assets. The rate for capitalization of interest cost ranged from 0.91% to 2.14%.

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9. Other intangibles (continued)

Impairment loss on other intangible assets:

	For the Year Ended March 31,		
	2017	2016	2015
Selling, general and administrative expenses	Rs. 72	Rs. 61	Rs. 509
Research and development expenses	38	133	120
Cost of revenues	—	—	—
	Rs. 110	Rs. 194	Rs. 629

Impairment losses recorded for the year ended March 31, 2017

In-process research and development (“IPR&D”) intangibles

As a result of the Company’s decision to discontinue further development of certain IPR&D assets pertaining to its Proprietary Products segment and PSAI segment, Rs.27 and Rs.11, respectively, were recorded as impairment loss for the year ended March 31, 2017 under “Research and development expenses” in the consolidated income statement.

Others

The balance impairment loss of Rs.72 pertains to a write down of certain brands and product related intangibles forming part of the Company’s Global Generics segment. The same was recorded under “Selling, general and administrative expenses” in the consolidated income statement.

Impairment losses recorded for the year ended March 31, 2016

In-process research and development (“IPR&D”) intangibles

As a result of the Company’s decision to discontinue further development of certain IPR&D assets pertaining to its Proprietary Products segment and Global Generics segment, Rs.100 and Rs.33, respectively, was recorded as impairment loss for the year ended March 31, 2016 under “Research and development expenses” in the consolidated income statement.

Others

The balance impairment loss of Rs.61 pertains to a write down of certain customer and product related intangibles forming part of the Company’s Global Generics segment, which was recorded under “Selling, general and administrative expenses” in the consolidated income statement.

Impairment losses recorded for the year ended March 31, 2015

For the year ended March 31, 2015, the Company recorded impairment losses of Rs.629 in the consolidated income statement, primarily relating to the following:

Customer related intangibles

Since its acquisition during the year ended March 31, 2013, OctoPlus B.V., a wholly owned subsidiary of the Company, has been engaged in the Company’s internal drug development projects as well as providing pharmaceutical development services to external customers.

During the year ended March 31, 2015, the Company decided to significantly increase the utilization of OctoPlus B.V.’s technical know-how, its time and effort on internal drug development projects and scale-down its external pharmaceutical development services. As a result of such decision, the Company reassessed the recoverable amounts of associated customer related intangibles and determined that the carrying amount of such customer related intangibles was higher than their recoverable amount. Accordingly,

Rs.249 was recorded as an impairment loss for the year ended March 31, 2015 under “Selling, general and administrative expenses” in the consolidated income statement.

The above impairment loss relate to the Company’s PSAI segment. As at March 31, 2015, the carrying amount of such customer related intangibles after impairment loss was Rs.0.

Product related intangibles

Based on the performance of and expected cash flows from some of the Company’s product related intangibles pertaining to its Global Generics segment, the Company reassessed the recoverable amounts of such product related intangibles and determined that the carrying amount of such product-related intangibles was higher than their recoverable amount. Accordingly, Rs.201 was recorded as an impairment loss for the year ended March 31, 2015 under “Selling, general and administrative expenses” in the consolidated income statement. As at March 31, 2015, the carrying amount of such product related intangibles after impairment loss was Rs.0.

In-process research and development (“IPR&D”) intangibles

Due to the Company’s decision to discontinue further development of certain IPR&D assets pertaining to its Proprietary Products segment, Rs.95 was recorded as impairment loss for the year ended March 31, 2015 under research and development expenses in the consolidated income statement.

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10. Investment in equity accounted investees

Kunshan Rotam Reddy Pharmaceuticals Co. Limited ("Reddy Kunshan") is engaged in manufacturing and marketing of formulations in China. The Company's interest in Reddy Kunshan was 51.3% as of March 31, 2017 and 2016. Three directors of the Company are on the board of Reddy Kunshan, which consists of seven 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 seven 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 under IFRS 11.

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,		
	2017	2016	2015
Ownership	51.3%	51.3%	51.3%
Total current assets	Rs. 3,385	Rs. 2,876	Rs. 2,090
Total non-current assets	296	377	389
Total assets	Rs. 3,681	Rs. 3,253	Rs. 2,479
Equity	Rs. 2,603	Rs. 2,129	Rs. 1,656
Total current liabilities	1,078	1,124	823
Total equity and liabilities	Rs. 3,681	Rs. 3,253	Rs. 2,479
Revenues	Rs. 4,980	Rs. 4,246	Rs. 3,377
Expenses	4,295	3,800	2,998
Profit for the year	Rs. 685	Rs. 446	Rs. 379

The Company's share of profits in Reddy Kunshan for the years ended March 31, 2017, 2016 and 2015 was Rs.351, Rs.229 and Rs.195, respectively. The carrying value of the Company's investment in Reddy Kunshan as of March 31, 2017 and 2016 was Rs.1,519 and Rs.1,309, respectively. The translation adjustment arising out of translation of foreign currency balances amounted to Rs.97 and Rs.239 as of March 31, 2017 and 2016, respectively.

11. Other investments

Other investments consist of investments in units of mutual funds, equity securities and term deposits (i.e., certificates of deposit having an original maturity period exceeding 3 months) with banks. The details of such investments as of March 31, 2017 are as follows:

	Cost	Gain recognized directly in equity	Fair value
Investment in units of mutual funds	Rs. 9,677	Rs. 1,464	Rs. 11,141
Investment in equity securities ⁽¹⁾	2,703	2,260	4,963
Term deposits with banks	3,403	—	3,403
	Rs. 15,783	Rs. 3,724	Rs. 19,507
Current portion			
Investment in units of mutual funds	Rs. 9,464	Rs. 1,417	Rs. 10,881
Term deposits with banks	3,389	—	3,389
	Rs. 12,853	Rs. 1,417	Rs. 14,270
Non-current portion			
Investment in units of mutual funds	Rs. 213	Rs. 47	Rs. 260
Investment in equity securities ⁽¹⁾	2,703	2,260	4,963
Term deposits with banks	14	—	14
	Rs. 2,930	Rs. 2,307	Rs. 5,237

⁽¹⁾ Primarily represents the shares of Curis, Inc. Refer to Note 32 of these consolidated financial statements for further details.

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11. Other investments (continued)

As of March 31, 2016, the details of such investments were as follows:

	<u>Cost</u>	<u>Gain recognized directly in equity</u>	<u>Fair value</u>
Investment in units of mutual funds	Rs. 21,335	Rs. 1,223	Rs. 22,558
Investment in equity securities ⁽¹⁾	1,458	293	1,751
Term deposits with banks	12,713	—	12,713
	Rs. 35,506	Rs. 1,516	Rs. 37,022
Current portion			
Investment in units of mutual funds	Rs. 21,122	Rs. 1,199	Rs. 22,321
Term deposits with banks	12,713	—	12,713
	Rs. 33,835	Rs. 1,199	Rs. 35,034
Non-current portion			
Investment in units of mutual funds	Rs. 213	Rs. 24	Rs. 237
Investment in equity securities ⁽¹⁾	1,458	293	1,751
	Rs. 1,671	Rs. 317	Rs. 1,988

⁽¹⁾ Primarily represents the shares of Curis, Inc. Refer to Note 32 of these consolidated financial statements for further details.

12. Inventories

Inventories consist of the following:

	<u>As of March 31,</u>	
	<u>2017</u>	<u>2016</u>
Raw materials	Rs. 7,226	Rs. 5,769
Packing materials, stores and spares	2,315	2,057
Work-in-progress	6,614	7,049
Finished goods	12,374	10,703
	Rs. 28,529	Rs. 25,578

The above table includes inventories of Rs.624 and Rs.730, which were carried at fair value less cost to sell as at March 31, 2017 and 2016, respectively.

During the years ended March 31, 2017, 2016 and 2015, the Company recorded inventory write-downs of Rs.3,085, Rs.2,746 and Rs.3,635, respectively. These adjustments were included in cost of revenues.

Cost of revenues for the years ended March 31, 2017, 2016 and 2015 includes raw materials, consumables and changes in finished goods and work in progress recognized in the income statement of Rs.30,250, Rs.33,051 and Rs.36,806, respectively. Cost of revenues for the years ended March 31, 2017, 2016 and 2015 includes other expenditures recognized in the income statement of Rs.32,203 Rs.29,376 and Rs.25,980, respectively.

13. Trade and other receivables

	<u>As of March 31,</u>	
	<u>2017</u>	<u>2016</u>
Current		
Trade and other receivables, gross	Rs. 38,926	Rs. 42,095
Less: Allowance for doubtful trade and other receivables	(861)	(789)
Trade and other receivables, net	Rs. 38,065	Rs. 41,306
Non-current		
Trade and other receivables, gross ⁽¹⁾	Rs. 206	Rs. —

Less: Allowance for doubtful trade and other receivables	—	—
Trade and other receivables, net	<u>Rs. 206</u>	<u>Rs. —</u>

- (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.

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13. Trade and other receivables (continued)

The Company maintains an allowance for impairment of doubtful accounts based on financial condition of the customer, aging of the customer accounts receivable and historical experience of collections from customers. The activity in the allowance for impairment of trade account receivables is given below:

	For the Year Ended March 31,	
	2017	2016
Balance at the beginning of the year	Rs. 789	Rs. 667
Provision for doubtful trade and other receivables, net	138	137
Trade and other receivables written off and exchange differences	(66)	(15)
Balance at the end of the year	Rs. 861	Rs. 789

14. Other assets

Other assets consist of the following:

	As of March 31,	
	2017	2016
Current		
Balances and receivables from statutory authorities ⁽¹⁾	Rs. 4,151	Rs. 4,059
Export benefits receivable ⁽²⁾	3,521	3,239
Prepaid expenses	712	679
Others	3,586	3,033
	Rs. 11,970	Rs. 11,010
Non-current		
Deposits	Rs. 651	Rs. 620
Others	332	443
	Rs. 983	Rs. 1,063

(1) Balances and receivables from statutory authorities primarily consist of amounts receivable from the excise, value added tax and customs authorities of India and the unutilized excise input credits on purchases. These are regularly utilized to offset the Indian excise and service tax liability on goods produced by and services provided by the Company. Accordingly, these balances have been classified as current assets.

(2) Export benefits receivables primarily consist of amounts receivable from various government authorities of India towards incentives on export sales made by the Company.

15. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of March 31,	
	2017	2016
Cash balances	Rs. 3	Rs. 2
Balances with banks	1,131	1,642
Term deposits with banks (original maturities up to 3 months)	2,732	3,277
Cash and cash equivalents in the statement of financial position	3,866	4,921
Bank overdrafts used for cash management purposes	87	—
Cash and cash equivalents in the statement of cash flow	Rs. 3,779	Rs. 4,921

Cash and cash equivalents included restricted cash of Rs.177 and Rs.257 respectively, as of March 31, 2017 and March 31, 2016, which consisted of:

- Rs.64 as of March 31, 2017 and Rs.62 as of March 31, 2016, representing amounts in the Company's unclaimed dividend and debenture interest accounts;
- Rs.38 as of March 31, 2017 and Rs.124 as of March 31, 2016, representing cash and cash equivalents of the Company's subsidiary in Venezuela, which are subject to foreign exchange controls (refer to Note 39 of these consolidated financial statements for further details);
- Rs.49 as of March 31, 2017 and Rs.0 as of March 31, 2016, representing the portion of the purchase consideration deposited in an escrow account, pursuant to an acquisition of an intangible asset; and
- Rs.26 as of March 31, 2017 and Rs.71 as of March 31, 2016, representing other restricted cash amounts.

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16. Equity

	<u>For the Year Ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Par value per share	Rs. 5	Rs. 5
Authorized share capital	1,200	1,200
Fully paid up share capital		
As at April 1	Rs. 853	Rs. 852
Add: Shares issued on exercise of stock options	1	1
Less: Buyback of equity shares	(25)	—
As at March 31	Rs. 829	Rs. 853

The Company presently has only one class of equity shares. 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) 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 Company paid dividends of Rs.3,312, Rs.3,411 and Rs.3,067 and dividend distribution tax thereon of Rs.78, Rs.695 and Rs.520 during the years ended March 31, 2017, 2016 and 2015, respectively. The dividend paid per share was Rs.20, Rs.20 and Rs.18 during the years ended March 31, 2017, 2016 and 2015, respectively.

Buyback of equity shares

The Board of Directors of the Company, in their meeting held on February 17, 2016, approved a proposal to buy back equity shares of the Company, subject to approval by the Company's shareholders, for an aggregate amount not exceeding Rs.15,694 and at a price not exceeding Rs.3,500 per equity share. The plan involved the purchase of such shares from shareholders of the Company (including persons who become shareholders by cancelling American Depository Shares and receiving underlying equity shares, and excluding the promoters and promoter group of the Company) under the open market route in accordance with the provisions contained in the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and the Companies Act, 2013 and rules made thereunder. The shares bought back under this plan were required to be extinguished in accordance with the provisions of the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and the Companies Act, 2013 and rules made thereunder.

The Company's shareholders approved the buyback plan on April 1, 2016, and implementation of the buyback plan commenced on April 18, 2016 and ended on June 28, 2016.

Under this plan, the Company bought back and extinguished 5,077,504 equity shares for an aggregate purchase price of Rs.15,694. The aggregate face value of the equity shares bought back was Rs.25.

Proposed dividend

At the Company's Board of Directors' meeting held on May 12, 2017, the Board proposed a dividend of Rs.20 per share and aggregating to Rs.3,315, which is subject to the approval of the Company's shareholders. Upon such approval, there will be an additional cash outflow of Rs.675 for payment of dividend distribution tax thereon.

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17. Earnings per share

The calculation of basic and diluted earnings per share for the years ended March 31, 2017, 2016 and 2015 was based on the profit attributable to equity shareholders of Rs.12,039, Rs.20,013 and Rs.22,179, 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,		
	2017	2016	2015
Issued equity shares as on April 1	170,607,653	170,381,174	170,108,868
Effect of shares issued on exercise of stock options	126,277	166,469	205,638
Effect of buyback of equity shares	(4,084,987)	—	—
Weighted average number of equity shares at March 31	166,648,943	170,547,643	170,314,506
Earnings per share – Basic	Rs. 72.24	Rs. 117.34	Rs. 130.22

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,		
	2017	2016	2015
Weighted average number of equity shares (Basic)	166,648,943	170,547,643	170,314,506
Dilutive effect of stock options outstanding	348,733	525,137	618,927
Weighted average number of equity shares (Diluted)	166,997,675	171,072,780	170,933,433
Earnings per share – Diluted	Rs. 72.09	Rs. 116.98	Rs. 129.75

18. Loans and borrowings

Short term borrowings

The Company had net short term borrowings of Rs.43,539 as of March 31, 2017, as compared to Rs.22,718 as of March 31, 2016. The borrowings primarily consist of “packing credit” loans drawn by the parent company and other unsecured loans drawn by Dr. Reddy's Laboratories SA (one of the Company's subsidiaries in Switzerland) (the “Swiss Subsidiary”) and OOO Dr. Reddy's Laboratories Limited (one of the Company's subsidiaries in Russia).

Short term borrowings consist of the following:

	As at March 31,	
	2017	2016
Packing credit borrowings	Rs. 18,699	Rs. 20,896
Other foreign currency borrowings	24,840	1,822
	Rs. 43,539	Rs. 22,718

The interest rate profile of short term borrowings from banks is given below:

	As at March 31,			
	2017		2016	
	Currency	Interest Rate	Currency	Interest Rate
Packing credit borrowings	USD	LIBOR + (30) to 1 bps	USD	LIBOR + (5) to 15 bps
	USD	0.01%	—	—
	INR	T-Bill + 30bps	EURO	LIBOR + 5 to 7.5 bps
	INR	6.92% to 6.95%	—	—
	RUB	9.95%	RUB	10.65% to 11.57%
Other foreign currency borrowings	USD	LIBOR + 40 to 60 bps	USD	LIBOR + 40 bps
	RUB	10.48%	—	—

Short-term borrowing by Swiss Subsidiary

During the three months ended September 30, 2016, the Swiss Subsidiary borrowed U.S.\$350 from certain institutional lenders at an interest rate ranging from Libor plus 0.45% to 0.60% per annum. The borrowing was solely for the purpose of the acquisition of eight Abbreviated New Drug Applications (“ANDAs”) from Teva Pharmaceutical Industries Limited in the United States (refer to Note 42 of these consolidated financial statements for additional details).

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18. Loans and borrowings (continued)

Long term borrowings

Long term borrowings, measured at amortized cost, consist of the following:

	As at March 31	
	2017	2016
Foreign currency borrowing by the parent company	Rs. 4,852	Rs. 9,938
Obligations under finance leases	707	857
	Rs. 5,559	Rs. 10,795
Current portion		
Obligations under finance leases	Rs. 110	Rs. 110
	Rs. 110	Rs. 110
Non-current portion		
Foreign currency borrowing by the parent company	Rs. 4,852	Rs. 9,938
Obligations under finance leases	597	747
	Rs. 5,449	Rs. 10,685

Long-term bank loan of the parent company

During the year ended March 31, 2014, the Company borrowed the sum of U.S.\$150. The Company was required to repay the loan in five equal quarterly installments commencing at the end of the 54th month and continuing until the end of the 66th month from August 12, 2013.

During the three months ended December 31, 2016, the Company entered into a financing arrangement with certain financial institutions to refinance the aforementioned borrowing of U.S.\$150.

The Company repaid U.S.\$75 of this loan on November 28, 2016, and is required to repay the U.S.\$75 balance of the loan in 3 equal installments at the end of the 40th month, 43rd month and 46th month after the date the loan was made.

The loan agreement imposes various financial covenants on the Company. As of March 31, 2017, the Company was in compliance with such financial covenants.

Undrawn lines of credit from bankers

The Company had undrawn lines of credit of Rs.21,156 and Rs.14,771 as of March 31, 2017 and 2016, respectively, from its banks for working capital requirements. The Company has the right to draw upon these lines of credit based on its working capital requirements.

Non-derivative financial liabilities designated as cash flow hedges

The Company has designated some of its foreign currency borrowings from banks (non-derivative financial liabilities) as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non-derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and re-classified to the consolidated income statement as revenue in the period corresponding to the occurrence of the forecasted transactions. The carrying value of such non-derivative financial liabilities as of March 31, 2017 and March 31, 2016 was Rs.0 and Rs.3,644, respectively.

The interest rate profiles of long-term borrowings (other than obligations under finance leases) as at March 31, 2017 and 2016 were as follows:

	As at March 31,			
	2017		2016	
	Currency	Interest Rate	Currency	Interest Rate
Foreign currency borrowings	USD	LIBOR + 82.7 bps	USD	LIBOR + 125 bps

The aggregate maturities of long term loans and borrowings, based on contractual maturities, as of March 31, 2017 were as follows:

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18. Loans and borrowings (continued)

Long term borrowings (continued)

Maturing in the year ending March 31,	Foreign currency loan	Obligations under finance leases	Total
2018	Rs. —	Rs. 110	Rs. 110
2019	—	56	56
2020	1,610	51	1,661
2021	3,242	53	3,295
2022	—	57	57
Thereafter	—	380	380
	Rs. 4,852	Rs. 707	Rs. 5,559

The aggregate maturities of long term loans and borrowings, based on contractual maturities, as of March 31, 2016 were as follows:

Maturing in the year ending March 31,	Foreign currency loan	Obligations under finance leases	Total
2017	Rs. —	Rs. 110	Rs. 110
2018	1,988	101	2,089
2019	7,950	59	8,009
2020	—	54	54
2021	—	58	58
Thereafter	—	475	475
	Rs. 9,938	Rs. 857	Rs. 10,795

Obligations under finance leases

The Company has leased buildings, plant and machinery and vehicles under finance leases. Future minimum lease payments under finance leases as at March 31, 2017 were as follows:

Particulars	Present value of minimum lease payments	Interest	Future minimum lease payments
Not later than one year	Rs. 110	Rs. 77	Rs. 187
Between one and five years	217	149	366
More than five years	380	84	464
	Rs. 707	Rs. 310	Rs. 1,017

Future minimum lease payments under finance leases as at March 31, 2016 were as follows:

Particulars	Present value of minimum lease payments	Interest	Future minimum lease payments
Not later than one year	Rs. 110	Rs. 106	Rs. 216
Between one and five years	272	203	475
More than five years	475	125	600
	Rs. 857	Rs. 434	Rs. 1,291

19. Employee benefits

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.

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19. Employee benefits (continued)

The components of gratuity cost recognized in the income statement for the years ended March 31, 2017, 2016 and 2015 consist of the following:

	For the Year Ended March 31,		
	2017	2016	2015
Current service cost	Rs. 221	Rs. 177	Rs. 148
Interest on net defined benefit liability/(asset)	14	2	7
Gratuity cost recognized in income statement	Rs. 235	Rs. 179	Rs. 155

Details of the employee benefits obligations and plan assets are provided below:

	As of March 31,	
	2017	2016
Present value of funded obligations	Rs. 1,840	Rs. 1,540
Fair value of plan assets	(1,687)	(1,303)
Net defined benefit liability recognized	Rs. 153	Rs. 237

Details of changes in the present value of defined benefit obligations are as follows:

	As of March 31,	
	2017	2016
Defined benefit obligations at the beginning of the year	Rs. 1,540	Rs. 1,236
Current service cost	221	177
Interest on defined obligations	114	93
Re-measurements due to:		
<i>Actuarial loss/(gain) due to change in financial assumptions</i>	30	35
<i>Actuarial loss/(gain) due to demographic assumptions</i>	(12)	11
<i>Actuarial loss/(gain) due to experience changes</i>	62	106
Benefits paid	(115)	(118)
Defined benefit obligations at the end of the year	Rs. 1,840	Rs. 1,540

Details of changes in the fair value of plan assets are as follows:

	As of March 31,	
	2017	2016
Fair value of plan assets at the beginning of the year	Rs. 1,303	Rs. 1,157
Employer contributions	348	190
Interest on plan assets	99	91
Re-measurements due to:		
<i>Return on plan assets excluding interest on plan assets</i>	52	(17)
Benefits paid	(115)	(118)
Plan assets at the end of the year	Rs. 1,687	Rs. 1,303

Sensitivity Analysis:

	As of March 31, 2017	
Defined benefit obligation without effect of projected salary growth	Rs.	1,054
Add: Effect of salary growth		786
Defined benefit obligation with projected salary growth		1,840

Defined benefit obligation, using discount rate minus 50 basis points	1,911
Defined benefit obligation, using discount rate plus 50 basis points	1,774
Defined benefit obligation, using salary growth rate plus 50 basis points	1,910
Defined benefit obligation, using salary growth rate minus 50 basis points	1,774

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19. Employee benefits (continued)

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Gratuity Plan are as follows:

The assumptions used to determine benefit obligations:

	For the Year Ended March 31,		
	2017	2016	2015
Discount rate	7.20%	7.80%	8.00%
Rate of compensation increase	7% per annum for the first year and 9% per annum thereafter	10% per annum for the first 2 years and 9% per annum thereafter	10% per annum for the first 2 years and 9% per annum thereafter

The assumptions used to determine gratuity cost:

	For the Year Ended March 31,		
	2017	2016	2015
Discount rate	7.80%	8.00%	9.00%
Rate of compensation increase	10% per annum for the first 2 years and 9% per annum thereafter	10% per annum for the first 2 years and 9% per annum thereafter	11% per annum for the first 2 years and 10% per annum thereafter

Contributions: The Company expects to contribute Rs.153 to the Gratuity Plan during the year ending March 31, 2018.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation as of March 31, 2017 and 2016, by asset category, was as follows:

	As of March 31,	
	2017	2016
Funds managed by insurers	99%	99%
Others	1%	1%

The expected future cash flows in respect of gratuity as at March 31, 2017 were as follows:

<u>Expected contribution</u>	<u>Amount</u>
During the year ended March 31, 2018 (estimated)	Rs. 153
 <u>Expected future benefit payments</u>	
March 31, 2018	209
March 31, 2019	196
March 31, 2020	192
March 31, 2021	188
March 31, 2022	176
Thereafter	2,581

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, 2017, 2016 and 2015 consist of the following:

	For the Year Ended March 31,		
	2017	2016	2015
Current service cost	Rs. 13	Rs. 14	Rs. 13
Interest on net defined benefit liability/(asset)	12	11	9
Total cost recognized in income statement	Rs. 25	Rs. 25	Rs. 22

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19. Employee benefits (continued)

Details of the employee benefits obligation and plan assets are provided below:

	<u>As of March 31,</u>	
	<u>2017</u>	<u>2016</u>
Present value of funded obligations	Rs. 218	Rs. 249
Fair value of plan assets	(60)	(61)
Net defined benefit liability recognized	Rs. 158	Rs. 188

Details of changes in the present value of defined benefit obligations are as follows:

	<u>As of March 31,</u>	
	<u>2017</u>	<u>2016</u>
Defined benefit obligations at the beginning of the year	Rs. 249	Rs. 252
Current service cost	13	14
Interest on defined obligations	17	17
Re-measurements due to:		
<i>Actuarial loss/(gain) due to change in financial assumptions</i>	(24)	(7)
<i>Actuarial loss/(gain) due to demographic assumptions</i>	0	7
<i>Actuarial loss/(gain) due to experience changes</i>	7	3
Benefits paid	(19)	(22)
Foreign exchange differences	(25)	(15)
Defined benefit obligations at the end of the year	Rs. 218	Rs. 249

Details of changes in the fair value of plan assets are as follows:

	<u>As of March 31,</u>	
	<u>2017</u>	<u>2016</u>
Fair value of plan assets at the beginning of the year	Rs. 61	Rs. 68
Employer contributions	19	16
Interest on plan assets	6	6
Re-measurements due to:		
<i>Return on plan assets excluding interest on plan assets</i>	(0)	(2)
Benefits paid	(19)	(22)
Foreign exchange differences	(7)	(5)
Plan assets at the end of the year	Rs. 60	Rs. 61

Sensitivity Analysis:

	<u>As of March 31, 2017</u>
Defined benefit obligation without effect of projected salary growth	Rs. 139
Plus effect of salary growth	79
Defined benefit obligation with projected salary growth	218
Defined benefit obligation, using discount rate minus 50 basis points	229
Defined benefit obligation, using discount rate plus 50 basis points	208
Defined benefit obligation, using salary growth rate plus 50 basis points	230
Defined benefit obligation, using salary growth rate minus 50 basis points	207

Contributions: The Company expects to contribute Rs.34 to the Falcon defined benefit plans during the year ending March 31, 2018.

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Falcon defined benefit plans are as follows:

Assumptions used to determine defined benefit obligations:

	For the Year Ended March 31,		
	2017	2016	2015
Discount rate	8.75%	7.75%	7.50%
Rate of compensation increase	4.50%	4.50%	4.50%

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19. Employee benefits (continued)

Assumptions used to determine defined benefit cost:

	<u>For the Year Ended March 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Discount rate	7.75%	7.50%	8.00%
Rate of compensation increase	4.50%	4.50%	4.50%

Plan assets: The Falcon pension plan's weighted-average asset allocation at March 31, 2017 and 2016, by asset category is as follows:

	<u>As of March 31,</u>	
	<u>2017</u>	<u>2016</u>
Corporate bonds	51%	51%
Others	49%	49%

The expected future cash flows in respect of post-employment benefit plans in Mexico as at March 31, 2017 were as follows:

<u>Expected contribution</u>	<u>Amount</u>
During the year ended March 31, 2018 (estimated)	Rs.34
 <u>Expected future benefit payments</u>	
March 31, 2018	2
March 31, 2019	4
March 31, 2020	6
March 31, 2021	8
March 31, 2022	11
Thereafter	572

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.682, Rs.574 and Rs.492 to the provident fund plan during the years ended March 31, 2017, 2016 and 2015, 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.79, Rs.71 and Rs.68 to the superannuation plan during the years ended March 31, 2017, 2016 and 2015, respectively.

Other contribution plans

In the United States, the Company sponsors a defined contribution 401(k) retirement savings plan for all eligible employees who meet minimum age and service requirements. The Company contributed Rs.231, Rs.204 and Rs.195 to the 401(k) retirement savings plan during the years ended March 31, 2017, 2016 and 2015, 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.134, Rs.156 and Rs.151 to the National Insurance during the years ended March 31, 2017, 2016 and 2015, 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.855 and Rs.792 as at March 31, 2017 and 2016, respectively.

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19. Employee benefits (continued)

Long term incentive plan

Certain senior management employees of the Company participate in a long term incentive plan which is aimed at rewarding the individual, based on performance of such individual, their business unit/function and the Company as a whole, with significantly higher rewards for superior performances. The total liability recorded by the Company towards this benefit was Rs.622 and Rs.881 as at March 31, 2017 and 2016, respectively.

Total employee benefit expenses, including share based payments, incurred during the years ended March 31, 2017, 2016 and 2015 amounted to Rs.31,069, Rs.31,174 and Rs.28,967, respectively.

20. Employee stock incentive plans

Dr. Reddy's Employees Stock Option Plan -2002 (the "DRL 2002 Plan"):

The Company instituted the DRL 2002 Plan for all eligible employees pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on September 24, 2001. The DRL 2002 Plan covers all employees of DRL and its subsidiaries and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). The Nomination, Governance and Compensation Committee of the Board of DRL (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 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

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended March 31, 2017 and 2016 is as follows:

Category A — Fair Market Value Options: There were no options outstanding under this category as of March 31, 2017 and March 31, 2016.

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20. Employee stock incentive plans (continued)

Dr. Reddy's Employees Stock Option Plan -2002 (the "DRL 2002 Plan") (continued)

	For the Year Ended March 31, 2017			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Category B — Par Value Options				
Outstanding at the beginning of the period	427,348	Rs. 5.00	Rs. 5.00	72
Granted during the period	103,136	5.00	5.00	90
Expired/forfeited during the period	(22,597)	5.00	5.00	—
Exercised during the period	(177,745)	5.00	5.00	—
Outstanding at the end of the period	330,142	Rs. 5.00	Rs. 5.00	69
Exercisable at the end of the period	40,882	Rs. 5.00	Rs. 5.00	38

	For the Year Ended March 31, 2016			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Category B — Par Value Options				
Outstanding at the beginning of the period	585,454	Rs. 5.00	Rs. 5.00	71
Granted during the period	102,224	5.00	5.00	90
Expired/forfeited during the period	(66,319)	5.00	5.00	—
Exercised during the period	(194,011)	5.00	5.00	—
Outstanding at the end of the period	427,348	Rs. 5.00	Rs. 5.00	72
Exercisable at the end of the period	53,801	Rs. 5.00	Rs. 5.00	42

The weighted average grant date fair value of par value options granted under category B above of the DRL 2002 Plan during the years ended March 31, 2017 and 2016 was Rs.3,266 and Rs.3,350 per option, respectively. The weighted average share price on the date of exercise of options during the years ended March 31, 2017 and 2016 was Rs.3,292 and Rs.3,504 per share, respectively.

The aggregate intrinsic value of options exercised under the DRL 2002 Plan during the years ended March 31, 2017 and 2016 was Rs.584 and Rs.679, respectively. As of March 31, 2017, options outstanding under the DRL 2002 Plan had an aggregate intrinsic value of Rs.867 and options exercisable under the DRL 2002 Plan had an aggregate intrinsic value of Rs.107.

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.

Dr. Reddy's Employees ADR Stock Option Plan, 2007 (the "DRL 2007 Plan")

The Company instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 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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20. Employee stock incentive plans (continued)

Dr. Reddy's Employees ADR Stock Option Plan, 2007 (the "DRL 2007 Plan") (continued)

No options have been granted under Category A as of March 31, 2017. Stock options activity for category B options under the DRL 2007 Plan during the years ended March 31, 2017 and 2016 is as follows:

	For the Year Ended March 31, 2017			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Category B — Par Value Options				
Outstanding at the beginning of the period	92,043	Rs. 5.00	Rs. 5.00	79
Granted during the period	52,956	5.00	5.00	90
Expired/forfeited during the period	(23,039)	5.00	5.00	—
Exercised during the period	(33,819)	5.00	5.00	—
Outstanding at the end of the period	88,141	Rs. 5.00	Rs. 5.00	74
Exercisable at the end of the period	6,517	Rs. 5.00	Rs. 5.00	43
	For the Year Ended March 31, 2016			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Category B — Par Value Options				
Outstanding at the beginning of the period	98,350	Rs. 5.00	Rs. 5.00	72
Granted during the period	40,184	5.00	5.00	90
Expired/forfeited during the period	(14,023)	5.00	5.00	—
Exercised during the period	(32,468)	5.00	5.00	—
Outstanding at the end of the period	92,043	Rs. 5.00	Rs. 5.00	79
Exercisable at the end of the period	7,141	Rs. 5.00	Rs. 5.00	45

The weighted average grant date fair value of par value options granted under category B of the DRL 2007 Plan during the years ended March 31, 2017 and 2016 was Rs.3,266 and Rs.3,465, respectively. The weighted average share price on the date of exercise of options during the years ended March 31, 2017 and 2016 was Rs.3,268 and Rs.3,575, respectively.

The aggregate intrinsic value of options exercised under the DRL 2007 Plan during the years ended March 31, 2017 and 2016 was Rs.110 and Rs.116, respectively. As of March 31, 2017, options outstanding under the DRL 2007 Plan had an aggregate intrinsic value of Rs.232 and options exercisable under the DRL 2007 Plan had an aggregate intrinsic value of Rs.17.

During the year ended March 31, 2015, the Company adopted a new program to grant performance linked stock options to certain employees under the DRL 2002 Plan and the DRL 2007 Plan. Under this program, performance targets are measured each year against pre-defined interim targets over the three year period ending on March 31, 2017 and eligible employees are granted stock options upon meeting such targets. The stock options so granted are ultimately vested with the employees who meet subsequent service vesting conditions which range from 1 to 4 years. After vesting, such stock options generally have a maximum contractual term of five years.

Valuation of stock options:

The fair value of stock options granted under the DRL 2002 Plan and the DRL 2007 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 under category B, the expected term of an option (or "option life") is estimated based on the vesting term, contractual term, as well as expected exercise behavior of the employees receiving the option. In respect of fair market value options granted under category A, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control. As a

result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock based compensation expense could be materially impacted in future years.

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20. Employee stock incentive plans (continued)

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			
	November 15, 2016	September 20, 2016	July 26, 2016	May 11, 2015
Expected volatility	32.77%	32.92%	29.88%	25.98%
Exercise price	Rs. 5.00	Rs. 5.00	Rs. 5.00	Rs. 5.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	6.27%	6.81%	6.91%	7.87%
Expected dividends	0.60%	0.60%	0.60%	0.60%
Grant date share price	Rs. 3,310.70	Rs. 3,157.80	Rs. 3,319.65	Rs. 3,359.70

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.

Equity settled share-based payment expense

For the years ended March 31, 2017, 2016 and 2015, the Company recorded employee share based payment expense of Rs.350, Rs.442 and Rs.498, respectively. As of March 31, 2017, there was Rs.374 of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 2.94 years.

Cash settled share based payments

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 exercise. For the years ended March 31, 2017 and 2016, the Company recorded cash settled share based payment expense of Rs.48 and Rs.29, respectively. As of March 31, 2017, there was Rs.58 of total unrecognized compensation cost related to unvested awards. This cost is expected to be recognized over a weighted-average period of 3.1 years. This scheme does not involve dealing in or subscribing to or purchasing securities of the Company, directly or indirectly.

21. Provisions

The details of changes in provisions during the year ended March 31, 2017 are as follows:

Particulars	Allowance for sales return ⁽¹⁾	Environmental liability ⁽²⁾	Legal and others ⁽³⁾	Total
Balance as at April 1, 2016	Rs. 4,421	Rs. 55	Rs. 338	Rs. 4,814
Provision made during the year	3,177	—	387	3,564
Provision used or reversed during the year	(3,746)	—	—	(3,746)
Effect of changes in foreign exchange rates	(68)	(8)	—	(76)
Balance as at March 31, 2017	Rs. 3,784	Rs. 47	Rs. 725	Rs. 4,556
Current	Rs. 3,784	Rs. —	Rs. 725	Rs. 4,509
Non-current	—	47	—	47
	Rs. 3,784	Rs. 47	Rs. 725	Rs. 4,556

(1) Provision for sales returns is accounted by recording a provision based on the Company's estimate of expected sales returns. See Note 3(1) for the Company's accounting policy on sales returns.

(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.47). The seller is required to indemnify the Company for this liability. Accordingly, a corresponding asset has also been recorded in the statements of financial position.

- ⁽³⁾ Of this Rs.387 provision, Rs.374 represents the potential liability arising out of a litigation relating to cardiovascular and anti-diabetic formulations. Refer to Note 44 (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.

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22. Trade and other payables

Trade and other payables consist of the following:

	As at March 31,	
	2017	2016
Due to related parties	Rs. 9	Rs. 0
Others	13,408	12,300
	Rs. 13,417	Rs. 12,300

23. Other liabilities

Other liabilities consist of the following:

	As at March 31,	
	2017	2016
Current		
Advance from customers	Rs. 310	Rs. 335
Statutory dues payable	558	535
Accrued expenses	13,963	14,245
Deferred revenue	509	324
Employee benefits payable	4,416	3,832
Others	2,089	2,799
	Rs. 21,845	Rs. 22,070
Non-current		
Statutory dues payable	Rs. 0	Rs. 5
Deferred revenue	3,166	1,528
Others	911	1,628
	Rs. 4,077	Rs. 3,161

24. Revenue

Revenue consists of the following:

	For the Year Ended March 31,		
	2017	2016	2015
Sales	Rs. 138,663	Rs. 152,476	Rs. 146,131
Services	1,536	1,466	1,689
License fees	610	766	369
	Rs. 140,809	Rs. 154,708	Rs. 148,189

Revenue includes excise duties of Rs.939, Rs.842 and Rs.829 for the years ended March 31, 2017, 2016 and 2015, respectively.

25. Other (income)/expense, net

Other (income)/expense, net consists of the following:

	For the Year Ended March 31,		
	2017	2016	2015
Loss on sale/disposal of property, plant and equipment and other intangibles, net	Rs. 80	Rs. 112	Rs. 144
Sale of spent chemical	(206)	(271)	(521)
Miscellaneous income, net ⁽¹⁾	(939)	(715)	(540)
	Rs. (1,065)	Rs. (874)	Rs. (917)

- (1) During the three months ended March 31, 2017, the Company entered into an agreement with Galderma Laboratories, LP to settle the ongoing litigation relating to the Company's launch of a generic product in the United States of America. Pursuant to the settlement, the Company recorded an amount of Rs.417, representing the relevant consideration attributable to settlement of such litigation.

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26. Finance (expense)/income, net

Finance (expense)/income, net consists of the following:

	For the Year Ended March 31,		
	2017	2016	2015
Interest income	Rs. 558	Rs. 1,399	Rs. 1,061
Dividend and profit on sale of other investments ⁽¹⁾	956	852	755
Foreign exchange gain/(loss), net ⁽²⁾	(74)	(4,133)	958
Interest expense	(634)	(826)	(1,092)
	Rs. 806	Rs. (2,708)	Rs. 1,682

(1) Profit on sale of other investments primarily represents amounts reclassified from other comprehensive income to the consolidated income statement on redemption of the Company's "available for sale" financial instruments.

(2) Includes the foreign exchange losses related to the Company's Venezuela operations of Rs.41, Rs.4,621 and Rs.843 for the year ended March 31, 2017, 2016 and 2015 respectively. Refer to Note 39 of these consolidated financial statements for further details.

27. Income taxes

a. Income tax (expense)/benefit recognized in the income statement

Income tax (expense)/benefit recognized in the consolidated income statement consists of the following:

	For the Year Ended March 31,		
	2017	2016	2015
Current taxes			
Domestic	Rs. (1,936)	Rs. (4,331)	Rs. (4,461)
Foreign	(1,158)	(3,046)	(2,545)
	Rs. (3,094)	Rs. (7,377)	Rs. (7,006)
Deferred taxes (expense)/benefit			
Domestic	Rs. 223	Rs. 132	Rs. 637
Foreign	257	118	385
	Rs. 480	Rs. 250	Rs. 1,022
Total income tax expense recognized in the consolidated income statement	Rs. (2,614)	Rs. (7,127)	Rs. (5,984)

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,		
	2017	2016	2015
Tax effect on changes in fair value of other investments	Rs. (499)	Rs. (88)	Rs. (366)
Tax effect on foreign currency translation differences	148	(62)	174
Tax effect on effective portion of change in fair value of cash flow hedges	(60)	(23)	96
Tax effect on actuarial gains/losses on defined benefit obligations	14	64	16
	Rs. (397)	Rs. (109)	Rs. (80)

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27. Income taxes (continued)

c. Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended March 31, 2017, 2016 and 2015:

	For the Year Ended March 31,		
	2017	2016	2015
Profit before income taxes	Rs. 14,653	Rs. 27,140	Rs. 28,163
Enacted tax rate in India	34.61%	34.61%	33.99%
Computed expected tax benefit/(expense)	Rs. (5,071)	Rs. (9,393)	Rs. (9,572)
Effect of:			
Differences between Indian and foreign tax rates	Rs. 98	Rs. 1,122	Rs. 566
(Unrecognized deferred tax assets)/recognition of previously unrecognized deferred tax assets, net	(2,849)	(1,600)	18
Expenses not deductible for tax purposes	(219)	(138)	(110)
Reversal of earlier years' tax provisions	1,370	—	—
Income exempt from income taxes	280	731	794
Foreign exchange differences	439	(836)	(380)
Incremental deduction allowed for research and development costs	3,111	2,782	2,265
Tax expense on distributed/undistributed earnings of subsidiary outside India	(3)	(519)	—
Deduction for Qualified domestic production activities in the United States	—	38	4
Effect of change in tax rate	104	(30)	(25)
Investment allowance deduction	363	177	251
Others	(238)	539	205
Income tax benefit/(expense)	Rs. (2,614)	Rs. (7,127)	Rs. (5,984)
Effective tax rate	18%	26%	21%

The Company's consolidated weighted average tax rates for the years ended March 31, 2017 and 2016 were 18% and 26%, respectively. Income tax expense was Rs.2,614 for the year ended March 31, 2017, as compared to income tax expense of Rs.7,127 for the year ended March 31, 2016. The effective tax rate for the year ended March 31, 2017 was lower by 8% compared to the year ended March 31, 2016 primarily due to the resolution of a certain tax matter resulting in a reversal of Rs.1,370 in income tax expense pertaining to earlier years.

d. Unrecognized deferred tax assets and liabilities

The details of unrecognized deferred tax assets and liabilities are summarized below:

	As at March 31,	
	2017	2016
Deductible temporary differences, net	Rs. 3,488	Rs. 1,157
Operating tax loss carry forward	3,027	3,166
	Rs. 6,515	Rs. 4,323

During the year ended March 31 2017, the Company, based on probable future taxable profit, has recognized previously unrecognized deferred tax assets of Rs.128 pertaining to Octoplus N.V. Netherlands.

During the year ended March 31, 2017, the Company did not recognize deferred tax assets of Rs.2,331 on certain deductible temporary differences, as the Company believes that it is not probable that there will be available taxable profits against which such temporary differences can be utilized.

Deferred income taxes are not provided on undistributed earnings of Rs.30,430 as at March 31, 2017, of subsidiaries outside India, where it is expected that earnings of the subsidiaries will not be distributed in the foreseeable future. Generally, the Company indefinitely reinvests all the accumulated undistributed earnings of foreign subsidiaries, and accordingly, has not recorded any deferred taxes in relation to such undistributed earnings of its foreign subsidiaries. It is impracticable to determine the taxes payable when these earnings are remitted.

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27. Income taxes (continued)

e. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

	As at March 31,	
	2017	2016
<u>Deferred tax assets/(liabilities):</u>		
Inventory	Rs. 2,385	Rs. 2,579
Minimum Alternate Tax*	1,614	1,614
Trade and other receivables	424	412
Operating tax loss and interest loss carry-forward	1,329	548
Other current assets and other current liabilities, net	1,715	2,026
Property, plant and equipment	(2,142)	(1,745)
Other intangible assets	(370)	(482)
Others	(579)	(722)
Net deferred tax assets	<u>Rs. 4,376</u>	<u>Rs. 4,230</u>

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income Tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. The excess of MAT tax over current tax is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years.

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 2018 through 2038.

f. Movement in deferred tax assets and liabilities during the years ended March 31, 2017 and 2016.

The details of movement in deferred tax assets and liabilities are summarized below:

	As at March 31, 2016	Recognized in income statement	Recognized in equity	Acquired in business combination	As at March 31, 2017
<u>Deferred tax assets/(liabilities)</u>					
Inventory	Rs. 2,579	Rs. (194)	Rs. —	Rs. —	Rs. 2,385
Minimum Alternate Tax	1,614	—	—	—	1,614
Trade and other receivables	412	12	—	—	424
Operating tax loss and interest loss carry-forward	548	781	—	—	1,329
Other current assets and other current liabilities, net	2,026	(231)	(80)	—	1,715
Property, plant and equipment	(1,745)	(397)	—	—	(2,142)
Intangible assets	(482)	112	—	—	(370)
Others	(722)	424	(281)	—	(579)
Net deferred tax assets/(liabilities)	<u>Rs. 4,230</u>	<u>Rs. 507</u>	<u>Rs. (361)</u>	<u>Rs. —</u>	<u>Rs. 4,376</u>

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27. Income taxes (continued)

	<u>As at March 31, 2015</u>	<u>Recognized in income statement</u>	<u>Recognized in equity</u>	<u>Acquired in business combination</u>	<u>As at March 31, 2016</u>
Deferred tax assets/(liabilities)					
Inventory	Rs. 3,477	Rs. (898)	Rs. —	Rs. —	Rs. 2,579
Minimum Alternate Tax	644	970	—	—	1,614
Trade and other receivables	316	96	—	—	412
Operating tax loss and interest loss carry-forward	810	(262)	—	—	548
Other current assets and other current liabilities, net	1,267	1,036	(277)	—	2,026
Property, plant and equipment	(1,230)	(515)	—	—	(1,745)
Intangible assets	(1,145)	663	—	—	(482)
Others	(126)	(872)	276	—	(722)
Net deferred tax assets/(liabilities)	<u>Rs. 4,013</u>	<u>Rs. 218</u>	<u>Rs. (1)</u>	<u>Rs. —</u>	<u>Rs. 4,230</u>

The amounts recognized in the income statement during the years ended March 31, 2017 and 2016 include Rs.27 and Rs.(32), respectively, which represent exchange differences arising due to foreign currency translations.

28. 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.751, Rs.819 and Rs.822 for the years ended March 31, 2017, 2016 and 2015, respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

	<u>As of March 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Less than one year	Rs. 383	Rs. 396	Rs. 384
Between one and five years	961	1,185	1,259
More than five years	366	663	852
	<u>Rs. 1,710</u>	<u>Rs. 2,244</u>	<u>Rs. 2,495</u>

During the year ended March 31, 2014, the Company entered into a non-cancellable operating lease for an office and laboratory facility in the United States. The future minimum rental payments in respect of this lease are Rs.904 (U.S.\$14), Rs.1,394 (U.S.\$21) and Rs.1,458 (U.S.\$23) as of March 31, 2017, 2016 and 2015, respectively.

29. Related parties

The Company has entered into transactions with the following related parties:

- Green Park Hotel and Resorts Limited for hotel services;
- Dr. Reddy's Foundation towards contributions for social development;
- Pudami Educational Society towards contributions for social development;
- Dr. Reddy's Institute of Life Sciences for research and development services; and
- Stamlo Hotels 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 their relatives.

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 19 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:

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29. Related parties (continued)

	For the Year Ended March 31,		
	2017	2016	2015
Purchases of raw materials	Rs. —	Rs. —	Rs. 5
Research and development services received	114	102	92
Contributions towards social development	318	249	237
Hotel expenses paid	44	51	41
Lease rentals paid under cancellable operating leases to key management personnel and their relatives	39	37	36

The Company has the following amounts due from related parties:

	As at March 31,	
	2017	2016
Key management personnel (towards rent deposits)	Rs. 8	Rs. 8
Other related parties	—	1

The Company has the following amounts due to related parties:

	As at March 31,	
	2017	2016
Due to related parties	Rs. 9	Rs. 0

The following table describes the components of compensation paid or payable to key management personnel for the services rendered during the year ended:

	For the Year Ended March 31,		
	2017	2016	2015
Salaries and other benefits ⁽¹⁾	Rs. 380	Rs. 336	Rs. 300
Contributions to defined contribution plans	28	19	16
Commission to directors	180	263	285
Share-based payments expense	75	76	72
Total	Rs. 663	Rs. 694	Rs. 673

⁽¹⁾ In addition to the above, the Company has accrued Rs.79 and Rs.169 towards a long term incentive plan for the services rendered by key management personnel during the years ended March 31, 2017 and 2016, respectively. Refer to Note 19 of these consolidated financial statements for further details.

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.

30. Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2017 were as follows:

	Note	Loans and receivables	Available for sale	Other financial liabilities	Derivative financial instruments	Total carrying value	Total fair value
Assets:							
Cash and cash equivalents	15	Rs.3,866	Rs. —	Rs. —	Rs. —	Rs. 3,866	Rs. 3,866
Other investments	11	3,403	16,104	—	—	19,507	19,507

Trade and other receivables	13	38,271	—	—	—	38,271	38,271
Derivative financial instruments		—	—	—	262	262	262
Other assets ⁽¹⁾	14	1,916	—	—	—	1,916	1,916
Total		Rs. 47,456	Rs. 16,104	Rs. —	Rs. 262	Rs. 63,822	Rs. 63,822
Liabilities:							
Trade and other payables	22	Rs. —	Rs. —	Rs. 13,417	Rs. —	Rs. 13,417	Rs. 13,417
Derivative financial instruments		—	—	—	10	10	10
Long-term borrowings	18	—	—	5,571	—	5,571	5,571
Short-term borrowings	18	—	—	43,539	—	43,539	43,539
Bank overdraft	15	—	—	87	—	87	87
Other liabilities and provisions ⁽²⁾	21 & 23	—	—	20,391	—	20,391	20,391
Total		Rs. —	Rs. —	Rs. 83,005	Rs. 10	Rs. 83,015	Rs. 83,015

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30. Financial instruments (continued)

The carrying value and fair value of financial instruments by each category as at March 31, 2016 were as follows:

	Note	Loans and receivables	Available for sale	Other financial liabilities	Derivative financial instruments	Total carrying value	Total fair value
Assets:							
Cash and cash equivalents	15	Rs. 4,921	Rs. —	Rs. —	Rs. —	Rs. 4,921	Rs. 4,921
Other investments	11	12,713	24,309	—	—	37,022	37,022
Trade and other receivables	13	41,306	—	—	—	41,306	41,306
Derivative financial instruments		—	—	—	175	175	175
Other assets ⁽¹⁾	14	2,270	—	—	—	2,270	2,270
Total		Rs. 61,210	Rs. 24,309	Rs. —	Rs. 175	Rs. 85,694	Rs. 85,694
Liabilities:							
Trade and other payables	22	Rs. —	Rs. —	Rs. 12,300	Rs. —	Rs. 12,300	Rs. 12,300
Derivative financial instruments		—	—	—	108	108	108
Long-term borrowings	18	—	—	10,795	—	10,795	10,795
Short-term borrowings	18	—	—	22,718	—	22,718	22,718
Other liabilities and provisions ⁽²⁾	21 & 23	—	—	25,387	—	25,387	25,387
Total		Rs. —	Rs. —	Rs. 71,200	Rs. 108	Rs. 71,308	Rs. 71,308

(1) 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.14,450 and Rs.11,467 as of March 31, 2017 and 2016, respectively, are not included.

(2) Other liabilities that are not financial liabilities (such as statutory dues payable, deferred revenue, advances from customers and certain other accruals) of Rs.11,570 and Rs.7,239 as of March 31, 2017 and 2016, 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, 2017:

Particulars	Level 1	Level 2	Level 3	Total
Available for sale—Financial asset—Investments in units of mutual funds	Rs. 11,141	Rs. —	Rs. —	Rs. 11,141
Available for sale—Financial asset—Investment in equity securities	4,962	—	—	4,962
Derivative financial instruments—gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts ⁽¹⁾	—	252	—	252

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of March 31, 2016:

Particulars	Level 1	Level 2	Level 3	Total
Available for sale—Financial asset—Investments in units of mutual funds	Rs. 22,558	Rs. —	Rs. —	Rs. 22,558

Available for sale—Financial asset—Investment in equity securities	1,751	—	—	1,751
Derivative financial instruments—gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts ⁽¹⁾	—	67	—	67

⁽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 spot and forward rates, interest rate curves and forward rate curves. As at March 31, 2017, 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.

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30. Financial instruments (continued)

Derivative financial instruments

The Company is exposed to exchange rate risk that arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, U.K. pounds sterling, Russian roubles and Euros, and foreign currency debt in U.S. dollars, Russian roubles and Euros. The Company uses forward contracts, option contracts and currency swap contracts (collectively, "derivatives") to mitigate its risk of changes in foreign currency exchange rates.

The counterparty for these contracts is generally a bank or a financial institution. The Company had a derivative financial asset and derivative financial liability of Rs.262 and Rs.10, respectively, as of March 31, 2017, as compared to derivative financial asset and derivative financial liability of Rs.175 and Rs.108, respectively, as of March 31, 2016, towards these derivative financial instruments.

Further, in respect of these foreign exchange derivative contracts, the Company has recorded, as part of finance costs, a net gain of Rs.699, Rs.231 and Rs.2,226, for the years ended March 31, 2017, 2016, and 2015, respectively.

Hedges of highly probable forecasted transactions

- The Company classifies its derivative contracts that hedge foreign exchange risk associated with its highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded as a component of equity within the Company's "hedging reserve", and re-classified to the consolidated income statement as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is immediately recorded in the consolidated income statement as a finance cost.
- The Company also designates certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign exchange risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non-derivative financial liabilities is recorded as a component of equity within the Company's "hedging reserve", and re-classified in the consolidated income statement as revenue in the period corresponding to the occurrence of the forecasted transactions.
- In respect of the aforesaid hedges of highly probable forecasted transactions, the Company recorded, as a component of equity, a net gain of Rs.968, Rs.966 and Rs.99 for the years ended March 31, 2017, 2016 and 2015, respectively.
- The Company also recorded, as a component of revenue, a net loss of Rs.683, a net loss of Rs.1,172 and a net gain of Rs.300 during the years ended March 31, 2017, 2016 and 2015, respectively.
- 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.129 as at March 31, 2017, as compared to a loss of Rs.839 as at March 31, 2016.

Hedges of recognized assets and liabilities

Changes in the fair value of forward contracts and option 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 the forward contracts and option contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognized in the consolidated income statement as part of "net finance costs".

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, 2017.

Category	Instrument	Currency	Cross Currency (1)	Amounts	Buy/Sell
Hedges of recognized assets and liabilities	Forward contract	U.S.\$	INR	U.S.\$193.5	Sell
	Forward contract	U.S.\$	RON	U.S.\$ 3.0	Buy
	Forward contract	U.S.\$	RUB	U.S.\$ 20.0	Buy
	Forward contract	EUR	U.S.\$	EUR 95.0	Sell
	Forward contract	GBP	U.S.\$	GBP 14.1	Buy

	Option contract	U.S.\$	INR	U.S.\$ 80.0	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 150.0	Sell
	Option contract	U.S.\$	INR	U.S.\$180.0	Sell

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30. Financial instruments (continued)

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of March 31, 2016.

<u>Category</u>	<u>Instrument</u>	<u>Currency</u>	<u>Cross Currency (1)</u>	<u>Amounts</u>	<u>Buy/Sell</u>
Hedges of recognized assets and liabilities	Forward contract	U.S.\$	INR	U.S.\$ 97.0	Sell
	Forward contract	U.S.\$	RON	U.S.\$ 8.0	Buy
	Forward contract	U.S.\$	RUB	U.S.\$ 15.0	Buy
	Forward contract	EUR	U.S.\$	EUR 35.5	Sell
	Option contract	U.S.\$	INR	U.S.\$100.0	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 600.0	Sell
	Option contract	EUR	INR	EUR 6.0	Sell
	Option contract	U.S.\$	INR	U.S.\$235.0	Sell

(1) "INR" means Indian Rupees, "RON" means Romanian new leus, and "RUB" means Russian roubles.

The table below summarizes the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur:

	<u>As of March 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash flows in U.S. Dollars		
Not later than one month	Rs. 973	Rs. 2,816
Later than one month and not later than three months	1,946	5,300
Later than three months and not later than six months	2,918	7,123
Later than six months and not later than one year	5,837	3,975
	Rs. 11,674	Rs. 19,214
Cash flows in Roubles		
Not later than one month	Rs. 57	Rs. 123
Later than one month and not later than three months	115	246
Later than three months and not later than six months	—	222
	Rs. 172	Rs. 591
Cash flows in Euros		
Not later than one month	Rs. —	Rs. 38
Later than one month and not later than three months	—	75
Later than three months and not later than six months	—	113
Later than six months and not later than one year	—	226
	Rs. —	Rs. 452

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.

The changes in fair value of such interest rate swaps (including cross currency interest rate swaps) are recognized as part of finance cost.

As on March 31, 2017, the Company had no outstanding interest rate swap arrangements.

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31. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to 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. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred 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.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) with banks, were past due or impaired as at March 31, 2017. Of the total trade and other receivables, Rs.27,809 as at March 31, 2017 and Rs.34,840 as at March 31, 2016 consisted of customer balances that were neither past due nor impaired.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 20—180 days. The aging of trade and other receivables that are past due but not impaired is given below:

Period (in days)	As of March 31,	
	2017	2016
1 – 90	Rs. 8,380	Rs. 5,151
90 – 180	707	577
More than 180	1,376	738
Total	Rs. 10,463	Rs. 6,466

See Note 13 of these consolidated financial statements for the activity in the allowance for impairment of 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.

b. 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, 2017 and 2016, the Company had unutilized credit limits from banks of Rs.21,156 and Rs.14,771, respectively.

As of March 31, 2017, the Company had working capital of Rs.15,198, including cash and cash equivalents of Rs.3,866, investments in term deposits (i.e., bank certificates of deposit having original maturities of more than 3 months) of Rs.3,389 and investments in available-for-sale financial assets of Rs.10,881. As of March 31, 2016, the Company had working capital of Rs.55,042, including cash and cash equivalents of Rs.4,921, investments in term deposits (i.e., bank certificates of deposit having original maturities of more than 3 months) of Rs.12,713 and investments in available-for-sale financial assets of Rs.24,309.

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31. Financial risk management (continued)

b. Liquidity risk (continued)

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long term loans, borrowings and obligations under finance leases, which have been disclosed in Note 18 to these consolidated financial statements) as at March 31, 2017:

Particulars	2018	2019	2020	2021	Thereafter	Total
Trade and other payables	Rs. 13,417	Rs. —	Rs. —	Rs. —	Rs. —	Rs. 13,417
Bank overdraft, short-term loans and borrowings	43,626	—	—	—	—	43,626
Other liabilities and provisions	19,564	88	7	9	723	20,391
Derivative financial instruments—liabilities	10	—	—	—	—	10

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long term loans, borrowings and obligations under finance leases, which have been disclosed in Note 18 to these consolidated financial statements) as at March 31, 2016:

Particulars	2017	2018	2019	2020	Thereafter	Total
Trade and other payables	Rs. 12,300	Rs. —	Rs. —	Rs. —	Rs. —	Rs. 12,300
Bank overdraft, short-term loans and borrowings	22,718	—	—	—	—	22,718
Other liabilities and provisions	23,861	702	40	14	770	25,387
Derivative financial instruments—liabilities	108	—	—	—	—	108

c. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars, Russian roubles, U.K. pounds sterling and Euros) and foreign currency borrowings (in U.S. dollars, Russian roubles and Euros). 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 forecasted transactions and recognized assets and liabilities.

The details in respect of the outstanding foreign exchange forward and option contracts are given in Note 30 above.

In respect of the Company's forward contracts, option contracts and currency swap contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- a Rs.1,154/(710) increase/(decrease) in the Company's hedging reserve and a Rs.2,143/(2,287) increase/(decrease) in the Company's net profit from such contracts, as at March 31, 2017;
- a Rs.1,511/(424) increase/(decrease) in the Company's hedging reserve and a Rs.1,277/(1,707) increase/(decrease) in the Company's net profit from such contracts, as at March 31, 2016; and

- a Rs.1,308/(631) increase/(decrease) in the Company's hedging reserve and a Rs.1,598/(1,790) increase/(decrease) in the Company's net profit from such contracts, as at March 31, 2015.

The carrying value of the Company's foreign currency borrowings designated in a cash flow hedge as of March 31, 2017 was Rs.0. In respect of these borrowings, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such borrowings would have resulted in a Rs.364 and Rs.1,031 increase/decrease in the Company's hedging reserve as at March 31, 2016 and 2015, respectively.

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31. Financial risk management (continued)

c. Market risk (continued)

The following table analyzes foreign currency risk from non-derivative financial instruments as at March 31, 2017:

	U.S. dollars	Euro	Russian roubles	Others ⁽¹⁾	Total
Assets:					
Cash and cash equivalents	Rs. 130	Rs. 87	Rs. 59	Rs. 840	Rs. 1,116
Other investments	—	—	—	14	14
Trade and other receivables	24,581	567	6,259	2,121	33,528
Other assets	458	—	70	33	561
Total	Rs. 25,169	Rs. 654	Rs. 6,388	Rs. 3,008	Rs. 35,219
Liabilities:					
Trade and other payables	Rs. 2,323	Rs. 903	Rs. —	Rs. 328	Rs. 3,554
Long-term borrowings	4,865	—	76	—	4,941
Short-term borrowings	12,970	—	4,023	—	16,993
Bank overdraft	86	—	—	—	86
Other liabilities and provisions	6,660	117	1,640	622	9,039
Total	Rs. 26,904	Rs. 1,020	Rs. 5,739	Rs. 950	Rs. 34,613

The following table analyzes foreign currency risk from non-derivative financial instruments as at March 31, 2016:

	U.S. dollars	Euro	Russian roubles	Others ⁽¹⁾	Total
Assets:					
Cash and cash equivalents	Rs. 1,378	Rs. 93	Rs. 258	Rs. 614	Rs. 2,343
Other investments	832	—	—	—	832
Trade and other receivables	30,518	891	4,125	1,816	37,350
Other assets	190	—	76	320	586
Total	Rs. 32,918	Rs. 984	Rs. 4,459	Rs. 2,750	Rs. 41,111
Liabilities:					
Trade and other payables	Rs. 2,681	Rs. 875	Rs. —	Rs. 369	Rs. 3,925
Long-term borrowings	9,946	—	113	—	10,059
Short-term borrowings	13,846	5,768	3,104	—	22,718
Other liabilities and provisions	9,880	99	1,448	867	12,294
Total	Rs. 36,353	Rs. 6,742	Rs. 4,665	Rs. 1,236	Rs. 48,996

⁽¹⁾ Others include currencies such as U.K. pounds sterling, Swiss francs and Venezuelan bolivars.

For the years ended March 31, 2017 and 2016, 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. 61 and Rs. 789, respectively.

Further, in February 2016, the Venezuelan government announced changes to its foreign currency exchange mechanisms, including the devaluation of its official exchange rate. Refer to Note 39 of these consolidated financial statements for further details.

Interest rate risk

As of March 31, 2017, the Company had Rs. 41,407 of loans carrying a floating interest rate ranging from LIBOR minus 30 bps to LIBOR plus 82.7 bps and the Treasury Bill plus 30 bps. As of March 31, 2016, the Company had Rs. 29,552 of foreign currency loans carrying a floating interest rate of LIBOR minus 5 bps to LIBOR plus 125 bps. These loans expose the Company to risk of changes in interest rates. The Company's treasury department monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary.

For details of the Company's short-term and long term loans and borrowings, including interest rate profiles, refer to Note 18 of these consolidated financial statements.

For the years ended March 31, 2017, 2016 and 2015, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR) applicable to its loans and borrowings would affect the Company's net profit by Rs. 46, Rs. 12 and Rs. 6, respectively.

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31. Financial risk management (continued)

c. Market risk (continued)

The Company's investments in term deposits (i.e., certificates of deposit) with banks and short— term liquid mutual funds are for short durations, and therefore do not expose the Company to significant interest rates risk.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's cost of revenues. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of March 31, 2017, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

32. Collaboration agreement with Curis, Inc.

On January 18, 2015, Aurigene Discovery Technologies Limited ("Aurigene"), a wholly-owned subsidiary of the parent company, entered into a Collaboration, License and Option Agreement (the "Collaboration Agreement") with Curis, Inc. ("Curis") to discover, develop and commercialize small molecule antagonists for immuno-oncology and precision oncology targets.

Under the Collaboration Agreement, Aurigene has the responsibility for conducting all discovery and preclinical activities, including Investigational New Drug ("IND") enabling studies and providing Phase 1 clinical trial supply, and Curis is responsible for all clinical development, regulatory and 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.

As partial consideration for the collaboration, pursuant to a Stock Purchase Agreement dated January 18, 2015, Curis issued to Aurigene 17.1 million shares of its common stock, representing 19.9% of its outstanding common stock immediately prior to the transaction (approximately 16.6% of its outstanding common stock immediately after the transaction). Such shares were initially subject to a lock-up agreement. However, as of March 31, 2017, lock-up restrictions were released on all of the aforementioned 17.1 million shares. In connection with the issuance of such shares, Curis and Aurigene entered into a Registration Rights Agreement dated January 18, 2015 which provides for certain registration rights with respect to resale of the shares. The common stock of Curis is listed for quotation on the NASDAQ Global Market.

The fair value of the shares of Curis common stock on the date of the Stock Purchase Agreement was Rs. 1,452 (U.S.\$23.5).

Revenues under the Collaboration Agreement consist of upfront consideration (including the shares of Curis common stock) and the development and commercial milestone payments described below, which are deferred and recognized as revenue over the period for which Aurigene has continuing performance obligations.

Under the Collaboration Agreement, Aurigene is entitled to development and commercial milestone payments as follows:

- for the first two programs: up to U.S.\$52.5 per program, including U.S.\$42.5 for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any;
- for the third and fourth programs: up to U.S.\$50 per program, including U.S.\$42.5 for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any; and
- for any program thereafter: up to U.S.\$140.5 per program, including U.S.\$87.5 for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

In addition, Curis has agreed to pay Aurigene royalties, ranging between high single digits to 10%, on its net sales in territories where it commercializes products. Furthermore, Aurigene is entitled to receive a share of Curis' revenues from sublicenses, which share

varies based upon specified factors such as the sublicensed territory, whether the sublicense revenue is royalty based or non-royalty based and, in some cases, the stage of the applicable molecule and product at the time the sublicense is granted.

On September 7, 2016, the Collaboration Agreement was amended to provide for the issuance to Aurigene of approximately 10.2 million additional shares of Curis common stock in lieu of receiving up to U.S.\$24.5 of milestone and other payments from Curis that could have become due under the Collaboration Agreement. These shares of Curis common stock are recorded at U.S.\$1.84 per share, which is equal to the market price of such shares of common stock on the date of issuance, amounting to an aggregate market value of Rs. 1,247 (U.S.\$18.8).

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32. Collaboration agreement with Curis, Inc. (continued)

These additional shares are also subject to a lock-up agreement, which is similar to the lock-up for the original Curis shares the Company received. However, this lock-up remains effective until September 7, 2018, with shares being released from such lock-up in 25% increments on each of March 7, 2017, September 7, 2017, March 7, 2018 and September 7, 2018, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of March 31, 2017, lock-up restrictions were released on an aggregate of 2.55 million of such additional shares of Curis common stock, representing 25% of the shares which Aurigene received from Curis in 2016.

The Company has evaluated the transaction under IAS 28, "Investments in associates and Joint Ventures," and believes that the Company does not have any significant influence with respect to Curis. Accordingly, all of the shares of Curis common stock are classified as available-for-sale financial instruments and are re-measured at fair value at every reporting date. Accordingly, gain of Rs.2,228 arising from changes in the fair value of such shares of common stock was recorded in other comprehensive income as of March 31, 2017.

This arrangement is accounted for as a joint operation under IFRS 11.

33. Agreement with Merck Serono

On June 6, 2012, the Company and the biosimilars division of Merck KGaA, Darmstadt, Germany, formerly known as Merck Serono (hereinafter, "Merck KGaA"), entered into a collaboration agreement to co-develop a portfolio of biosimilar compounds in oncology, primarily focused on monoclonal antibodies. The arrangement covers co-development, manufacturing and commercialization of the compounds around the globe, with some specific country exceptions. During the year ended March 31, 2016, the collaboration agreement was amended to rearrange and realign the development of compounds, territory rights and royalty payments. Both parties will undertake commercialization based on their respective regional rights as defined in the agreement. The Company will lead and support early product development towards or including Phase I development. Merck KGaA will carry out manufacturing of the compounds and will lead further development for its territories. In its exclusive and co-exclusive territories, the Company will carry out its own development, wherever applicable, for commercialization. As per the original collaboration agreement, the Company will continue to receive royalty payments upon commercialization by Merck KGaA in its territories.

During the three months ended December 31, 2015, the Company received from Merck KGaA certain amounts relating to its share of development costs and other amounts linked to the achievement of milestones for the development of compounds under the collaboration agreement, as amended.

Furthermore, during the three months ended December 31, 2016, the Company received from Merck KGaA payments of U.S.\$1 towards achievement of a milestone for the development of a compound under the collaboration agreement.

On April 24, 2017, Fresenius SE & Co. KgaA and Merck KGaA announced that Fresenius Kabi will acquire Merck's Biosimilars business. The transaction is subject to regulatory approvals and other customary closing conditions and is expected to close in the second half of calendar year 2017. Upon completion of the transaction, the Company's collaboration will continue as planned, with Fresenius Kabi.

34. Agreement with Pierre Fabre

On February 11, 2014, Aurigene entered into a collaborative license, development and commercialization agreement with Pierre Fabre, the third largest French pharmaceutical company. This agreement granted Pierre Fabre global worldwide rights (excluding India) to a new immune checkpoint modulator, AUNP-12, which was in development for numerous cancer indications.

Under the terms of this agreement, Aurigene received a non-refundable upfront payment from Pierre Fabre, which was deferred and recognized as revenue over the period in which Aurigene had continuing performance obligations.

During the three months ended September 30, 2015, Aurigene entered into another agreement with Pierre Fabre to transfer back to Aurigene the rights earlier out-licensed for the development and commercialization of AUNP-12. As a result of such arrangement, Aurigene paid to Pierre Fabre a portion of the upfront consideration received and retained and recognized the remaining upfront consideration as revenue, as there are no pending performance obligations.

35. Asset purchase agreement with Hatchtech Pty Limited

On September 7, 2015, the Company entered into an asset purchase agreement with Hatchtech Pty Limited (“Hatchtech”) for the purchase of intellectual property rights to an innovative prescription head lice product, Xeglyze™ Lotion. The exclusive rights for this product are applicable for the territories of the United States, Canada, India, Russia and other countries of the former Soviet Union, Australia, New Zealand and Venezuela.

As partial consideration for the purchase of these assets, the Company paid Hatchtech an upfront amount of Rs.606. In addition to the foregoing payments, the Company is also required to pay certain development and commercial milestone related payments to Hatchtech for purchase of these assets.

As of March 31, 2017, the Company has paid Hatchtech development milestone payments of Rs.390.

The transaction was recorded as an acquisition of a product related intangible asset. As the intangible asset is not yet available for use, it is not subject to amortization.

The carrying amount of the intangible asset as on March 31, 2017 was Rs.993.

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36. Asset purchase agreement with Alchemia

In November 2015, the Company entered into an asset purchase agreement with Alchemia Limited ("Alchemia") for the purchase of worldwide, exclusive intellectual property rights to fondaparinux sodium. The closing conditions for the transaction included the approval of Alchemia's shareholders, which was obtained on November 10, 2015. As per the terms of the agreement, the Company paid net consideration of Rs.1,158 upon the closing of the transaction in exchange for the acquired intellectual property rights.

Prior to this asset purchase agreement, the Company had worldwide, exclusive rights from Alchemia to market fondaparinux sodium in all territories in exchange for Alchemia's right to an agreed share of the net profits generated from sales in those territories. As a result of the closing of the asset purchase agreement, Alchemia is not entitled to receive any further profit share revenues from fondaparinux sales on or after July 1, 2015.

The transaction was recorded as an acquisition of technology related intangible asset with an estimated useful life of 4 years.

The carrying amount of the intangible asset as on March 31, 2017 was Rs.727.

37. Agreement with Novartis Consumer Health Inc.

On October 18, 2014, the Company, through its wholly owned subsidiary Dr. Reddy's Laboratories SA, entered into an asset purchase agreement with Novartis Consumer Health Inc. to acquire the title and rights to its Habitrol® brand (an over-the-counter nicotine replacement therapy transdermal patch) and to market the product in the United States.

After obtaining the necessary approvals from the U.S. Federal Trade Commission, the Company completed the acquisition of Habitrol® on December 17, 2014. The total purchase consideration was Rs.5,097.

The transaction has been recorded as an acquisition of a product related intangible asset with a useful life of 8 years. The carrying amount of the asset as at March 31, 2017 was Rs.3,470.

38. Receipt of 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 Practice ("cGMP") 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, respectively.

The warning letter does not restrict production or shipment of the Company's products from these facilities. However, unless and until the Company is able to correct outstanding issues to the U.S. FDA's satisfaction, the U.S. FDA may withhold approval of new products and new drug applications of the Company, 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 the Company. Any such further action could have a material and negative impact on the Company's ongoing business and operations. During the years ended March 31, 2016 and 2017, the U.S. FDA withheld approval of new products from these facilities pending resolution of the issues identified in the warning letter. To minimize the business impact, the Company transferred certain key products to alternate manufacturing facilities.

Subsequent to the issuance of the warning letter, the Company promptly instituted corrective actions and preventive actions and submitted a comprehensive response to the warning letter to the U.S. FDA, followed by periodic written updates and in-person meetings with the U.S. FDA. The U.S. FDA completed the re-inspection of the aforementioned manufacturing facilities in the months of March and April 2017. 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 oncology formulation manufacturing facility. The Company has responded to these observations identified by the U.S. FDA, and believes that it can resolve them satisfactorily in a timely manner.

In June 2017, the U.S. FDA has issued an establishment inspection report which officially closed the audit of the Company's API manufacturing facility at Miryalaguda.

39. Venezuela operations

Dr. Reddy's Venezuela, C.A., a wholly-owned subsidiary of the Company, is primarily engaged in the import of pharmaceutical products from the parent company and other subsidiaries of the Company and the sale of such products in Venezuela.

Overhaul of the exchange rate system in Venezuela

In February 2015, the Venezuelan government launched an overhaul of its then existing exchange rate system and introduced a new exchange rate mechanism. The Marginal Currency System (known as "SIMADI") was the third tier in the new three-tier exchange rate regime and allowed for legal trading of the Venezuelan bolivar for foreign currency with fewer restrictions than other mechanisms in Venezuela (CENCOEX and SICAD). The new second tier (known as "SICAD") was introduced with an initial rate of approximately 12 VEF per U.S.\$1.00. The first tier (known as "CENCOEX"), the official exchange rate, was unchanged and sold dollars at 6.3 VEF per U.S.\$1.00 for preferential goods.

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39. Venezuela operations (continued)

In February 2016, the Venezuelan government announced further changes to its foreign currency exchange mechanisms, including the devaluation of its official exchange rate. The following changes became effective as of March 10, 2016:

- The CENCOEX preferential rate was replaced with a new “DIPRO” rate. The DIPRO rate is only available for purchases and sales of essential items. Further, the preferential exchange rate was devalued from 6.3 VEF per U.S.\$1.00 to 10 VEF per U.S.\$1.00.
- The SICAD exchange rate mechanism, which last auctioned USD for 13 VEF per U.S.\$1.00, was eliminated.
- The SIMADI exchange rate mechanism was replaced with a new “DICOM” rate, which governs all transactions not subject to the DIPRO exchange rate and will fluctuate according to market supply and demand. As of March 31, 2016, the DICOM exchange rate was 272.5 VEF per U.S.\$1.00.

During the year ended March 31, 2016, the Company received approvals from the Venezuelan government for remittance of only U.S.\$4 towards the importation of pharmaceutical products at the CENCOEX preferential rate.

The Company fully considered all the aforesaid developments, facts and circumstances and, following the guidance available in IAS 21, determined that it was appropriate to use the SIMADI/DICOM rate for translating the monetary assets and liabilities of the Venezuelan subsidiary as at various reporting dates. Tabulated below was the impact of the foregoing on the financial statements of the Company as at March 31, 2015 and 2016:

<u>Particulars</u>	<u>Year ended</u>	
	<u>March 31, 2015</u>	<u>March 31, 2016</u>
Foreign exchange loss due to currency devaluation and translation of monetary assets and liabilities using SIMADI/DICOM rate recorded under finance expense	Rs. 843	Rs. 4,621
Impact of inventory write down and reversal of export incentives recorded under cost of revenues	—	341
Impairment of property, plant and equipment recorded under selling, general and administrative expenses	—	123
Total	<u>Rs. 843</u>	<u>Rs. 5,085</u>

Update during the year ended March 31, 2017

Revenues for the year ended March 31, 2017 and 2016 were Rs.17 (VEF 162) and Rs.4,666 (VEF 457), respectively. During the year ended March 31, 2017, the Company received approvals from the Venezuelan government to repatriate U.S.\$0.4 at the preferential rate of 10 VEF per U.S.\$1.00.

Consistent with the position taken as on March 31, 2016, the Company applied the DICOM rate for translating the financial statements of the Venezuelan subsidiary for the year ended March 31, 2017. As a result, foreign exchange loss of Rs.41 was recognized for the year ended March 31, 2017. As of March 31, 2017, the DICOM rate was VEF 707.95 per U.S.\$1.00. Notwithstanding the ongoing uncertainty, the Company continues to actively engage with the Venezuelan Government and seek approval to repatriate funds at the preferential rate.

In May 2017, the Venezuelan government completed its first auction offering under DICOM, resulting in a DICOM rate of VEF 2,010 per U.S.\$1.00. Also in May 2017, Venezuela announced its intent to launch a new currency exchange mechanism to replace the DICOM rate, but details have not yet been provided.

40. License agreement with Xenoport

On March 28, 2016, the Company and XenoPort, Inc. (“XenoPort”) entered into a license agreement pursuant to which the Company was granted exclusive U.S. rights for the development and commercialization of XenoPort’s clinical stage oral new chemical

entity. The Company plans to develop the in-licensed compound as a potential treatment for moderate-to-severe chronic plaque psoriasis and for relapsing forms of multiple sclerosis.

The transaction was subject to satisfaction of certain customary closing conditions, including among other things the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), following the Company’s premerger notification filing under the HSR Act with the applicable governmental authorities regarding its intention to acquire these rights.

Upon the completion of all closing conditions, in May 2016, the Company paid Rs.3,159 as an up-front payment and an additional Rs.169 for the transfer of certain clinical trial materials, as per the terms of the agreement.

In addition to the up-front payment, XenoPort will also be eligible to receive up to U.S.\$190 upon the achievement by the Company of certain regulatory milestones, which could be achieved over a period of several years. Further, XenoPort will be eligible to receive up to U.S.\$250 upon the achievement by the Company of certain commercial milestones, and up to mid-teens percentage rate royalty payments based on the Company’s net sales of the product in the United States.

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40. License agreement with Xenoport (continued)

The upfront consideration has been recorded as an acquisition of a product related intangible asset. As the intangible asset is not yet available for use, it is not subject to amortization. Consideration paid for the purchase of clinical trial materials is recognized as research and development expenditure in these financial statements for the year ended March 31, 2017.

The carrying amount of the intangible asset as on March 31, 2017 was Rs.3,108.

41. Asset purchase agreement with Ducere Pharma LLC

On May 23, 2016, the Company entered into and consummated an asset purchase agreement with Ducere Pharma LLC for the purchase of certain pharmaceutical brands for a total consideration of Rs.1,148. The acquisition is expected to strengthen the Company's presence in the dermatology, cough-and-cold and pain therapeutic areas forming part of the Company's over-the-counter ("OTC") business in the United States.

The Company recorded the acquisition of these brands as trademarks. The Company estimated that the useful life of these brands is 15 years.

The carrying value of these intangibles as on March 31, 2017 was Rs.1,052.

42. Asset purchase agreement with Teva Pharmaceutical Industries Limited

On June 10, 2016, the Company entered into a definitive purchase agreement with Teva Pharmaceutical Industries Limited ("Teva") and an affiliate of Allergan plc ("Allergan") to acquire eight Abbreviated New Drug Applications ("ANDAs") in the United States for U.S.\$350 in cash at closing. The acquired products were divested by Teva as a precondition to the closing of its acquisition of Allergan's generics business. The acquisition of these ANDAs was also contingent on the closing of the Teva/Allergan generics purchase transaction and approval by the U.S. Federal Trade Commission.

The acquisition was consummated on August 3, 2016 upon the completion of all closing conditions, and the Company paid U.S.\$350 as the consideration for the acquired ANDAs.

Tabulated below are the details of products acquired and the respective purchase prices:

<u>Particulars of the ANDA</u>	<u>U.S.\$</u>	<u>Rs.</u>
Ethinyl estradiol/Ethonogestrel Vaginal Ring (a generic equivalent to NuvaRing®)	185	12,351
Buprenorphine HCl/Naloxone HCl Sublingual Film (a generic equivalent to Suboxone® sublingual film)	70	4,673
Ramelteon Tablets (a generic equivalent to Rozerem®)	34	2,270
Others	61	4,072
Grand Total	350	23,366

The Company recorded the aforesaid acquisition of these ANDAs as "product related intangibles". As these ANDAs are not available for use yet, they are not subject to amortization. The aforesaid acquisition forms part of Company's Global Generics segment.

The carrying value of these intangibles as on March 31, 2017 was Rs.22,870.

43. Agreement with Gland Pharma Limited

On November 29, 2016, the Company entered into an agreement with Gland Pharma Limited ("Gland") to license, market and distribute eight injectable ANDAs. Pursuant to the arrangement, the Company will pay Gland U.S.\$6.8 as consideration for in-licensing the aforesaid eight ANDAs upon completion of certain milestones by Gland.

The carrying value of the intangible as on March 31, 2017 was Rs.212.

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44. 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 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

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. 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 December 31, 2016, a writ petition pertaining to Norfloxacin was filed by the Company with the Delhi High Court. Such writ petition is pending for admission.

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.

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.

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44. Contingencies (continued)

Product and patent related matters (continued)

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 High Court dated September 26, 2016 on the grounds that certain information important for the determination of the issue was not disclosed by the counsel representing the Union of India during the proceedings before the Bombay High Court.

On April 26, 2017, the Bombay High Court heard the recall application and directed the matter to the same bench of judges of the Bombay High Court which passed the original judgment on September 26, 2016. Further, it also directed the Union of India and others to file their reply.

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. The Company has responded to these notices.

Based on its best estimate, the Company has recorded a provision of Rs.374 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.

In the event the Government of India pursues litigation against the Company on the aforementioned NPPA matters for the excess sales proceeds and 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

Nexium United States litigations

Five federal antitrust class action lawsuits were brought on behalf of direct purchasers of Nexium[®], and ten federal class action lawsuits were brought under both state and federal law on behalf of end-payors of Nexium[®]. These actions were filed against various generic manufacturers, including the Company and its U.S. subsidiary Dr. Reddy's Laboratories Inc. These actions were consolidated in the United States District Court for the District of Massachusetts.

The complaints alleged that AstraZeneca and the involved generic manufacturers settled patent litigation related to Nexium[®] capsules in a manner that violated antitrust laws. The Company consistently maintained that its conduct complied with all applicable laws and that the complaints were without merit. In response to a motion for summary judgment made by the Company, the Court granted the motion in part and denied it in part, finding that the plaintiffs had failed to demonstrate that the Company's settlement of patent litigation with AstraZeneca included any large or unjustified reverse payment, but preserving other claims for trial.

On October 20, 2014, the Company reached a settlement with all plaintiffs who had cases pending in the District of Massachusetts. The settlement with the class plaintiffs was subject to the Court's approval. Under the terms of the settlement, the Company made no payment to the class plaintiffs. Other defendants went to trial and prevailed.

The Court granted preliminary approval of the Company's settlements with the class plaintiffs on January 28, 2015, and granted final approval of such settlements on September 29, 2015.

On November 21, 2016, the First Circuit Court of Appeals affirmed the judgment that had been entered in favor of the defendants who tried the case to a verdict. On January 10, 2017, the First Circuit Court of Appeals denied the motions for reconsideration.

In addition, two complaints, similar in nature to those referenced above, were filed in the Court of Common Pleas in Philadelphia, Pennsylvania by plaintiffs who chose to opt out of the class action lawsuit. No dispositive motions have been filed in these actions.

The Company believes that the likelihood of any liability that may arise on account of lawsuits of the plaintiffs who opted out of the class action is not probable. Accordingly, no provision has been made in these consolidated financial statements.

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44. Contingencies (continued)

Product and patent related matters (continued)

Child resistant packaging matter

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.

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, have 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 intends to vigorously oppose and seek permanent dismissal of this amended FCA Complaint with prejudice.

Although the DOJ and applicable States have declined to intervene in the FCA Complaint filed by the plaintiffs, 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. An unfavorable outcome in these matters could result in liabilities which could have a material adverse effect on the Company.

Namenda United States Litigations

In August 2015, Sergeants Benevolent Assoc. Health & Welfare Fund ("Sergeants") filed suit against the Company in the United States District Court for the Southern District of New York. Sergeants alleged that certain parties, including the Company, violated federal antitrust laws as a consequence of having settled patent litigation related to the Alzheimer's drug Namenda[®] (memantine) tablets during a period from about 2009 until 2010. Sergeants seeks to represent a class of "end-payor" purchasers of Namenda[®] tablets (i.e., insurers, other third-party payors and consumers).

Sergeants seeks damages based upon an allegation made in the complaint that the defendants entered into patent settlements regarding Namenda[®] tablets for the purpose of delaying generic competition and facilitating the brand innovator's attempt to shift sales from the original immediate release product to the more recently introduced extended release product. The Company believes that the complaint lacks merit and that the Company's conduct complied with all applicable laws and regulations.

All defendants, including the Company, moved to dismiss the claims. On September 13, 2016, the Court denied these motions. However, the Sergeants case is stayed pending resolution of similar claims in another case in which the Company is not a party (*JM Smith Corp. v. Actavis PLC*). The parties in the *JM Smith* case have served the Company with subpoenas seeking specified documents, and the Company has produced documents in response to the subpoenas. The parties have also served the Company with subpoenas seeking deposition testimony.

Four other class action complaints, each containing similar allegations to the Sergeants complaint, have also been filed in the Southern District of New York. However, two of those complaints were voluntarily dismissed, and the other two do not name the Company as a defendant.

In addition, the State of New York filed an antitrust case in 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.

The Company believes that the likelihood of any liability that may arise on account of alleged violation of federal antitrust laws is not probable. Accordingly, no provision has been made in these consolidated financial statements.

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44. Contingencies (continued)

Product and patent related matters (continued)

Class Action and Other Civil Litigation on Pricing/Reimbursement Matters

On December 30, 2015 and on February 4, 2016, respectively, a class action complaint and another complaint (not a class action) 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 Company disputes these allegations and intends to vigorously defend against these allegations.

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 United States District Court for the Eastern District of Pennsylvania. 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. The Company denies any wrongdoing and intends to vigorously defend against these allegations.

The Company believes that the likelihood of any liability that may arise on account of any of these complaints is not probable. Accordingly, no provision has been made in these consolidated financial statements.

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 denies any wrongdoing or liability in this regard, and intends to vigorously defend against the claims asserted in Mezzion's complaint. Accordingly, no provision was made in the consolidated financial statements of the Company.

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 Company believes that the likelihood of additional liability is remote. 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 have 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.

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44. Contingencies (continued)

Environmental matters (continued)

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.

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 in the National Green Tribunal and the matter is currently pending before it.

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 National Green Tribunal. Importantly, the notification directed pollution load of industrial units to be assessed at the point of discharge (if any) as opposed to 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.

Indirect taxes related matters

Distribution of input service tax credits

The Central Excise Authorities have issued various demand notices to the Company objecting to the Company's methodology of distributing input service tax credits claimed for one of the Company's facilities. The below table shows the details of each such demand notice, the amount demanded and the current status of the Company's responsive actions.

<u>Period covered under the notice</u>	<u>Amount demanded</u>	<u>Status</u>
March 2008 to September 2009	Rs.102 plus penalties of Rs.102 and interest	The Company has filed an appeal before the CESTAT.
October 2009 to March 2011	Rs.125 plus penalties of Rs.100 and interest	The Company has filed an appeal before the CESTAT.
April 2011 to March 2012	Rs.51 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2012 to March 2013	Rs.54 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2013 to March 2014	Rs.69 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2014 to March 2015	Rs.108 plus interest and penalties	The Company has filed an appeal before the CESTAT.

The Company believes that the likelihood of any liability that may arise on account of the allegedly inappropriate distribution of input service tax credits is not probable. Accordingly, no provision relating to these claims has been made in these consolidated financial statements as of March 31, 2017.

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.

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DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data and where otherwise stated)

44. Contingencies (continued)

Indirect taxes related matters (continued)

Period covered under the notice	Amount demanded	Status
April 2006 to March 2009	Rs.66 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal.
April 2009 to March 2011	Rs.59 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal.
April 2011 to March 2013	Rs.16 plus 10% penalty	The Appellate Deputy Commissioner issued an order partially in favor of the Company.

The Company has recorded a provision of Rs.27 as of March 31, 2017, and believes that the likelihood of any further liability that may arise on account of the allegedly inappropriate claims to VAT credits is not probable.

Others

Additionally, the Company is in receipt of various demand notices from the Indian Sales and Service Tax authorities. The disputed amount is Rs.174. 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, 2017.

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.

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. 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. As of March 31, 2017, the Company has made "payments under protest" 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.

Direct taxes related matters

During the year ended March 31, 2014, the Indian Income Tax authorities disallowed for tax purposes certain business transactions entered into by the parent company with its wholly-owned subsidiaries. The associated tax impact is Rs.570. The Company believes that such business transactions are allowed for tax deduction under Indian Income Tax laws and accordingly filed an appeal with the Income Tax Appellate Authorities. On April 28, 2017, the Income Tax Appellate Tribunal of Hyderabad issued a judgment in favor of the Company confirming the Company's position.

Additionally, the Company is contesting various other disallowances by the Indian Income Tax authorities. The associated tax impact is Rs.1,555. The Company believes that the chances of an unfavorable outcome in each of such disallowances are less than probable and, accordingly, no provision is made in these consolidated financial statements as of March 31, 2017.

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.647 (MXN 187.4) and company has filed administrative appeals with SAT by challenging these disallowances. During February and March 2017, the Company received orders of the SAT confirming the said disallowance by disposing administrative appeals filed earlier. The Company disagrees with the SAT's disallowance and filed an appeal with the Tribunal Federal de Justicia Administrativa (Federal Tax and Administrative Court of Mexico) in March and April 2017. The Company believes that possibility of any liability that may arise on account of this litigation is not probable. Accordingly, no provision has been made in these consolidated financial statements as of March 31, 2017.

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data and where otherwise stated)

44. Contingencies (continued)

Others

Additionally, the Company is involved in other disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. Except as discussed above, the Company does not believe that there are any such contingent liabilities that are expected to have any material adverse effect on its financial statements.

45. Nature of Expense

The following table shows supplemental information related to certain "nature of expense" items for the years ended March 31, 2017, 2016 and 2015:

<u>Particulars</u>	<u>For the Year Ended March 31, 2017</u>			
	<u>Cost of revenues</u>	<u>Selling, general and administrative expenses</u>	<u>Research and development expenses</u>	<u>Total</u>
Employee benefits	Rs. 10,515	Rs. 15,838	Rs. 4,716	Rs. 31,069
Depreciation and amortization	6,117	3,935	1,225	11,277

<u>Particulars</u>	<u>For the Year Ended March 31, 2016</u>			
	<u>Cost of revenues</u>	<u>Selling, general and administrative expenses</u>	<u>Research and development expenses</u>	<u>Total</u>
Employee benefits	Rs. 9,574	Rs. 16,641	Rs. 4,959	Rs. 31,174
Depreciation and amortization	5,241	3,933	1,076	10,250

<u>Particulars</u>	<u>For the Year Ended March 31, 2015</u>			
	<u>Cost of revenues</u>	<u>Selling, general and administrative expenses</u>	<u>Research and development expenses</u>	<u>Total</u>
Employee benefits	Rs. 9,469	Rs. 15,400	Rs. 4,098	Rs. 28,967
Depreciation and amortization	4,154	3,023	923	8,100

46. Subsequent events

None

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data and where otherwise stated)

47. Organizational structure

Dr. Reddy's Laboratories Limited is the parent company. Tabulated below is the list of subsidiaries, associates and joint ventures as of March 31, 2017:

Name of the subsidiaries	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%
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 footnote 18
Chienna B.V.(merged with Dr. Reddy's Research and Development B.V.) from January 01, 2017)	Netherlands	100% ⁽¹³⁾
Chiretech Technology Limited	United Kingdom	100% ⁽⁵⁾
Dr. Reddy's Research Foundation	India	Refer to footnote 18
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 Inc.	U.S.A.	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories International SA	Switzerland	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Japan KK	Japan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Kazakhstan LLP (from November 30, 2016)	Kazakhstan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Louisiana LLC	U.S.A.	100% ⁽⁶⁾
Dr. Reddy's Laboratories New York, Inc.	U.S.A.	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Romania S.R.L.	Romania	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories SA	Switzerland	100%
Dr. Reddy's Laboratories Tennessee, LLC	U.S.A.	100% ⁽⁶⁾
Dr. Reddy's Laboratories, LLC	Ukraine	100% ⁽¹⁰⁾
Dr. Reddy's New Zealand Limited.	New Zealand	100% ⁽¹⁰⁾
Dr. Reddy's Pharma SEZ Limited	India	100%
Dr. Reddy's Singapore PTE Limited	Singapore	100% ⁽¹⁰⁾
Dr. Reddy's Srl	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 SAS	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⁾
DRANU LLC	U.S.A.	50% ⁽¹⁵⁾
DRES Energy Private Limited	India	26% ⁽¹⁶⁾
DRL Impex Limited	India	100% ⁽¹⁷⁾
DRSS Solar Power Private Limited	India	26% ⁽¹⁶⁾ (2)
Eurobridge Consulting B.V.	Netherlands	100% ⁽¹⁾
Idea2Enterprises (India) Pvt. Limited	India	100%
Imperial Credit Private Limited (from February 22, 2017)	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⁾
OctoPlus Development B.V. (merged into Dr. Reddy's Research and Development B.V. from January 1, 2017)	Netherlands	100% (13)

DR. REDDY'S LABORATORIES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except share and per share data and where otherwise stated)

<u>Name of the subsidiaries</u>	<u>Country of Incorporation</u>	<u>Percentage of Direct/Indirect Ownership Interest</u>
OctoPlus PolyActive Sciences B.V. (merged into Dr. Reddy's Research and Development B.V. from January 1, 2017)	Netherlands	100% (14)
OctoPlus Sciences B.V. (merged into Dr. Reddy's Research and Development B.V. from January 1, 2017)	Netherlands	100% (13)
OctoPlus Technologies B.V. (merged into Dr. Reddy's Research and Development B.V. from January 1, 2017)	Netherlands	100% (13)
OctoShare B.V. (merged into Dr. Reddy's Research and Development B.V. from January 1, 2017)	Netherlands	100% (13)
OOO Dr. Reddy's Laboratories Limited	Russia	100% ⁽¹⁰⁾
OOO DRS LLC	Russia	100% ⁽⁹⁾
Promius Pharma LLC	U.S.A.	100% ⁽⁶⁾
Reddy Antilles N.V.	Netherlands	100%
Reddy Cheminor S.A. (until July 20, 2016)	France	100% ⁽²⁾
Reddy Holding GmbH	Germany	100% ⁽¹⁰⁾
Reddy Netherlands B.V.	Netherlands	100% ⁽¹⁰⁾
Reddy Pharma Iberia SA	Spain	100%
Reddy Pharma Italia S.R.L.	Italy	100% ⁽⁷⁾
Reddy Pharma SAS	France	100% ⁽¹⁰⁾

- (1) Indirectly owned through Reddy Antilles N.V.
- (2) Entities liquidated during the year.
- (3) Indirectly owned through Aurigene Discovery Technologies Limited.
- (4) Kunshan Rotam Reddy Pharmaceutical Co. Limited is a subsidiary, 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 Eurobridge Consulting B.V.
- (10) Indirectly owned through Dr. Reddy's Laboratories SA.
- (11) Indirectly owned through Reddy Pharma Italia S.R.L.
- (12) Indirectly owned through Reddy Netherlands B.V.
- (13) Indirectly owned through Dr. Reddy's Research and Development B.V.
- (14) Indirectly owned through OctoPlus Sciences B.V.
- (15) DRANU LLC is consolidated in accordance with guidance available in IFRS 10.
- (16) Accounted in accordance with IFRS 11 'Joint Arrangements'.
- (17) Indirectly owned through Idea2Enterprises (India) Pvt. Limited.
- (18) The Company does not have any equity interests in this entity, but has significant influence or control over it.

Item 19. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibits</u>	<u>Footnotes</u>
1.1.	Memorandum and Articles of Association of the Registrant dated February 4, 1984.	(1)(3)(5)
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).	(6)
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).	(8)
1.6.	Amended and Restated Articles of Association of the Registrant dated September 17, 2015.	(9)
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.	Order of the Hon'bl High Court of Andhra Pradesh, India dated July 19, 2010 (regarding 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).	(8)
2.3.	Scheme of Arrangement between the Registrant and its members for issue of bonus debentures, including Notice of Meeting of Members to approve same dated April 29, 2010 and Explanatory Statement dated April 29, 2010.	(8)
2.4.	Debenture Trust Deed dated March 16, 2011 between the Registrant and IDBI Trusteeship Services Limited (regarding trustee services for our bonus debentures).	(8)
2.5.	Liquidity Facility Services Agreement dated April 2, 2011 between the Registrant and DSP Merrill Lynch Capital Limited (regarding liquidity facility for our bonus debentures).	(8)
2.6.	Asset Purchase Agreement between Teva Pharmaceutical Industries Ltd. and Dr. Reddy's Laboratories S.A. dated as of June 10, 2016. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.	
2.7.	Asset Purchase Agreement between Watson Laboratories, Inc. and Dr. Reddy's Laboratories S.A. dated as of June 10, 2016. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.	
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.	Dr. Reddy's Laboratories Limited Employee Stock Option Scheme, 2002.	(2)
4.3.	Sale and Purchase Agreement Regarding the Entire Share Capital of Beta Holding GmbH dated February 15th/16th 2006.	(4)
4.4.	Dr. Reddy's Employees ADR Stock Option Scheme, 2007.	(7)
8.	List of subsidiaries, associates and joint ventures of the Registrant.	
23.1	Consent of Independent Registered Public Accounting Firm.	
99.1	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
99.2	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
99.3	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.	

99.4 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.

-
- (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/A for the fiscal year ended March 31, 2006 pursuant to a request for confidential treatment.
 - (5) Previously filed with the Company's Form 20-F for the fiscal year ended March 31, 2006.
 - (6) Previously filed with the Company's Form 20-F for the fiscal year ended March 31, 2010.
 - (7) Previously filed on March 5, 2007 with the SEC along with Form S-8.
 - (8) Previously filed with the Company's Form 20-F for the fiscal year ended March 31, 2011.
 - (9) Incorporated by reference to Exhibit 99.1 to the Company's Form 6-K dated September 25, 2015.

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/ G.V. Prasad

G.V. Prasad

Co-Chairman and Chief Executive Officer

By: /s/ Saumen Chakraborty

Saumen Chakraborty

President and Chief Financial Officer

Hyderabad, India

June 19, 2017

Exhibits and Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that we may request, pursuant to applicable rules, confidential treatment for any schedule or exhibit so furnished.

[*] INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE RULES APPLICABLE TO SUCH CONFIDENTIAL TREATMENT REQUEST.**

EXECUTION VERSION

ASSET PURCHASE AGREEMENT

BETWEEN

TEVA PHARMACEUTICAL INDUSTRIES LTD.

AND

DR. REDDY'S LABORATORIES S.A.

DATED AS OF

JUNE 10, 2016

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of June 10, 2016 (the "Effective Date"), is made by and between Dr. Reddy's Laboratories S.A., a company organized under the laws of Switzerland ("Buyer"), and Teva Pharmaceutical Industries Ltd., an Israeli corporation, acting directly or through its Affiliates ("Seller").

WHEREAS, the FTC staff has raised the concern that the proposed acquisition (the "Proposed Allergan Transaction") of certain businesses and assets of Allergan plc ("Allergan") by Seller, pursuant to the Allergan Agreement, is likely to produce anticompetitive effects in the alleged relevant product market(s) in the United States for the generic pharmaceutical products listed on Exhibit C (as such products are more specifically identified in this Agreement), which would not be in the public interest, including, but not limited to, by eliminating competition between Seller and Allergan;

WHEREAS, in order to resolve the concerns raised by the FTC staff in these alleged product markets in the United States, Seller has agreed to enter into this Agreement with Buyer to divest certain assets related to these products to Buyer, and to permit Buyer to replace the lost competition by manufacturing, marketing and selling the generic products referred to above into the respective alleged product markets;

WHEREAS, the FTC has or is about to issue an Order governing the scope, nature, extent and requirements of this Agreement;

WHEREAS, Seller and/or its Affiliates sells the Products (as defined herein) commercially and/or has a Product ANDA (as defined herein) filed with the FDA with respect to the Products;

WHEREAS, upon and subject to the Allergan Closing, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, certain Transferred Assets (as defined herein) related to the Products within the Territory (as defined herein), all upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, concurrently with the execution of this Agreement, certain Affiliates of Seller entered into another asset purchase agreement with Buyer related to the Order (the "Other Acquisition Agreement"), pursuant to which such Seller Affiliates have agreed to sell to Buyer, and Buyer has agreed to purchase from such Seller Affiliates, certain Transferred Assets (as defined in the Other Acquisition Agreement) related to the Products (as defined in the Other Acquisition Agreement) within the Territory (as defined in the Other Acquisition Agreement), all upon the terms and conditions set forth therein.

[*] INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE RULES APPLICABLE TO SUCH CONFIDENTIAL TREATMENT REQUEST.**

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.1. Definitions

As used in this Agreement, the following terms have the meanings set forth below:

“Affiliate” means any Person that controls, is controlled by, or is under common control with the applicable Person. For purposes of this definition, “control” shall mean: (a) in the case of corporate entities, direct or indirect ownership of more than fifty percent (50%) of the stock or shares entitled to vote for the election of directors, or otherwise having the power to control or direct the affairs of such Person; and (b) in the case of non-corporate entities, direct or indirect ownership of more than fifty percent (50%) of the equity interest or the power to direct the management and policies of such noncorporate entities.

“Agreed Allocation” has the meaning set forth in Section 3.2.

“Agreement” has the meaning set forth in the preamble.

“Allergan” has the meaning set forth in the recitals.

“Allergan Agreement” means the Master Purchase Agreement dated as of July 26, 2015 by and between Allergan and Seller, as it may be amended from time to time.

“Allergan Closing” means the closing of the Proposed Allergan Transaction pursuant to the Allergan Agreement.

“Ancillary Agreements” means the Assignment and Assumption Agreement, the Bill of Sale, the Litigation Cooperation Agreement, the Development Agreement, the Supply Agreement, the Quality Agreement and the Equipment Bill of Sale.

“ANDA” means an Abbreviated New Drug Application as defined in the FDCA.

“Assigned Contracts” means the following Contracts set forth on Schedule 2.2(a)(vi) hereto, but solely with respect to the applicable Product, or Contracts or arrangements conferring substantially equivalent rights with respect to the applicable Products.

“Assigned Patents” means the patents set forth on Schedule 2.2(a)(v) hereto and any related registrations or applications for registrations thereof.

“Assignment and Assumption Agreement” means an assignment and assumption agreement to be executed and delivered by Buyer and Seller at Closing, substantially in the form of Exhibit A.

“Assumed Liabilities” has the meaning set forth in Section 2.3(a).

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“Bill of Sale” means a bill of sale to be executed and delivered by Seller to Buyer at Closing, substantially in the form of Exhibit B.

“Business Day” means any day other than a Friday, Saturday, Sunday or other day on which banks in New York City or Israel are permitted or required to close by Law.

“Buyer” has the meaning set forth in the preamble.

“Buyer Indemnified Parties” has the meaning set forth in Section 12.2.

“Buyer NDC Numbers” has the meaning set forth in Section 8.6.

“Buyer Officer’s Certificate” means a certificate, dated the Closing Date, duly executed by an authorized officer of Buyer, reasonably satisfactory in form to Seller, as to the satisfaction of the conditions set forth in Sections 10.3(a) and (b).

“Buyer Returns” has the meaning set forth in Section 9.1(a).

“Cap” has the meaning set forth in Section 12.4(b).

“[***]” means [***].

“[***] Agreement” means that certain commercial supply agreement to be negotiated by Seller and to be entered into between Seller or its Affiliates, as applicable, and [***] following the date hereof for the supply by [***] or its Affiliates of [***]; provided that the provisions of such agreement that affect Buyer shall be in form and substance reasonably satisfactory to Buyer.

“[***] Liabilities” means the total present value, discounted at [***]% assuming mid-year payments, of the amount by which (a) the annual payments with respect to the purchase of [***] pursuant to and in compliance the [***] Agreement exceeds (b) \$[***] per annum over the term of the [***] Agreement.

“Closing” and “Closing Date” have the respective meanings set forth in Section 4.1.

“Code” means the Internal Revenue Code of 1986, as amended.

“Contracts” means contracts, leases, licenses, indentures, agreements, purchase orders and all other legally binding arrangements, whether in existence on the date hereof or subsequently entered into, including all amendments thereto.

“Contractual Consents” means consents of the relevant third parties relating to those Contracts listed on Schedule 5.3(c) to the assignment of such Contract or consummation of the transactions contemplated hereby, as applicable.

“Contractual Consent Long-Stop Date” has the meaning set forth in Section 11(a)(iv).

“Customer List” has the meaning set forth in Section 5.10(c) hereof.

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“Customers” means customers that have purchased the Products during the six (6) month period prior to the date hereof.

“Data Room” has the meaning set forth in Section 9.7.

“Deductible” has the meaning set forth in Section 12.4(b).

“Development Agreement” means the Development Agreement to be negotiated in good faith and agreed by Seller and Buyer as promptly as reasonably practicable and in any event within forty five (45) days following the Closing, such Development Agreement to contain, among other things, customary terms and conditions relating to a governance/information sharing mechanism, regulatory/development responsibilities (including compliance with Laws and cGMP), access to facilities, audit of books and records, and ownership of IP/regulatory files.

“Direct Cost” means the cost of (i) direct labor and direct material used and (ii) all other reasonable out-of-pocket expenses, in each case, to provide the relevant assistance or service.

“Disclosing Party” has the meaning set forth in Section 8.3.

“Effective Date” has the meaning set forth in the preamble.

“Encumbrance” means, with respect to any asset, any imperfection of title, mortgage, charge, lien, security interest, easement, right of way, pledge or encumbrance of any nature whatsoever.

“Equipment Bill of Sale” means a bill of sale to be executed and delivered by Seller to Buyer at Closing, substantially in the form of Exhibit F.

“Excluded Assets” has the meaning set forth in Section 2.2(b).

“Excluded Liabilities” has the meaning set forth in Section 2.3(b).

“Exhibits” means, collectively, the Exhibits referred to throughout this Agreement.

“Expiration Date” has the meaning set forth in Section 12.1.

“Failure to Approve Termination Period” means the fourteen (14) day period following Seller obtaining Knowledge of any Failure to Approve.

“FDA” means the U.S. Food and Drug Administration and any successor agency thereto.

“FFDCA” means the Federal Food, Drug, and Cosmetic Act of 1938, as amended.

“Finished Goods” means each of the Products, respectively, packaged, labeled and ready for distribution and sale in finished form.

“FTC” means the U.S. Federal Trade Commission and any successor agency thereto.

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“GAAP” means generally accepted accounting principles in the U.S., consistently applied.

“Governmental Entity” means any nation or government or any court, administrative agency or commission or other governmental authority, body or instrumentality, whether U.S. (federal, state, country, municipal or other) or non-U.S.

“Governmental Rule” means any Law, judgment, order, decree, statute, ordinance, rule or regulation enacted, issued or promulgated by any Governmental Entity.

“Gx NuvaRing” means Ethinyl estradiol/Etonogestrel (generic NuvaRing).

“Indemnified Party” has the meaning set forth in Section 12.3.

“Indemnifying Party” has the meaning set forth in Section 12.5(a).

“Individual Product Price” means the price specified for each Product on Exhibit F.

“Knowledge” of (i) Seller means all such facts, circumstances or other information, of which the individuals listed on Schedule 1.1(a) are actually aware and (ii) Buyer means all such facts, circumstances or other information, of which [***] are actually aware.

“Law” means each federal, state, provincial, municipal, local, or foreign law, statute, ordinance, order, determination, judgment, common law, code, rule, official standard, or regulation, enacted, enforced, entered, promulgated, or issued by any Governmental Entity.

“Liabilities” means any and all debts, liabilities and obligations of any kind, nature, character or description, whether accrued or fixed, absolute or contingent, matured or unmatured, or known or unknown, including those arising under any Governmental Rule or action and those arising under any Contract, arrangement, commitment or undertaking, or otherwise.

“Licenses” has the meaning set forth in Section 2.4(a).

“Litigation Cooperation Agreement” means the Litigation Cooperation Agreement to be negotiated in good faith and agreed by Seller and Buyer between the date hereof and Closing and to be executed and delivered by Seller and Buyer at Closing, such Litigation Cooperation Agreement to contain, among other things, customary terms and conditions relating to general cooperation in respect of litigation matters, the provision by Seller to Buyer of relevant litigation files, background information and fact documents, reasonable access during normal business hours to premises, employees, executives, affiliates and representatives of Seller, the enactment of litigation holds, the maintenance of attorney-client and any other applicable privileges, and the waiver by Seller and its Affiliates of any conflict which would preclude its current counsel in any of the litigations from representing Buyer in such litigation (subject to such counsel’s customary conflicts checks).

“Long-Stop Date” has the meaning set forth in Section 11(a)(iv).

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“Losses” means any and all damages, losses, Liabilities, claims, judgments, penalties, payments, interest, costs and expenses (including reasonable and documented legal fees, accountants’ fees and expert witnesses’ fees and expenses incurred in investigating and/or prosecuting any claim for indemnification).

“[***] Supply Agreement Liabilities” means any Liabilities pursuant or relating to Section [***] and Schedules [***] of the Manufacture and Supply Agreement dated as of [***] by and between [***] and Teva Pharmaceuticals USA, Inc., as amended from time to time.

“Material Adverse Effect” means an effect which has had or would reasonably be expected to have, a materially adverse effect on the Transferred Assets or Product Technology, taken as a whole, but will not include (a) any adverse change or effect due to changes in conditions generally affecting (i) the healthcare industry or (ii) the United States economy as a whole, or (b) any change or adverse effect caused by, or relating to (i) the commencement, occurrence, continuation, or intensification of any national or international political conditions, including the engagement by the United States or any other country or group in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States or any other country, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment, or personnel of the United States or any other country or group, (ii) financial, banking, or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iii) any changes in Law or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof, (iv) the occurrence, continuation or intensification of any earthquakes, hurricanes, pandemics, or other natural disasters, or any other force majeure event, whether or not caused by any Person, or any national or international calamity or crisis, (v) compliance with the terms of, or the taking of any action required by, this Agreement or the transactions contemplated hereby (including any action reasonably required by, or condition or other term reasonably imposed by, the FTC in connection with the Order) or (vi) the execution, announcement or pendency of this Agreement and the transactions contemplated by this Agreement; provided, however, that the changes set forth in the foregoing clauses (a)(i), (b)(iii) and (b)(iv) shall be taken into account in determining whether a “Material Adverse Effect” has occurred to the extent (and only to the extent) such changes have a disproportionate impact on the Transferred Assets or the Products, in each case, when compared to similar companies or products in the pharmaceutical industry.

“Medicaid Reimbursements and Rebates” means all discounts, rebates, reimbursements or other payments required by Governmental Rule to be made under Medicaid, Medicare or other governmental special medical assistance programs.

“NDC” means a national drug code as issued by the FDA.

“NDC Numbers” means the NDC Number for each of the Products, respectively.

“NuvaRing Litigation” means the following pending litigation: *Merck v. Teva* (D. Del 15 cv 806).

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“NuvaRing Polymers” means [***].

“Order” means the Decision and Order relating to the Products issued by the FTC in the proceeding captioned In the Matter of Teva Pharmaceutical Industries Ltd., a corporation.

“Other Acquisition Agreement” has the meaning set forth in the recitals.

“Permitted Encumbrances” means (a) any minor imperfections of title or similar Encumbrance that do not, and would not reasonably be expected to, individually or in the aggregate, materially impair the value or materially interfere with the use of, the Transferred Assets or the Product Technology, (b) Encumbrances for Taxes that are not yet due and payable, (c) Encumbrances that will be released at Closing and are disclosed on Schedule 1.1(c), (d) statutory Encumbrances arising out of operation of Law with respect to a Liability incurred in the ordinary course of business and which is not delinquent, (e) Encumbrances incurred as a result of any facts or circumstances related to Buyer or its Affiliates and (f) Encumbrances set forth on Schedule 1.1(f).

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, business association, organization, Governmental Entity or other entity.

“Product ANDA” means, for each of the Products, respectively, the Abbreviated New Drug Application (as defined in the FFDCa) identified on Exhibit C, and all amendments and supplements thereto, that have been filed with the FDA seeking authorization and approval to manufacture, package, ship, market and sell such Products, as more fully defined in 21 C.F.R. Part 314.

[***]

[***]

“Products” means the Products listed on Exhibit C hereto to be purchased pursuant to this Agreement.

“Product Scientific and Regulatory Material” means all technological, scientific, development, chemical, biological, pharmacological, toxicological, regulatory, clinical trial materials, product safety related information (including periodic safety update reports and adverse event database information), written correspondence with any Governmental Entity and other data, files, records and other information (in any form or medium, wherever located) similar to the foregoing, in each case to the extent solely related to the Products that are owned by Seller and in Seller’s possession or control.

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“Product Technology” means the following information owned by or to the extent licensed to Seller, as in existence and in the possession or control of Seller as of the Closing Date: the manufacturing technology, proprietary or confidential information, processes, techniques, protocols, methods, improvements and know-how that are necessary to manufacture the Products in accordance with the current applicable Product ANDA, as the case may be, including, but not limited to, the manufacturing process approved in the applicable Product ANDAs, specifications and test methods, raw material, packaging, stability and other applicable specifications, manufacturing and packaging instructions, master formula, validation reports to the extent available, stability data, analytical methods, records of complaints, annual product reviews to the extent available, and other master documents necessary for the manufacture, control and release of the Products as conducted by, or on behalf of, Seller or any of its Affiliates before the Effective Date. The Product Technology includes, without limitation, the rights owned or to the extent controlled by Seller under any patent issued in or subject to a pending application in the Territory as of the Closing Date, and any rights under any patent or patent application outside of the Territory solely to the extent necessary to manufacture the Products outside the Territory for importation to and sale in the Territory. For purposes of this definition, Allergan and its Affiliates will not be deemed to be Affiliates of Seller.

“Proposed Allergan Transaction” has the meaning set forth in the recitals.

“Purchase Price” has the meaning set forth in Section 3.1.

“Qsymia Litigation” means the following pending litigation: *Vivus v. Teva* (D.N.J. 15cv2693).

“Quality Agreement” means the Quality Agreement to be executed by Buyer and Seller pursuant to the Supply Agreement.

“Receiving Party” has the meaning set forth in Section 8.3.

“Regulatory Activities” has the meaning set forth in Section 7.3(b).

“Regulatory Approvals” has the meaning set forth in Section 7.3(b).

“Regulatory Authority” has the meaning set forth in Section 7.3(b).

“Schedules” means, collectively, the Schedules referred to throughout this Agreement.

“Seller” has the meaning set forth in the preamble.

“Seller Group” means Seller and its Affiliates.

“Seller Income Taxes” means any income Tax on the sale consideration received by Seller from Buyer that is imposed on, or incurred by, Seller or any Affiliate of Seller.

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“Seller Indemnified Parties” has the meaning set forth in Section 12.3(a).

“Seller Officer’s Certificate” means a certificate, dated the Closing Date, duly executed by an authorized officer of Seller, reasonably satisfactory in form to Buyer, (a) as to the satisfaction of the conditions set forth in Sections 10.2(a), (b) and (c), and (b) [***].

“Seller Payments” has the meaning set forth in Section 9.1(c).

“Seller’s Taxes” means all (i) Taxes arising out of, relating to or otherwise in respect of the Transferred Assets that are attributable to taxable periods, or portions thereof, ending on or prior to the Closing Date; and (ii) Taxes imposed on, or incurred by, Seller or any Affiliate of Seller for which Seller or any Affiliate of Seller is liable that do not arise out of, relate to or otherwise are not in respect of the Transferred Assets.

“Staff Rejection Termination Period” means the fourteen (14) day period immediately following Seller obtaining Knowledge of any Staff Rejection.

“Suboxone Litigation” means the following pending litigation: *Reckitt Benckiser v. Teva* (D. Del. 14-1451).

“Supply Agreement” means the Supply Agreement to be executed by Seller and Buyer as of the date hereof, in substantially the form attached hereto as Exhibit D.

“Tax(es)” means all Federal, state, local and foreign taxes, customs, duties, governmental fees and assessments, including all interest, penalties and additions with respect thereto.

“Tax Return” means any report, return, election, notice, estimate, declaration, information statement and other forms and documents (including all schedules, exhibits and other attachments thereto) relating to and filed or required to be filed with a taxing authority in connection with any Taxes (including estimated Taxes).

“Territory” means the United States of America and its territories, protectorates and possessions, including Puerto Rico.

“Third Party Claim” has the meaning set forth in Section 12.5(b).

“Transfer Taxes” means transfer, sales, value added, stamp duty and similar Taxes payable in connection with the transactions contemplated hereby, excluding, for the avoidance of doubt, any Income Taxes and any Tax Liability arising to Seller due to any transactions occurring before the Closing Date.

“Transferred Assets” has the meaning set forth in Section 2.2(a).

“Transition” has the meaning set forth in Section 7.8.

“Transition Committee” has the meaning set forth in Section 7.8.

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“U.S.” or “U.S.A.” means the United States of America.

“Zyclara” means Imiquimod 5% Topical Cream.

SECTION 1.2. Interpretation

When used in this Agreement, the words “include”, “includes” and “including” will be deemed to be followed by the words “without limitation.” Any terms defined in the singular will have a comparable meaning when used in the plural, and vice versa. Unless otherwise specifically indicated, references to any statute are as from time to time amended, modified or supplemented and as currently in effect, including by succession of comparable successor statute.

SECTION 1.3. Currency

All currency amounts referred to in this Agreement are in U.S. Dollars, unless otherwise specified.

SECTION 1.4. Incorporation by Reference and Supremacy of FTC Order

(a) Incorporation of FTC Order. The parties hereby agree and acknowledge that the terms and provisions of the Order of the FTC shall govern this Agreement. A copy of the Order proposed as of the date hereof is attached as Appendix I, and upon issuance by the FTC, the final Order shall replace the currently proposed Order as Appendix I attached hereto without any other action by the parties hereto. The terms and provisions of the Order that pertain to this Agreement are hereby deemed incorporated by reference into this Agreement.

(b) Supremacy of FTC Order. To the extent that any term or provision of this Agreement conflicts with any corresponding term or provision of the Order, the parties hereby agree that the terms or provisions of the Order shall control the rights and obligations of the parties.

(c) Publicity of Order. Buyer acknowledges that the Order will be publicly available and will include information regarding the Products, the Buyer and certain information regarding this Agreement and the Ancillary Agreements.

ARTICLE II.

SALE AND PURCHASE OF TRANSFERRED ASSETS

SECTION 2.1. Purchase and Sale

Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Seller will (and, as applicable, will cause its Affiliates to) sell, assign, transfer, convey and deliver to Buyer, and Buyer will purchase, acquire and accept, all right, title and interest, within the Territory, of Seller (and, as applicable, its Affiliates) in, to and under the Transferred Assets free and clear of all Encumbrances other than Permitted Encumbrances.

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SECTION 2.2. Transferred Assets

(a) The term “Transferred Assets” means the following assets of Seller and its Affiliates, as the same exist on the Closing Date that relate solely and exclusively to the Products (and, for the avoidance of doubt, excluding the Excluded Assets):

- (i) the Product ANDAs;
- (ii) any correspondence with the FDA in Seller’s possession or control with respect to the Product ANDAs;
- (iii) annual and periodic reports relating to the Product ANDAs which have been filed by or on behalf of Seller or its Affiliates with the FDA, and adverse event reports pertaining to the Products, in each case as are in Seller’s or its Affiliates’ possession or control;
- (iv) the quantity and delivery terms in all outstanding customer purchase orders for the Products;
- (v) the Product Scientific and Regulatory Material;
- (vi) the Assigned Patents;
- (vii) the Assigned Contracts;
- (viii) the trademark set forth on Schedule 2.2(a)(viii) including the goodwill associated therewith; and
- (ix) any other assets belonging to Seller that are required to be transferred pursuant to the Order.

(b) Seller and Buyer expressly agree and acknowledge that the Transferred Assets will not include any assets of any kind, nature, character or description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise, and wherever situated) that are not expressly included within the definition of Transferred Assets (the “Excluded Assets”). Excluded Assets include, without limitation, any refund of Seller’s Taxes, and all trademarks, and trade names not specifically included in the Transferred Assets and all, brand names, logotypes, symbols, service marks, and trade dress, and any registrations or applications for registrations of any of the foregoing.

(c) Buyer acknowledges and agrees that Seller may retain for archival purposes and for purposes of complying with the Supply Agreement, applicable Law and for legal and regulatory purposes as a seller of pharmaceutical products, one copy of all or any part of the documentation that Seller delivers to Buyer pursuant to Section 2.2(a). The copies will be retained by Seller’s legal counsel and Seller agrees to treat such copies as confidential information (in accordance with Section 8.3 hereof).

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SECTION 2.3. Assumption of Certain Liabilities and Obligations

(a) Buyer will assume, be responsible for and pay, perform and/or otherwise discharge when due those Liabilities (including any Liabilities arising in respect of Taxes) directly arising out of or in connection with or directly related to (x) the Transferred Assets, the use thereof, or the use of the Product Technology by or on behalf of Buyer or its Affiliates or their respective agents or assignees on or after the Closing Date and (y) the marketing, sale or use of the Products by or on behalf of Buyer or its Affiliates or their respective agents or assignees on or after the Closing Date; provided that, for the avoidance of doubt, such Assumed Liabilities shall exclude the [***] Liabilities, the [***] Supply Agreement Liabilities and Seller's Taxes, and include: (i) Liabilities arising from the NuvaRing Litigation; (ii) Liabilities arising from the Qsymia Litigation and the Suboxone Litigation; (iii) Liabilities arising from any patent infringement claim or lawsuit brought by any third party, the FDA or any other Governmental Entity, in all cases only to the extent that they relate to Product sold on or after the Closing Date; (iv) Liabilities arising from any FDA or any other Governmental Entity action or notification only to the extent that such Liabilities relate to Product sold by or on behalf of Buyer or its Affiliates; (v) Liabilities arising from any product liability claims relating to Product sold by Buyer or its agents or assignees, except to the extent the Manufacturer (as defined in the Supply Agreement) is liable for such Liabilities pursuant to the Supply Agreement on or after the Closing Date; (vi) Liabilities arising on or after the Closing Date from any plan of Risk Evaluation and Mitigation Strategies to the extent relating to any of the Products sold by Buyer or its Affiliates, or their respective agents or assignees; and (vii) state and federal Medicaid/Medicare rebates and payments, and all credits, chargebacks, rebates, discounts, allowances, incentives and similar payments in connection with Products sold on or after the Closing Date by or on behalf of Buyer or its Affiliates (collectively, the "Assumed Liabilities").

(b) Except to the extent expressly included in the Assumed Liabilities, Buyer will not assume or be responsible or liable for any Liabilities of Seller or its Affiliates, and shall in no event assume or be responsible or liable for any Liabilities of Seller or its Affiliates, and shall in no event assume or be responsible or liable for any Liabilities arising out of or in connection with or related to (i) the Transferred Assets, the use thereof or the use of the Product Technology by or on behalf of Seller or its Affiliates or their respective agents or assignees prior to the Closing Date, (ii) the marketing, sale or use of the Products by or on behalf of Seller or its Affiliates or their respective agents or assignees prior to the Closing Date or liabilities that were incurred before Closing with respect to the Products, (iii) Seller's Taxes, (iv) the [***] Liabilities and (iv) the [***] Supply Agreement Liabilities (collectively, the "Excluded Liabilities").

SECTION 2.4. License to Certain Product Technology

(a) Seller hereby irrevocably grants to Buyer as of the Closing Date (i) a royalty-free exclusive, perpetual license to use the Product Technology that is owned or licensed (to the extent capable of sublicense, provided that Seller does not incur any additional fees payable to third parties with respect to any such sublicense and that Buyer agrees to be bound by the terms required for such sublicense by the third party licensor and to be liable for any breach thereof) by Seller and presently used or held for use solely and specifically for the manufacture of the Products for sale in the Territory and not for other products of Seller or for sale in other

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territories, to market and sell Products in the Territory, and to manufacture Products for marketing and sale in the Territory, and (ii) a royalty-free, non-exclusive, perpetual license to use the Product Technology that is owned or licensed (to the extent capable of sublicense, provided that Seller does not incur any additional fees payable to third parties with respect to any such sublicense and that Buyer agrees to be bound by the terms required for such sublicense by the third party licensor and to be liable for any breach thereof) by Seller and used or held for use not solely and specifically for the manufacture of the Products, to market and sell Products in the Territory and to manufacture Products for marketing and sale in the Territory (the “Licenses”). Each of the Licenses includes the right to grant sublicenses.

(b) Each party may modify or improve the Product Technology. The party making such modifications or improvements shall own all right, title and interest therein.

SECTION 2.5. Covenant Not to Sue

Each of the Seller and the Buyer hereby covenants that such party and its Affiliates will not bring any suits or claims, or cause or support any licensee or other third party to bring any suits or claims, against the other party or its Affiliates, their manufacturers and importers, or their distributors and customers or their consumers, alleging that the manufacture, use, sale, offer for sale or importation in or for the Territory of the Products, or the equivalent competing products sold by or on behalf of the Seller in or for the Territory, infringes any patent rights or misappropriates any trade secrets owned or controlled by such party or any of its Affiliates.

SECTION 2.6. Nonassignable Assets

(a) Notwithstanding anything in this Agreement to the contrary, to the extent that the transfer or assignment to Buyer of any Transferred Asset is prohibited by any Governmental Rules or would require any authorizations, approvals, consents or waivers, and such authorizations, approvals, consents or waivers shall not have been obtained, neither this Agreement nor any document delivered pursuant hereto shall constitute a sale, assignment or transfer or an attempted assignment or transfer of such Transferred Asset if the applicable authorization, approval, consent or waiver has not been obtained by (or does not remain in full force and effect at) the Closing, unless and until such third party authorization, approval, consent or waiver is obtained, at which time such Transferred Asset shall be assumed and transferred to Buyer in accordance with the terms and conditions hereof.

(b) With respect to any such authorizations, approvals, consents or waivers that are required for Transferred Assets, the parties shall use their respective commercially reasonable efforts, and reasonably cooperate with each other, to obtain promptly such authorizations, approvals, consents or waivers. In the event that any such authorizations, approvals, consents or waivers are not obtained by the Closing Date, the parties shall cooperate with each other in any mutually agreeable, reasonable and lawful arrangements designed to provide to Buyer the benefits of use of such Transferred Assets and to impose upon Buyer the liabilities and obligations of such Transferred Assets as if such Transferred Assets had been conveyed to Buyer at the Closing.

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ARTICLE III.

PURCHASE PRICE

SECTION 3.1. Purchase Price

The purchase price for all of the Transferred Assets will be an amount in cash to be paid on the Closing Date equal to [***] (the "Purchase Price"), payable in accordance with Section 4.2(b).

SECTION 3.2. Allocation of Purchase Price

The Purchase Price will be allocated among the Transferred Assets as of the Closing Date in accordance with applicable Law and as shall be negotiated and agreed in good faith by the parties as promptly as reasonably practicable following the date hereof and in any event prior to the Closing (the "Agreed Allocation"). Each of the parties hereto agrees to report (and to cause its Affiliates to report) the transactions contemplated by this Agreement in a manner consistent with applicable Law and with the terms of this Agreement, including the Agreed Allocation, and agrees not to take any position inconsistent therewith in any Tax Return, including the reports required to be filed under Section 1060 of the Code, in any Tax refund claim, in any litigation or otherwise.

SECTION 3.3. Transfer Taxes

All Transfer Taxes will be borne by Buyer.

SECTION 3.4. Income Taxes

All Seller Income Taxes will be borne by Seller.

SECTION 3.5. Withholding

Notwithstanding anything in this Agreement to the contrary, Buyer shall be entitled at any time to deduct and withhold from any amount otherwise payable pursuant to this Agreement in respect of the transactions contemplated hereunder any amounts such entity is required under applicable Tax Law to deduct and withhold and pay over to the applicable taxing authorities in connection with the payment of the applicable consideration; provided that if Buyer determines that an amount is required to be deducted or withheld, Buyer shall (i) at least five (5) Business Days prior to the payment of such amount, provide the Seller with written notice of its intent to deduct or withhold, (ii) cooperate in good faith will Seller to reduce or eliminate the deduction or withholding of such amount, and (iii) shall provide Seller a reasonable opportunity to provide forms or other documentation that would exempt such amounts from withholding. To the extent that amounts are so withheld, such amounts shall be paid over to the applicable taxing authorities, provided that any withheld amounts shall be treated for all purposes of this Agreement as having been paid to Seller.

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ARTICLE IV.

THE CLOSING

SECTION 4.1. Closing Date

The closing of the (i) sale and transfer of the Transferred Assets and (ii) license of the Product Technology pursuant to Section 2.4 (the "Closing") will take place at the offices of Seller at 1090 Horsham Road, North Wales, PA 19454, or at another place designated by Seller, on the first Business Day following the date on which all of the conditions to each party's obligations under Article X have been satisfied or (if permitted) waived, or at such other time, date and/or place as mutually agreed to by the parties hereto (such date of the Closing being hereinafter referred to as the "Closing Date"). The parties will use their commercially reasonable efforts to cause the Closing Date to occur on the same date as the date of the Allergan Closing.

SECTION 4.2. Transactions to Be Effected at the Closing

At the Closing:

(a) Seller will deliver or cause to be delivered to Buyer each of the items referred to in Section 10.2(d), in each case appropriately executed; and

(b) Buyer will deliver or cause to be delivered to Seller (i) each of the items referred to in Section 10.3(d), in each case appropriately executed, and (ii) payment of the Purchase Price by wire transfer in immediately available funds, to an account in the name of Seller designated in writing by Seller to Buyer (such designation to be made at least five (5) Business Days prior to the Closing Date in an invoice for the Purchase Price issued by Seller to Buyer).

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

SECTION 5.1. Seller Organization; Good Standing

Seller is a corporation duly organized, validly existing and in good standing under the Laws of Israel. Seller has the requisite power and authority to own and transfer all rights to the Transferred Assets, to license the Product Technology pursuant to Section 2.4 and to carry on its business as currently conducted. Seller is duly qualified to conduct business as a foreign corporation and is in good standing in each jurisdiction where the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing would not have a Material Adverse Effect. Seller is the Respondent to the Order.

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SECTION 5.2. Authority; Execution and Delivery

Seller has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated hereby have been duly and validly authorized and no other corporate proceeding is necessary on the part of Seller. This Agreement has been duly executed and delivered by Seller and, assuming the due authorization, execution and delivery of this Agreement by Buyer, will constitute the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar Laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at Law.

SECTION 5.3. Consents; No Violation, Etc.

The execution, delivery and performance of this Agreement do not, and the consummation of the transactions contemplated hereby and the compliance with the terms hereof will not:

- (a) violate any Governmental Rule applicable to Seller,
- (b) conflict with any provision of the certificate of incorporation or by-laws (or similar organizational document) of Seller,
- (c) except as set forth on Schedule 5.3, conflict with any contract to which Seller is a party or by which it is otherwise bound, including any Contract related to any of the Products, or result in the creation of any Encumbrance upon any of the Transferred Assets (other than a Permitted Encumbrance),
- (d) subject to the foregoing clause (c), to the Knowledge of Seller, violate any rights of any third party; or
- (e) except as set forth on Schedule 5.3, require any approval, authorization, consent, license, exemption, filing or registration with any court, arbitrator or Governmental Entity other than approval of the FTC,

except, with respect to the foregoing clauses (a) and (c), for such violations or conflicts which would not have a Material Adverse Effect or materially interfere with Seller's performance of its obligations hereunder and, with respect to the foregoing clause (e), (i) for receipt of FDA approval of any Product ANDA related to a Product that has not been approved by the FDA as of the Effective Date and (ii) otherwise, for such approvals, authorizations, consents, licenses, exemptions, filings or registrations that, if not obtained or made, would not have a Material Adverse Effect or interfere with Seller's performance of its obligations hereunder.

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SECTION 5.4. Title to Transferred Assets

Seller has good and valid title to all of the Transferred Assets, the right to license the Product Technology pursuant to Section 2.4 free and clear of all Encumbrances, other than Permitted Encumbrances. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, ALL OF THE TRANSFERRED ASSETS ARE BEING SOLD, ASSIGNED, CONVEYED OR DELIVERED (AS APPLICABLE) TO BUYER ON AN “AS IS” “WHERE IS” BASIS WITHOUT REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR INFRINGEMENT OF THIRD PARTY RIGHTS, AND ALL SUCH WARRANTIES ARE DISCLAIMED.

SECTION 5.5. Litigation

(a) There is no suit, claim, action, investigation or proceeding pending or, to the Knowledge of Seller, threatened against Seller or its Affiliates, that relates to the Transferred Assets, the Assumed Liabilities or the Product Technology that (i) challenges or seeks to prevent or enjoin the transactions contemplated by this Agreement, or (ii) has not been disclosed to Buyer in writing on Schedule 5.5(a)(i) prior to the execution of this Agreement. Except as set forth on Schedule 5.5(a)(ii), there is no settlement agreement to which Seller or its Affiliates are a party for any past or current suit, claim, action, investigation or proceeding, or order or decree of any Governmental Entity with respect to Seller or its Affiliates, that relates to the Transferred Assets, the Assumed Liabilities or the Product Technology.

(b) Except as set forth on Schedule 5.5(b) hereto, during the twelve (12) month period ending on the Effective Date (i) Seller has not received any written notice from any other Person challenging its ownership or rights in or to use any intellectual property relating to the Products, the Transferred Assets or the Product Technology, (ii) there has not been any, and there are no, actions, including any suits, claims, investigations or proceedings pending or, to the Knowledge of Seller, threatened against Seller or its Affiliates, relating to its ownership or rights in or to use any intellectual property relating to the Products, the Transferred Assets or the Product Technology, and (iii) there has not been any, and there are no, actions including product liability suits, claims, investigations or proceedings of any kind, including product liability, tort or breach of contract, pending or, to the Knowledge of Seller, threatened against Seller, relating to the Products, the Transferred Assets or the Product Technology.

SECTION 5.6. Regulatory Issues

(a) Except as may be disclosed on Schedule 5.6(a) hereto, during the twenty-four (24) month period ending on the Effective Date, (i) with respect to the Products only, Seller has not received: (A) any FDA Form 483s or warning letters directly relating to the Products or the facilities in which the Products are manufactured; or (B) any FDA Notices of Adverse Findings with respect to the Products; and (ii) there has not been a recall or market withdrawal of any Product by Seller, whether voluntary or involuntary.

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(b) To the Knowledge of Seller, the Data Room contains all material information in the possession or control of Seller and its Affiliates relating to (i) adverse drug experience information, (ii) material events and matters concerning or affecting safety, toxicology and formulation and (iii) medical inquiries and complaints brought to the attention of Seller in respect of the Products, in each case during the period ending on the Effective Date and commencing on the date that is (A) with respect to Phentermine/Topiramate (Gx Qsymia), two years prior to filing of the relevant Product ANDA, (B) with respect to Buprenorphine/Naloxone (Gx Suboxone), four years prior to filing of the relevant Product ANDA, (C) with respect to Ramelteon (Gx Rozerem) and Ezetimibe/Simvastatin (Gx Vytorin), seven years prior to filing of the relevant Product ANDA, and (D) with respect to any other Product, three years prior to filing of the relevant Product ANDA.

SECTION 5.7. No Brokers

Except as may be disclosed on Schedule 5.7 hereto, Seller has not entered into any agreement, arrangement or understanding with any Person or firm which will result in the obligation to pay any finder's fee, brokerage commission or similar payment in connection with the transactions contemplated hereby.

SECTION 5.8. Exclusive Representations and Warranties

Other than the representations and warranties set forth in this Article V and any certificates delivered hereunder pursuant to Section 10.2(d), Seller is not making any other representations or warranties, express or implied, with respect to the Products or the Transferred Assets or the Product Technology or any other matter, including but not limited to any warranty of merchantability or fitness for a particular purpose or infringement of third party rights, and all such warranties are disclaimed.

SECTION 5.9. Regulatory Commitments

(a) Seller has complied in all material respects with all obligations arising from or related to any commitments to any Governmental Entity involving any Products. Seller and its Affiliates have been since January 1, 2014 in compliance in all material respects with all Laws applicable to the Transferred Assets, the Assumed Liabilities and the Product Technology.

SECTION 5.10. Contracts to be Assumed; Customers

(a) Other than (i) the Assigned Contracts and (ii) Contracts with Customers there are no other material Contracts related to the Products.

(b) Each Contract that is a Transferred Asset is a legal, valid and binding obligation of Seller and is in full force and effect and, to the Knowledge of Seller, each other party thereto, enforceable against Seller and each other party in accordance with its terms (except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, and subject to the limitations imposed by general equitable principles, regardless of whether such enforceability is considered in a proceeding at Law or in equity). Seller has performed all material obligations under any such Contract, has not received notice from any party claiming or alleging that Seller has breached or is in default thereunder and Seller is not (with or without lapse of time or notice, or both) in material breach or material default thereunder. To the Knowledge of Seller, each other party to each such Contract is not in material breach or default thereunder.

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(c) Schedule 5.10(c) hereto sets forth (i) a true and complete list of Customers as of the Effective Date (the “Customer List”), and (ii) a list of active pharmaceutical ingredients in respect of the Products, the supplier thereof and the cost of such ingredients on a per kilogram basis.

SECTION 5.11. Inventory

Schedule 5.11 provides a true and accurate description of the inventory levels in respect of Seller’s three largest wholesalers of all Products, by Stock Keeping Unit (SKU) as of April 30, 2016 (or subsequent month end, if available) as communicated to Seller by such wholesalers.

SECTION 5.12. Assets

Except for those assets used pursuant to, and materials, goods and services provided under, the Supply Agreement, the Transferred Assets and the Product Technology, and the rights to be acquired under this Agreement and the Supply Agreement constitute all of the material assets used or held for use by Seller or its Affiliates with respect to the Transferred Assets.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

SECTION 6.1. Buyer’s Organization; Good Standing

Buyer is a company duly organized, validly existing and in good standing under the Laws of Switzerland. Buyer has all requisite corporate power and authority to carry on its business as it is currently being conducted. Buyer is duly qualified to conduct business as a foreign corporation and is in good standing in every jurisdiction where the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing would not prevent or materially delay the consummation of the transactions contemplated hereby.

SECTION 6.2. Authority; Execution and Delivery

Buyer has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Buyer and the consummation of the transactions contemplated hereby have been duly and validly authorized. This Agreement has been duly executed and delivered by Buyer and, assuming the due authorization, execution and delivery of this Agreement by Seller, constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar Laws affecting creditors’ rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at Law.

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SECTION 6.3. Consents; No Violations, Etc.

The execution, delivery and performance of this Agreement do not, and the consummation of the transactions contemplated hereby and the compliance with the terms hereof will not (i) violate any Governmental Rule applicable to Buyer, (ii) conflict with any provision of the certificate of incorporation or by-laws of Buyer, (iii) conflict with any material contract to which Buyer is a party or by which it is otherwise bound or (iv) require any approval, authorization, consent, license, exemption, filing or registration with any court, arbitrator or Governmental Entity, other than approval of the FTC, except with respect to the foregoing clauses (i) and (iii), for such violations or conflicts which would not materially interfere with Buyer's performance of its obligations hereunder or, with respect to the foregoing clause (iv), for the Order and such approvals, authorizations, consents, licenses, exemptions, filings or registrations which have been obtained or made or which, if not obtained or made, would not materially interfere with Buyer's performance of its obligations hereunder.

SECTION 6.4. Litigation

There is no suit, claim, action, investigation or proceeding pending or, to the Knowledge of Buyer, threatened against Buyer or any of its Affiliates which, if adversely determined, would materially interfere with the ability of Buyer to perform its obligations hereunder or the consummation of the transactions contemplated hereby.

SECTION 6.5. Development

As of the date hereof, Buyer has not begun developing (i.e., established bioequivalence with) a generic version of any Product, has not filed a Product ANDA for a generic version of any Product, and does not own or have a right to distribute any product under a Product ANDA for a generic version of any Product or the corresponding NDA, in each case, in a manner that would not cause the FTC staff to determine Buyer is not an acceptable acquirer of the Transferred Assets.

SECTION 6.6. No Brokers

Buyer has not entered into any agreement, arrangement or understanding with any Person or firm which will result in the obligation to pay any finder's fee, brokerage commission or similar payment in connection with the transactions contemplated hereby for which Seller could be liable.

SECTION 6.7. Availability of Funds

As of the Closing Date, Buyer will have cash available that is sufficient to enable it to make payment of the Purchase Price, to satisfy all of the Assumed Liabilities and to make all other necessary payments in connection with transactions contemplated by this Agreement from internal cash accrual and existing lines of credit.

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SECTION 6.8. Solvency

(a) Immediately following the Closing, and after giving effect to all of the transactions contemplated by this Agreement, Buyer will be Solvent. In connection with the transactions contemplated by this Agreement, Buyer is not making any transfer of property and is not incurring any Liability with the intent to hinder, delay, or defraud, either present or future creditors of Buyer.

(b) For purposes of this Agreement, “Solvent” when used with respect to Buyer or the Transferred Assets acquired by Buyer hereunder means, as applicable, that immediately following the Closing Date, (i) the amount of the Present Fair Saleable Value of its assets will, as of such date, exceed all of its known Liabilities as of such date, (ii) such Person will not have, as of such date, an unreasonably small amount of capital for the business in which it is engaged or will be engaged, and (iii) such Person will be able to pay its Debts as they become absolute and mature, taking into account the timing of and amounts of cash to be received by it and the timing of and amounts of cash to be payable on or in respect of its Debts.

(c) For purposes of the definition of “Solvent”: (i) “Debt” means Liability on a Payment Right and “Payment Right” means (A) any right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (B) the right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; and (ii) “Present Fair Saleable Value” means, with respect to Buyer or the Transferred Assets being acquired by Buyer hereunder, the amount that may be realized if its aggregate assets (including its goodwill) are sold as an entirety with reasonable promptness in an arm’s-length transaction under present conditions for the sale of comparable business enterprises.

SECTION 6.9. Independent Investigation; No Seller Warranty

(a) Buyer has conducted its own independent investigation, review, and analysis of the Transferred Assets, the Products, the Product Technology, and the Assumed Liabilities, has formed an independent judgment concerning the Transferred Assets, the Products, the Product Technology and the Assumed Liabilities and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of Seller, for such purpose.

(b) Buyer acknowledges and represents that: (i) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon its own investigation and the express representations and warranties of Seller set forth in this Agreement (including the related portions of the Schedules) and any certificates delivered hereunder; and (ii) neither Seller nor any other Person has made, and the Buyer is not relying on, any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding Seller, its Affiliates, the Transferred Assets, the Products, the Product Technology or the Assumed Liabilities not expressly set forth in this Agreement (including any information, documents and materials made available to Buyer in any electronic data room or

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any repository of information, management presentations, or in any other form in expectation of the transactions contemplated hereby), and neither Seller nor any other Person will have or be subject to any Liability to Buyer or any other Person resulting from the distribution to Buyer or its representatives or Buyer's use of any such information.

SECTION 6.10. No Guarantee of FDA Approval

Buyer acknowledges and agrees that Seller does not guarantee that FDA approval will be obtained for a Product ANDA that has not already been approved by FDA as of the date hereof and makes no representation or warranty hereunder with respect to any Product that has not already been approved by FDA as of the date hereof.

ARTICLE VII.

CERTAIN COVENANTS AND AGREEMENTS OF SELLER

SECTION 7.1. Conduct of Business Until Closing

During the period from the date of this Agreement and continuing until the Closing, Seller agrees that:

(a) **Ordinary Course.** Seller will conduct its business with respect to the Products and the Transferred Assets in all material respects in the ordinary course and in substantially the same manner as presently conducted and in accordance with the Order of the FTC, including, without limitation, by using commercially reasonable efforts to, in each case in accordance with past practices hereof and reasonable industry standards, (i) maintain sales of Products and customer inventory levels in respect thereof in accordance with past practices, historical sales data provided by Seller to Buyer pursuant to Section 7.6 hereof and reasonable industry standards, (ii) not engage in any special promotional activities including special discounts, (iii) not waive any material claims or rights related to the Products or the Transferred Assets, (iv) not terminate, modify or waive any material provision of any Assigned Contract, (v) with respect to the Products and the Transferred Assets, as applicable, not materially alter the activities and practices with respect to inventory levels of the Products maintained at the wholesale, chain, institutional or retail levels in any material respect, (vi) seek FDA approval for the Product ANDA for any pipeline Product that has not already been approved by the FDA as of the Effective Date, (vii) maintain any Product ANDAs that have been approved by the FDA as of the Effective Date, (viii) comply with any Laws and FDA requests or requirements in respect of the Product ANDAs or the manufacture, distribution and sale of any of the Products pursuant to the Product ANDAs, in each case, in any material respect, (ix) maintain any Assigned Patents, (x) maintain, in all material respects, the assets reasonably necessary to the manufacture of the Products, (xi) maintain sales efforts and sales levels consistent in all material respects with past practice, or (xii) not agree, in writing or otherwise, to take or authorize the taking of any actions that conflict with the foregoing; provided, however, that nothing contained herein will be deemed to require the expenditures of any funds outside of the ordinary course of business. Seller will not, without the prior written consent of Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), amend or modify any Assigned Contract in a manner adverse to Buyer in any material respect, including any change in any price therein.

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(b) No Dispositions. Seller will not sell, lease, license, encumber, pledge or transfer, or agree to sell, lease, license, encumber, pledge or transfer, any of the Transferred Assets or the Product Technology.

(c) No Settlements. Seller will not, without the prior written consent of Buyer (such consent not to be unreasonably withheld), (i) settle or agree to settle any claim, suit, action or other proceeding relating to the Products or the Transferred Assets brought against it by any Governmental Entity; provided, however, that Seller may take any action or omit to take any action, to the extent required by, or reasonably necessary to comply with the Order or (ii) initiate or agree to initiate any claim, suit, action or other proceeding relating to the Products or the Transferred Assets except to protect the Products or the Transferred Assets.

SECTION 7.2. Post-Closing Orders and Payments

From and after 12:01 A.M. (New York, New York, USA time) on the day immediately following the Closing Date, (i) Seller will promptly deliver to Buyer any payments received by Seller from third parties for Finished Goods purchased by the third parties from Buyer on or after the Closing Date, and refer all inquiries it will receive with respect to the Products (other than with respect to Excluded Assets or Excluded Liabilities), to Buyer or its designee; and (ii) Buyer will promptly deliver to Seller any payments received by Buyer from third parties for Finished Goods purchased by third parties from Seller or its Affiliates prior to the Closing.

SECTION 7.3. Technology Transfer; Assistance with Buyer Regulatory Filings

(a) Seller and Buyer will use commercially reasonable efforts to effect an orderly transfer of the Product Technology from Seller to Buyer pursuant to the terms of this Agreement as soon as practicable following the Closing Date. Seller will provide reasonable cooperation and assistance to Buyer, including making available Seller personnel, in connection with such transfer of the Product Technology and Buyer's preparation of all filings required to be filed with the FDA by Buyer with respect to such transfer of the Product Technology. Each party will bear the Direct Costs incurred by it and its Affiliates in connection with its activities undertaken under this Section 7.3(a). Following completion of the transfer of the Product Technology contemplated by this Section 7.3(a) with respect to Product ANDA for [***], at Buyer's option upon written notice to Seller, Seller shall deliver to Buyer such portion of the supply of [***] (if any) of Seller and its Affiliates as of the time of completion of such transfer as Buyer may elect in such written notice; provided that Buyer shall pay the then-current allocable cost per unit except to the extent already paid for by Buyer (or by the Manufacturer and reimbursed Buyer).

(b) Buyer shall have sole responsibility for obtaining, and shall use commercially reasonable efforts to obtain, all regulatory approvals necessary for the offer, sale, importation, manufacture, distribution, marketing, promotion, import, export, pricing and reimbursement of the Products, including, without limitation, supplementing the Product ANDA to include facilities designated by Buyer and to delete Seller's facilities, and assuming all responsibility for maintenance of the Product ANDAs. All decisions regarding the validation of Products and the conduct of any and all actions reasonably necessary or required to obtain and maintain the Regulatory Approvals required for Product ANDA ("Regulatory Activities") with respect to the

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Products after the Closing Date shall be made by Buyer in its sole and absolute discretion, and all such Regulatory Activities shall be at its sole cost. Seller shall use commercially reasonable efforts in providing reasonable cooperation and pre-launch assistance to Buyer for unlaunched Products, including (i) making available personnel of Seller and its Affiliates who have been directly involved in development and filing of the Product ANDA, (ii) any cooperation and assistance as may be mutually agreed, (iii) with respect to Regulatory Activity, and (iv) any testing, development, batch manufacturing, report writing, and response drafting as reasonably necessary to respond to any questions or Product ANDA deficiencies from any Regulatory Authority within the timelines stipulated by such Regulatory Authority; provided, however, that Seller shall not be required by this Section 7.3(b) to provide any testing, development or batch manufacturing with respect to Products that are not Supply Products. In addition, solely with respect to the Supply Products, Seller shall use commercially reasonable efforts to provide pre-validation and validation support services for Supply Products from Seller's facilities as may be reasonably requested by Buyer. For purposes of this Section 7.3, (A) "Regulatory Authority" means any governmental regulatory authority within the Territory involved in regulating any aspect of the development, manufacture, testing, market approval, sale, distribution, packaging or use of the Product ANDA, including the FDA, and (B) "Regulatory Approvals" means any and all approvals, licenses, registrations, or authorizations of the relevant Regulatory Authority necessary for the development, manufacture, use, storage, import, transport or commercialization of any Supply Product. In furtherance of and without limitation to the foregoing, the parties will negotiate in good faith and agree as promptly as reasonably practicable and in any event within forty-five (45) days following the Closing, the Development Agreement. Buyer will bear the Direct Costs incurred by Buyer, Seller and their respective Affiliates in connection with its activities undertaken under this Section 7.3(b).

SECTION 7.4. Seller's NDC Numbers

Buyer and its Affiliates will (i) sell Products only under Buyer NDC Numbers and (ii) not sell any Product under Seller's or its Affiliates' names, in each case save to the extent contemplated or permitted hereunder or under the Supply Agreement.

SECTION 7.5. Competition

(a) The parties hereto agree and acknowledge that the provisions of this Agreement will not be construed to limit or restrict in any manner the right of Seller or any of its Affiliates to develop, manufacture, use, sell or commercialize in any manner any pharmaceutical product, including any product competitive with the Products if sold under a Product ANDA or other filing that is not being purchased by Buyer as part of the Transferred Assets hereunder, either in the Territory or outside of the Territory.

(b) Nothing contained in this Agreement will be construed as prohibiting Seller or any of its Affiliates from: (i) acquiring (whether by merger, asset or stock acquisition or otherwise) another company, business or line of products (including by license thereof or through investment therein), which makes, has made, sells, has sold, markets, has marketed, distributes or has distributed or otherwise represents a product which is substantially similar to or equivalent to a Product and continuing to operate such company, business or line of products following such acquisition; or (ii) entering into a joint venture, alliance or other similar

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collaborative arrangement between Seller or any of its Affiliates thereof and any third party which joint venture makes, has made, sells, has sold, markets, has marketed, distributes or has distributed a product which is substantially similar to or equivalent to a Product and continuing to participate in such collaboration.

SECTION 7.6. Sales Data; Customer

(a) On the Effective Date, Seller shall deliver to Buyer monthly net sales data for the Products (as calculated by Seller in accordance with its standard practice) for the previous six (6) month period, including details on units.

(b) Within two (2) Business Days after the Closing Date, Seller shall update the Customer List and the information required to be provided pursuant to Section 7.6(a) as necessary, to ensure that such information remains materially accurate and complete up to and including the Closing Date.

(c) On or after the date that is five (5) Business Days prior to the anticipated Closing Date, but in no event earlier than such date, and subject to Section 8.3 hereof, Buyer may contact the Customers to promote the Products and the distribution thereof.

SECTION 7.7. Nonsolicitation

Until the earlier of the Closing or termination of this Agreement pursuant to Section 11.1, no member of the Seller Group or any Person acting on its behalf shall, directly or indirectly, other than in the ordinary course of business, (i) solicit or encourage any inquiries or proposals for, or enter into any discussions with respect to, the acquisition, lease or exchange of any of the Products or any of the Transferred Assets or (ii) furnish or cause to be furnished any non-public information concerning any of the Products or any of the Transferred Assets to any Person (other than Buyer) for purposes of facilitating such a transaction. No member of the Seller Group shall (x) sell, transfer or otherwise dispose of, grant any option or proxy to any Person with respect to, create any Encumbrance upon, or transfer any interest in, any Transferred Asset, other than in the ordinary course of business and consistent with this Agreement, or (y) enter into any agreement, commitment or arrangement (whether or not binding) with any person to do any of the foregoing.

SECTION 7.8. Transition Plan

As soon as reasonably practicable following the date hereof, and in any event within thirty (30) days, the parties shall establish a joint transition team (the "Transition Committee") to oversee and manage the transition of the Transferred Assets and the Products from Seller to Buyer (the "Transition") comprising an equal number of suitable representatives nominated by, on the one hand, Seller, and, on the other hand, Buyer, such representatives to have the requisite skills, knowledge and experience to discuss, coordinate and make arrangements to give effect to the Transition.

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SECTION 7.9. [***] Agreement

Seller shall use its commercially reasonable efforts to enter into the [***] Agreement prior to the Closing. If the [***] Agreement is not (x) entered into on or prior to the Closing Date and (y) the benefit thereof transferred to Buyer at the Closing, Seller shall (a) use its commercially reasonable efforts to promptly enter into the [***] Agreement, and (b), promptly following the execution thereof, assign the benefit of (or cause its Affiliates to assign the benefit of) the [***] Agreement to Buyer; provided that Buyer shall not amend, modify or waive any provision of the [***] Agreement in a manner that would increase the [***] Liabilities without the prior written consent of Seller.

ARTICLE VIII.

CERTAIN COVENANTS AND AGREEMENTS

SECTION 8.1. Insurance

At all times from the Closing Date through that date which is three (3) years after the termination or expiration of this Agreement, Buyer will maintain product liability and other insurance for itself (either in its own name or in the name of its Affiliates or through self-insurance) in amounts, respectively, which are reasonable and customary in the USA pharmaceutical industry for companies of comparable size, provided that in no event shall the product liability insurance amounts be less than \$25,000,000 per occurrence and \$25,000,000 in the aggregate limit of liability per year. Buyer shall provide the Seller with written proof of such insurance upon Seller's request.

SECTION 8.2. Books and Records

Following the Closing, Buyer will preserve all books and records included within the Transferred Assets for applicable periods of time as required by the FDA or FTC and, subject to Section 8.3 hereof, make such books and records available for inspection and copying by Seller or its agents upon reasonable request and upon reasonable notice for any reasonable business purpose, including in respect of litigation, insurance matters and financial reporting of the Seller Group. Each party acknowledges that the books and records made available to such party or its agents pursuant to this Section 8.2 constitutes confidential information of the other party and is subject to the confidentiality provisions of Section 8.3 hereof.

SECTION 8.3. Confidentiality

Each party hereto or its Affiliates or contractors (a "Disclosing Party") may, from time to time, prior to or after the Effective Date, disclose to the other party (the "Receiving Party") information of a technical or non-technical nature that is not generally known to the trade or public. The Receiving Party agrees that it will not use for any purpose other than as necessary to perform its obligations under this Agreement and the Ancillary Agreements, and will not disclose to anyone in any manner whatsoever, any such information, including, without limitation, information relating in any way to the products, processes, and services of the Disclosing Party, which becomes known to the Receiving Party on or prior to the later of the date of the (a) termination of this Agreement or (b) termination or expiration of the Supply Agreement. The obligations of this Section 8.3 will not apply to information that (i) is known to the Receiving Party as shown by written records prior to its disclosure by the Disclosing Party or its Affiliates or its contractors; (ii) becomes public information or is generally available to the

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public other than by an unauthorized act or omission of the Receiving Party; or (iii) is received by the Receiving Party from third parties who are in rightful possession of such information and who are lawfully entitled to disclose such information to the Receiving Party and did not receive such information from the Disclosing Party. From and after the Closing Date, the Transferred Assets and all confidential information related solely and exclusively to the Transferred Assets or the manufacture thereof shall be considered the confidential information of Buyer under this Section 8.3 and the obligations of this Section 8.3 in respect thereof will apply to Seller and not the Buyer. It being understood for the avoidance of doubt, that, without limitation, to the extent any confidential information related to the Transferred Assets or the manufacture thereof is used by the Seller in the retained business thereof, such confidential information shall constitute the confidential information of both parties. Upon the latter of (x) the date of termination of this Agreement or (y) the termination or expiration of the Supply Agreement, the Receiving Party will return to the Disclosing Party all documents that include confidential information of the Disclosing Party or its contractors (other than the Transferred Assets), including all copies of such documents or extracts therefrom, if any, and will make no further use of such information. To the extent that the confidential information relates to the Products, each Disclosing Party or Receiving Party, as the case may be, shall create an internal firewall and use commercially reasonable efforts to protect against the disclosure of such information to such Disclosing Party's or Receiving Party's, as the case may be, marketing and sales personnel.

SECTION 8.4. Assumption of Regulatory Commitments

From and after the Closing Date, Buyer will assume control of, and responsibility for all costs and Liabilities arising from or related to any commitments or obligations to any Governmental Entity involving the Products, only to the extent arising from or relating to Product sold by Buyer after the Closing Date, and in the case of any Products that are subject to obtaining FDA approval of any unapproved Product ANDA, transferred to Buyer on the Closing Date.

SECTION 8.5. Bulk Transfer Laws

Buyer hereby waives compliance by Seller with the provisions of any so-called "bulk transfer law" of any jurisdiction in connection with the sale of the Transferred Assets to Buyer.

SECTION 8.6. Buyer NDC Numbers; Buyer Trademarks and Buyer Trade Dress Changes

Buyer covenants and agrees that, if not already applied for, Buyer will apply for and initiate applicable processes to obtain and establish new NDC Numbers (the "Buyer NDC Numbers") prior to the launch of the applicable Product and notify Seller thereof.

SECTION 8.7. Response to Medical Inquiries and Products Complaints

After the Closing Date, Buyer will assume all responsibility for responding to any medical inquiries or complaints about the Products in the Territory.

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SECTION 8.8. Transition of Manufacturing Services

Buyer and Seller will use commercially reasonable efforts to coordinate with each other to facilitate an orderly transition to Buyer of the supply of Products presently manufactured by third-party manufacturers for Seller pursuant to the Assigned Contracts. In furtherance thereof, promptly after the Effective Date, Buyer and Seller shall mutually agree on the manner in which they shall jointly contact such third-party manufacturers and the content of such communications regarding the transition of the supply of Products from Seller to Buyer, including the assignment of any applicable Assigned Contracts to Buyer.

SECTION 8.9. Use of Transferred Assets

(a) Nothing contained in this Agreement will be construed as prohibiting Buyer or any of its Affiliates from: (a) acquiring (whether by merger, asset or stock acquisition or otherwise) another company, business or line of products (including by license thereof or through investment therein), which makes, has made, sells, has sold, markets, has marketed, distributes or has distributed or otherwise represents a product which is substantially similar to or equivalent to a Product and continuing to operate such company, business or line of products following such acquisition; or (b) entering into a joint venture, alliance or other similar collaborative arrangement between Buyer or any of its Affiliates thereof and any third party which joint venture makes, has made, sells, has sold, markets, has marketed, distributes or has distributed a product which is substantially similar to or equivalent to a Product, and continuing to participate in such arrangement.

ARTICLE IX.

OTHER COVENANTS AND AGREEMENTS

SECTION 9.1. Trade Returns, Medicaid Rebates, Chargebacks

(a) (i) Buyer will, at its expense, process and bear the cost of returns of any Products bearing Buyer NDC Number sold by Buyer or its Affiliates and returned in accordance with Buyer's returned goods policy ("Buyer Returns") and (ii) Seller will, at its expense, process and bear the cost of returns on or after the Closing Date of all Products other than Buyer Returns.

(b) Seller and Buyer will be responsible for processing and payment of all Medicaid Reimbursements and Rebates for the Products sold bearing their respective NDC Numbers.

(c) Seller will be responsible for any and all payments, rebates, administrative fees or chargebacks due to customers under Seller's contracts for Products bearing the Seller NDC Number which were sold by Seller or its Affiliates ("Seller Payments"). Buyer agrees that Seller shall have no responsibility for, and "Seller Payments" shall not include, credits for shelf stock adjustments or similar adjustments resulting from price decreases on or after the Closing Date. Buyer will be responsible for all payments, rebates, administrative fees or chargebacks due in connection with any and all sales of Products by or on behalf of Buyer, other than Seller Payments.

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SECTION 9.2. Adverse Experience Reports

Seller shall continue to be responsible for adverse experience reporting to the FDA until the Closing Date. On and after the Closing Date, Buyer shall be responsible for adverse experience reporting to the FDA in respect of the Products. Seller shall at all times provide to Buyer all adverse drug experience information brought to the attention of Seller in respect of the Products manufactured by Seller or its Affiliates, as well as any material events and matters concerning or affecting safety of the Products manufactured by Seller or its Affiliates. At and after the Closing, Seller shall cooperate with Buyer's requests regarding adverse experience information in respect of the Products to ensure that all adverse experience data is transferred to Buyer. After the Closing Date, subject to this Agreement, the Supply Agreement, the Quality Agreement and any other agreement executed between the parties and/or their Affiliates with respect to any Product, Seller will promptly submit to Buyer all adverse drug experience information brought to the attention of Seller or its Affiliates or their respective agents in respect of the Products, as well as any material events and matters concerning or affecting safety of the Products. After the Closing Date, any new adverse experience reports or any follow-up adverse experience reports received by Seller will be forwarded to Buyer, together with any source documents, as promptly as reasonably practicable and in any event within three (3) Business Days after receipt by Seller. Unless notified otherwise in writing by Buyer, Seller shall forward such reports to: Head of Pharmacovigilance, Dr. Reddy's Laboratories S.A., Elisabethenanlage 11, 4051 Basel, Switzerland.

SECTION 9.3. Transfer of Product ANDAs, Etc.

(a) Seller will cooperate with Buyer in disclosing any relevant records and reports which are required to be made, maintained and reported pursuant to Governmental Rules in the Territory with respect to the Product ANDAs that are part of the Transferred Assets and coordinating with Buyer to make an orderly and prompt transition of the Transferred Assets as soon as practicable after Closing.

(b) The parties hereto agree to use their commercially reasonable efforts to take any other actions required by the FDA to effect the transactions contemplated hereby. On the Closing Date, each of the parties hereto will take any actions necessary to affect the transfer of the Product ANDAs from Seller to Buyer, including notices to the FDA regarding such transfer from Seller to Buyer of the Product ANDAs. Each party shall bear its own costs related thereto. Seller shall use its commercially reasonable efforts and take all necessary actions to seek to cause the transfer of hard copies (to the extent reasonably in Seller's possession) of the Product ANDAs to Buyer as soon as reasonably practicable after the Closing.

SECTION 9.4. Further Action; Consents; Filings

(a) Upon the terms and subject to the conditions hereof, each of Buyer and Seller will use commercially reasonable efforts to (i) take, or cause to be taken, all actions necessary, proper or advisable under applicable Governmental Rules or otherwise to satisfy the conditions to Closing set forth in Article X and consummate and make effective the transactions contemplated by this Agreement, (ii) obtain from the requisite Governmental Entities any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made in

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connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement and (iii) make all necessary filings, and thereafter make any other advisable submissions, with respect to this Agreement and the transactions contemplated by this Agreement required under any applicable Governmental Rules, including, without limitation, all filings with the FDA or other Governmental Entity needed to obtain approval of Buyer to manufacture the Products in a timely and reasonable manner. Each of Seller and Buyer will provide copies of all non-confidential documents to the other party and its advisors prior to filing and, if requested, will accept all reasonable additions, deletions or changes suggested in connection therewith. Each of Seller and Buyer will furnish all information required for any application or other filing to be made pursuant to the rules and regulations of any applicable Governmental Rules in connection with the transactions contemplated by this Agreement.

(b) Each of Buyer and Seller shall use commercially reasonable efforts to obtain from the FTC preliminary approval for Buyer as the purchaser of the Transferred Assets. Each of Buyer and Seller agrees to cooperate and use its commercially reasonable efforts vigorously to contest and resist any action, including legislative, administrative or judicial action, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits the consummation of the transactions contemplated by this Agreement, including by vigorously pursuing all available avenues of administrative and judicial appeal and all available legislative action.

SECTION 9.5. Compliance with the Federal Trade Commission Decision

Reference is made to the Order. The parties hereto agree that the provisions set forth in Appendix II, which provisions are called for by the Order, are incorporated into this Agreement as if set forth in their entirety in this Agreement. To the extent the provisions of Appendix II conflict with the provisions of this Agreement or the provisions of the Supply Agreement, the provisions of Appendix II shall govern.

SECTION 9.6. Representations to Customers

During the two (2) year period following the Closing, Buyer and Seller each agrees not to make any false and/or disparaging statements about any Product.

SECTION 9.7. Preservation of Data Room

Seller shall deliver to Buyer one (1) copy of a compact disc or DVD-ROM containing a true, correct and complete copy of the materials in the Intralinks electronic data room sponsored by Seller (the "Data Room") no more than ten (10) days after the Closing Date.

SECTION 9.8. Notice of [***]

During the period from the date of this Agreement and continuing until the Closing, Seller shall promptly notify Buyer in writing of the occurrence of any [***].

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ARTICLE X.

CONDITIONS PRECEDENT

SECTION 10.1. Conditions to Each Party's Obligations

The obligation of Buyer to purchase the Transferred Assets from Seller and assume the Assumed Liabilities and the obligations of Seller to sell, assign, convey and deliver the Transferred Assets to Buyer will be subject to the satisfaction (or waiver by each of Buyer and Seller, as applicable, to the extent permitted by applicable Law) on or prior to the Closing of the following conditions:

(a) No Litigation, Injunctions, or Restraints. No temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement will be threatened or in effect.

(b) FTC Preliminary Approval. The FTC shall have preliminarily approved the Buyer as the purchaser of the Transferred Assets hereunder.

(c) Allergan Closing. The Allergan Closing shall have occurred.

(d) Related Transactions. Prior to or concurrently with the Closing, the transactions contemplated by the Other Acquisition Agreement shall have been consummated.

SECTION 10.2. Conditions to Obligations of Buyer

The obligation of Buyer to purchase the Transferred Assets from Seller and to assume the Assumed Liabilities is subject to the satisfaction on and as of the Closing of each of the following additional conditions (any or all of which may be waived in whole or in part by Buyer):

(a) Representations and Warranties. The representations and warranties of Seller set forth in this Agreement will be true and correct (without giving effect to any materiality or Material Adverse Effect qualifications set forth therein) in all respects as of the Closing as though made on and as of the Closing, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct as of such earlier date), and except in each case for breaches of such representations and warranties that would not, individually or in the aggregate, have a Material Adverse Effect.

(b) Performance of Obligations of Seller. Seller will have performed or complied in all material respects with the obligations, conditions and covenants required to be performed by it under this Agreement at or prior to the Closing.

(c) No Material Adverse Effect. There shall not have been a Material Adverse Effect.

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(d) Deliveries. Seller will have duly executed and delivered to Buyer, dated as of the Closing Date, the (i) Ancillary Agreements, and (ii) Seller Officer's Certificate.

(e) [***]. Seller will have delivered to Buyer a right to reference letter from [***] to FDA with respect to [***].

SECTION 10.3. Conditions to the Obligations of Seller

The obligations of Seller to sell, assign, convey, and deliver the Transferred Assets, or to cause the Transferred Assets to be sold, assigned, conveyed or delivered, as applicable, to Buyer are subject to the satisfaction on and as of the Closing of each of the following additional conditions (any or all of which may be waived in whole or in part by Seller):

(a) Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement will be true and correct (without giving effect to any materiality or similar qualifications set forth therein) in all respects as of the Closing as though made on and as of the Closing, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct as of such earlier date), and except in each case for breaches of such representations and warranties that would not, individually or in the aggregate, have a Material Adverse Effect.

(b) Performance of Obligations of Buyer. Buyer will have performed in all material respects the obligations required to be performed by it under this Agreement at or prior to the Closing.

(c) Purchase Price. Buyer will have paid the Purchase Price.

(d) Deliveries. Buyer will have duly executed and delivered to Seller, dated as of the Closing Date, the (i) Ancillary Agreements (other than the Bill of Sale), and (ii) the Buyer Officer's Certificate.

ARTICLE XI.

TERMINATION, AMENDMENT AND WAIVER

SECTION 11.1. Termination

(a) Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

- (i) by mutual written consent of Seller and Buyer;
- (ii) by Seller if any of the conditions set forth in Sections 10.1 or 10.3 will have become incapable of fulfillment and will not have been waived by Seller;

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- (iii) by Buyer if any of the conditions set forth in Sections 10.1 or 10.2 will have become incapable of fulfillment and will not have been waived by Buyer;
- (iv) by Seller or Buyer if the Closing does not occur on or prior to October 26, 2016 (the “Long-Stop Date”); provided, however, that Seller may, from time to time, upon provision to Buyer of evidence reasonably satisfactory to Buyer of the extension of any long-stop, termination or similar date in any Contractual Consent (each a “Contractual Consent Long-Stop Date”), extend the Long-Stop Date to the date that is the earlier of (x) one year from the Effective Date, and (y) the earliest Contractual Consent Long-Stop Date; provided, further, that the right to terminate this Agreement pursuant to this clause (iv) shall not be available to any party hereto whose action or failure to fulfill any obligation under this Agreement has been the primary cause of the failure of the Closing to have occurred on or prior to one year from the Effective Date;
- (v) by Seller, if Buyer is not preliminarily approved by the FTC or other necessary Governmental Entity as a purchaser of the Transferred Assets hereunder (“Failure to Approve”);
- (vi) by Seller, if the staff of the FTC informs Seller in writing that the staff will not recommend approval of Buyer as purchaser of the Transferred Assets hereunder (“Staff Rejection”); or
- (vii) by Seller or Buyer if the Allergan Agreement is terminated prior to the consummation of the transactions contemplated by the Allergan Agreement,

provided, however, that the party seeking termination pursuant to clause (ii), (iii) or (iv) is not in breach of any of its representations, warranties, covenants or agreements contained in this Agreement.

(b) In the event of termination of this Agreement pursuant to this Section 11.1, written notice thereof will forthwith be given to the other party and the transactions contemplated by this Agreement will be terminated, without further action by any party. If the transactions contemplated by this Agreement are terminated as provided herein:

- (i) each party will return all documents and other material received from the other party relating to the Products, the Transferred Assets, the Product Technology, or the transactions contemplated hereby, whether so obtained before or after the execution hereof, to such party and, if applicable, Seller shall return any delivered portions of the Purchase Price to Buyer;
- (ii) all confidential information received by a party with respect to the other party, the Products, the Transferred Assets, the Product Technology or the transactions contemplated hereby will be treated in accordance with Section 8.3, which will remain in full force and effect notwithstanding the termination of this Agreement; and

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(iii) the Supply Agreement shall be terminated.

(c) If this Agreement is terminated, no party hereto and none of their respective directors, officers, stockholders, Affiliates or controlling Persons shall have any further liability or obligation under this Agreement, except as set forth in paragraphs (a) and (b) of this Section, except that (i) nothing in this Section 11.1 will be deemed to release any party from any liability for any willful and material breach by such party of the terms and provisions of this Agreement, and (ii) the provisions of Sections 8.3 (*Confidentiality*), 11.5 (*Termination Expenses*), 13.1 (*Expenses*), 13.3 (*Notices*), 13.8 (*Governing Law*) and 13.9 (*Jurisdiction, Venue, Service of Process, WAIVER OF JURY TRIAL*) shall survive termination of this Agreement.

SECTION 11.2. Amendments and Waivers

This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. By an instrument in writing, Buyer, on the one hand, or Seller, on the other hand, may waive compliance by the other party with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

SECTION 11.3. Rescission

If at the time the FTC determines to make final and effective its Order concerning the Proposed Allergan Transaction, the FTC notifies Seller that Buyer is not an acceptable purchaser of the Transferred Assets, then each of Seller and Buyer shall have the right immediately to rescind this Agreement, and the provisions of Sections 11.1(b) and 11.1(c) shall be applicable as if a termination of this Agreement had occurred.

SECTION 11.4. Modification

If at the time the FTC determines to make final and effective its Order concerning the Proposed Allergan Transaction, the FTC notifies Seller that this Agreement is not an acceptable manner of divestiture, Seller and Buyer shall reasonably seek to modify this Agreement as may be necessary to satisfy the FTC.

SECTION 11.5. Termination Expenses

(a) Seller shall reimburse Buyer for any reasonable and documented out-of-pocket expenses relating to the performance of Buyer's obligations under Section 9.4 including attorneys' fees, accountants' fees and expert witnesses' fees and expenses following the Failure to Approve Termination Period or the Staff Rejection Termination Period, as applicable, and prior to such termination if:

- (i) Seller is entitled to terminate this Agreement pursuant to Section 11.1(a)(v) or Section 11.1(a)(vi) and Seller does not terminate this Agreement pursuant to Section 11.1(a)(v) or Section 11.1(a)(vi) within the Failure to Approve Termination Period or Staff Rejection Termination Period, respectively, and

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- (ii) following the termination of the Failure to Approve Termination Period or the Staff Rejection Termination Period, as applicable, this Agreement is terminated pursuant to Section 11.1, other than pursuant to Section 11.1(a)(ii) or Section 11.1(a)(iv) in each case where the failure to satisfy any condition to Closing is due to any breach by Buyer of the covenants contained in this Agreement.

ARTICLE XII.

INDEMNIFICATION

SECTION 12.1. Survival

All representations and warranties of Seller and Buyer contained herein or made pursuant hereto shall survive the Closing Date and shall remain operative and in full force and effect for a period of twelve (12) months following the Closing Date (the “Expiration Date”). Notwithstanding anything herein to the contrary, any breach of a representation or warranty that is the subject of a claim that is asserted in writing prior to the Expiration Date shall survive with respect to such claim or any dispute with respect thereto until the final resolution thereof. All covenants contained herein shall survive the Closing in accordance with their respective terms or, if not specified, indefinitely.

SECTION 12.2. Indemnification by Seller

(a) Subject to Section 12.4, Seller hereby agrees that from and after the Closing Date, Seller shall indemnify Buyer and its Affiliates and their respective officers, directors and employees (the “Buyer Indemnified Parties”) against, and hold them harmless from, and pay and reimburse such Buyer Indemnified Parties for, any Losses to the extent such Losses arise from the following:

- (i) any breach by Seller of any representation or warranty made by it contained in this Agreement;
- (ii) any breach by Seller of any of its covenants, agreements or obligations contained in this Agreement; and
- (iii) any and all Excluded Assets and/or Excluded Liabilities.

SECTION 12.3. Indemnification by Buyer

(a) Subject to Section 12.4 hereof, Buyer hereby agrees that from and after the Closing Date, Buyer shall indemnify Seller and its Affiliates and their respective officers, directors and employees (the “Seller Indemnified Parties”) against, and hold them harmless from, and pay and reimburse such Seller Indemnified Parties for, any Losses to the extent such Losses arise from the following:

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- (i) any breach by Buyer of any representation or warranty made by it contained in this Agreement;
- (ii) any breach by Buyer of any of its covenants, agreements or obligations contained in this Agreement; and
- (iii) any and all Assumed Liabilities.

Buyer Indemnified Parties and Seller Indemnified Parties are sometimes referred to herein as “Indemnified Parties”.

SECTION 12.4. Limitations

(a) The amount of any Losses for which either Seller or Buyer, as the case may be, is liable shall be reduced by (i) the amount of any insurance proceeds actually paid to the Buyer Indemnified Party and the Seller Indemnified Party, as applicable, and (ii) the aggregate amount actually recovered under any Assigned Contract (if applicable) or any other indemnity agreement, contribution agreement, or other Contract between any of the Indemnified Parties, on the one hand, and any third Person, on the other hand, with respect to such Losses.

(b) Notwithstanding the other provisions of this Article XII, Seller shall not have any indemnification obligations for any individual Losses arising from or in connection with Section 12.2(a)(i) unless and until the aggregate amount of all such Losses exceed \$1,675,000 together with the amount of all such Losses under the Other Acquisition Agreement (the “Deductible”), in which event Seller shall be required to pay the full amount of such Losses to the extent exceeding the Deductible, but only up to a maximum aggregate amount with respect to this Agreement of \$33,500,000 together with the Other Acquisition Agreement (the “Cap”); provided, that with respect to any claim to which any Buyer Indemnified Party may be entitled to indemnification under Section 12.2, Seller shall not be liable for any individual or series of related Losses which do not exceed \$50,000 and any Losses with respect thereto shall not be included in Losses for purposes of determining the Deductible or the Cap.

(c) In no event shall either party or any of its Affiliates be liable by reason of any breach of any representation, warranty, condition or other term of this Agreement or any duty of common law, for any punitive loss or damage and each party hereto agrees that it shall not make any such claim; provided that the foregoing does not limit any of the obligations or liability of either party or its Affiliates under Sections 12.2 and 12.3 with respect to claims of unrelated third parties.

(d) Neither Seller nor Buyer shall have any Liability under this Agreement in respect of any Loss if such Loss would not have arisen but for (i) a change in legislation or accounting policies after the Closing or (ii) a change in any Law after the Closing or a change in the interpretation of any Law after the Closing as determined by a Governmental Entity.

(e) For purposes of determining whether a breach of a representation or warranty has occurred for which indemnification is provided under this Article XII and for calculating the amount of Losses indemnifiable hereunder, any materiality, Material Adverse Effect or similar qualifications in such representation or warranty shall be disregarded.

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(f) Except for claims based on fraud, the right of the Buyer Indemnified Parties and the Seller Indemnified Parties under this Article XII shall be the sole and exclusive monetary remedy of the Buyer Indemnified Parties and the Seller Indemnified Parties, as the case may be, with respect to matters covered hereunder, including, but not limited to, claims relating to the Products, the Transferred Assets or Product Technology, Assumed Liabilities or Excluded Liabilities and no Indemnified Party shall have any other cause of action or remedy at Law in equity for breach of contract, rescission, tort, or otherwise against the other party arising under or in connection with this Agreement and the matters and transactions contemplated hereby. Without limiting the generality of the preceding sentence, except in the case of specific performance and for claims based on fraud, no legal action sounding in contribution, tort, or strict liability (in each case, other than claims made or contemplated by this Article XII) may be maintained by an Indemnified Party, or any of its officers, directors, other governing bodies, employees, equityholders, owners, Affiliates, representatives, agents, successors, or assigns, against the Seller or Buyer or any of their Affiliates with respect to any matter that is the subject of this Article XII, and Buyer and Seller, for themselves and the other Indemnified Parties and each of their respective officers, directors, other governing bodies, employees, equityholders, owners, Affiliates, representatives, agents, successors, and assigns, hereby waive any and all statutory rights of contribution or indemnification (other than rights of indemnification hereunder) that any of them might otherwise be entitled to under any Law with respect to any matter that is the subject of this Article XII.

SECTION 12.5. Procedure

(a) In order for an Indemnified Party to be entitled to any indemnification provided for under this Agreement, such Indemnified Party will, within a reasonable period of time following the discovery of the matters giving rise to any Losses, notify the indemnifying party under this Article XII (the “Indemnifying Party”) in writing of its claim for indemnification for such Losses, specifying in reasonable detail the nature of such Losses and the amount of the liability estimated to accrue therefrom; provided, however, that failure to give such notification will not affect the indemnification provided hereunder, except to the extent the Indemnifying Party will have been actually prejudiced as a result of such failure. Thereafter, the Indemnified Party will deliver to the Indemnifying Party, within a reasonable period of time after the Indemnified Party’s receipt of such request, all information and documentation reasonably requested by the Indemnifying Party with respect to such Losses.

(b) If the indemnification sought pursuant hereto involves a claim made by a third party against the Indemnified Party (a “Third Party Claim”), the Indemnifying Party will be entitled to assume the defense of such Third Party Claim at its own expense with counsel selected by the Indemnifying Party. Should the Indemnifying Party so elect to assume the defense of a Third Party Claim, the Indemnifying Party will not be liable to the Indemnified Party for any legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. If the Indemnifying Party assumes such defense, the Indemnified Party will have the right to participate in the defense thereof and to employ counsel, at its own expense (which expense shall not constitute a Loss), separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party will control such defense (provided, that, if in the reasonable opinion of counsel of the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those

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available to the Indemnifying Party, or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party). The Indemnifying Party will be liable for the reasonable and documented fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party has not assumed the defense thereof (other than during any period in which the Indemnified Party will have failed to give notice of the Third Party Claim as provided above). If the Indemnifying Party chooses to defend or prosecute a Third Party Claim, all of the parties hereto will cooperate in the defense or prosecution thereof. Such cooperation will include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. If the Indemnifying Party chooses to defend or prosecute any Third Party Claim, it will defend or prosecute it diligently and the Indemnifying Party will obtain the prior written consent of the Indemnified Party (not to be unreasonably withheld) before entering into any settlement, compromise or discharge of such Third Party Claim if (i) such settlement, compromise or discharge does not relate solely to monetary damages, (ii) such settlement, compromise or discharge does not expressly, unconditionally and completely release the Indemnified Party from all Losses and liabilities with respect to such Third Party Claim and (iii) the Indemnifying Party is not directly paying the full amount of the Losses in connection with such Third Party Claim. Whether or not the Indemnifying Party will have assumed the defense of a Third Party Claim, the Indemnified Party will not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent (not to be unreasonably withheld).

(c) If an indemnification payment is received by Buyer Indemnified Party or Seller Indemnified Party, as applicable, and such Indemnified Party later receives insurance proceeds in respect of the related Losses or other recoveries under Section 12.4(a)(ii) above that were not previously credited against such indemnification payment when made, such Indemnified Party shall promptly pay to the Indemnifying Party, an amount equal to the lesser of (A) such insurance proceeds or other recoveries, with respect to such Losses and (B) the net indemnification payment previously paid by such Indemnifying Party with respect to such Losses. Each Indemnified Party shall use commercially reasonable efforts to collect amounts available under available insurance coverage and promptly and diligently pursue such claims relating to any Losses for which it is seeking indemnification.

(d) Each Indemnified Party shall take, and shall cause its Affiliates to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would reasonably be expected to, or such Indemnified Party believes does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Loss; provided, that such failure to use such efforts in accordance with the foregoing shall not relieve the Indemnifying Party of its indemnification obligations under this Article XII except and only to the extent that the Indemnifying Party is actually prejudiced thereby.

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ARTICLE XIII.

GENERAL PROVISIONS

SECTION 13.1. Expenses

Except as otherwise specified in this Agreement and the Ancillary Agreements, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses, whether or not the Closing will have occurred. For the avoidance of doubt, Buyer will not have any obligation to make any payment in respect of the initial Firm Order (as defined in the Supply Agreement) if this Agreement is terminated prior to the Closing Date.

SECTION 13.2. Further Assurances and Actions

Each of the parties hereto, upon the request of the other party hereto, whether before or after the Closing and without further consideration, will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary to effect complete consummation of the transactions contemplated by this Agreement. Seller and Buyer agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary in order to consummate or implement expeditiously the transactions contemplated by this Agreement. From and after the Closing, each of the parties shall cooperate and use their respective commercially reasonable efforts to take, or cause to be taken, all appropriate action, and do, or cause to be done, and assist and cooperate with the other parties in doing, all things reasonably requested by the other party hereto with respect to the transactions contemplated hereby.

SECTION 13.3. Notices

All notices and other communications required or permitted to be given or made pursuant to this Agreement shall be in writing signed by the sender and shall be deemed duly given (a) on the date delivered, if personally delivered, (b) on the date sent by telecopier with automatic confirmation by the transmitting machine showing the proper number of pages were transmitted without error, (c) on the Business Day after being sent by Federal Express or another recognized overnight mail service which utilizes a written form of receipt for next day or next Business Day delivery or (d) two (2) Business Days after mailing, if mailed by U.S. postage-prepaid certified or registered mail, return receipt requested, in each case addressed to the applicable party at the address set forth below; provided that a party may change its address for receiving notice by the proper giving of notice hereunder:

if to Seller, to:

Teva Pharmaceutical Industries Ltd.
5 Basel Street
P.O.B. 3190
Petach Tikvah, Israel
Attention: [***]
Email: [***]

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and

Teva Pharmaceuticals USA, Inc.
425 Privet Road
PO Box 1005
Horsham, PA 19044 U.S.A.
Attention: General Counsel
Fax: [***]

With a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Daniel E. Wolf
Facsimile: (212) 446-6460

and

Kirkland & Ellis LLP
655 Fifteenth Street, N.W.
Washington, D.C. 20005
Attention: Mark Kovner
Facsimile: (202) 654-9402

if to Buyer, to:

Dr. Reddy's Laboratories S.A.
Elisabethenanlage 11
4051 Basel, Switzerland
Attention: [***]
Facsimile: [***]

With a copy (which shall not constitute notice) to:

Linklaters LLP
1345 Avenue of the Americas
New York, NY 10105
Attention: Peter Cohen-Millstein
Facsimile: (212) 903-9100

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SECTION 13.4. Headings

The table of contents and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

SECTION 13.5. Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

SECTION 13.6. Counterparts

This Agreement may be executed in one or more counterparts, all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto, in person or by facsimile or electronic image scan, receipt acknowledged in each case, it being understood that all parties hereto need not sign the same counterpart.

SECTION 13.7. Entire Agreement; No Third-Party Beneficiaries

This Agreement and the Exhibits and Schedules hereto constitute the entire agreement and supersede all prior agreements and understandings, both written and oral (including any letter of intent, memorandum of understanding or term sheet), between or among the parties hereto with respect to the subject matter hereof. Except as specifically provided herein, this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

SECTION 13.8. Governing Law

This Agreement and any and all matters arising directly or indirectly herefrom shall be governed by and construed and enforced in accordance with the Laws of the State of New York, U.S.A. applicable to agreements made and to be performed entirely in such State.

SECTION 13.9. Jurisdiction, Venue, Service of Process, WAIVER OF JURY TRIAL

(a) Buyer and Seller agree to irrevocably submit to the exclusive jurisdiction of (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, U.S.A., for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each party agrees to commence any such action, suit or proceeding either in the United States District Court for the Southern District of New York, U.S.A. or, if such suit, action or other proceeding may

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not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. Each party further agrees that service of any process, summons, notice or document by U.S. registered mail or recognized international courier service to such party's respective address set forth in Section 13.3 shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Agreement. Each party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, U.S.A.

(b) THE BUYER AND THE SELLER HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (I) ARISING UNDER THIS AGREEMENT OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. THE PARTIES TO THIS AGREEMENT EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

SECTION 13.10. Specific Performance

The parties hereto agree that irreparable damage may occur in the event any provision of this Agreement were not performed in accordance with its terms and that the parties hereto will be entitled to seek specific performance of such terms, in addition to any other remedy at Law or in equity, without the necessity of demonstrating the inadequacy of monetary damages and without the posting of a bond.

SECTION 13.11. Allergan

Notwithstanding anything to the contrary contained herein, Buyer, on behalf of itself and its Affiliates acknowledges that neither Allergan nor any of its Affiliates shall have any Liability under this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby, including, but not limited to, any dispute related to, or arising from, the Transferred Assets.

SECTION 13.12. Publicity

Neither party will make any public announcement concerning, or otherwise publicly disclose, any information with respect to the transactions contemplated by this Agreement or any of the terms and conditions hereof without the prior written consent of the other parties hereto, which consent will not be unreasonably withheld. Notwithstanding the foregoing, either party may make any public disclosure concerning the transactions contemplated hereby that in the

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view of such party's counsel may be required by Law or the rules of any stock exchange on which such party's or its Affiliates' securities trade; provided, however, the party making such disclosure will provide the non-disclosing party with a copy of the intended disclosure reasonably, and to the extent practicable, prior to public dissemination, and the parties hereto will coordinate with one another regarding the timing, form and content of such disclosure.

SECTION 13.13. Assignment

Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party; provided, however, that after the Closing Date either party may assign its rights and obligations under this Agreement (including without limitation the Licenses and the covenant not to sue contained in Section 2.5), without the prior written consent of the other party, to an Affiliate or to a successor of the assigning party by reason of merger, sale of all or substantially all of its assets or portion of its business which relates to a Product or any number of the Products, or any similar transaction. Any permitted assignee or successor-in-interest will assume all obligations of its assignor under this Agreement. No assignment will relieve either party of its responsibility for the performance of any obligation, including indemnification obligations. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

TEVA PHARMACEUTICAL INDUSTRIES LTD.

By: /s/ Dror Bashan

Name: Dror Bashan

Title: SVP, Head of M&A

Global BD

Teva Pharmaceuticals Industries

6/6/16

By: /s/ Eyal Desheh

Name: Eyal Desheh

Title: Executive Vice President

Chief Financial Officer

[Signature page to the Teva Asset Purchase Agreement]

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IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

DR. REDDY'S LABORATORIES S.A.

By: /s/ Sameer Natu
Name: Sameer Natu
Title: Sr Director

By: /s/ Rujul A. Pandya
Name: Rujul Pandya
Title: Director

[Signature page to the Teva Asset Purchase Agreement]

EXHIBIT D

Supply Agreement

(see attached)

Exhibits and Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that we may request, pursuant to applicable rules, confidential treatment for any schedule or exhibit so furnished.

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EXECUTION VERSION

SUPPLY AGREEMENT

BETWEEN

TEVA PHARMACEUTICAL INDUSTRIES LTD.

AND

DR. REDDY'S LABORATORIES S.A.

DATED AS OF

JUNE 10, 2016

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SUPPLY AGREEMENT

This Supply Agreement (this "Supply Agreement"), dated as of June 10, 2016, by and between Dr. Reddy's Laboratories S.A., a company organized under the laws of Switzerland ("Buyer"), and Teva Pharmaceutical Industries Ltd., an Israeli corporation, acting directly or through its Affiliates ("Teva" or the "Manufacturer").

WITNESSETH:

WHEREAS, the United States Federal Trade Commission ("FTC") Staff has raised the concern that the proposed acquisition (the "Proposed Allergan Transaction") of certain businesses and assets of Allergan plc ("Allergan") by Teva pursuant to that Master Purchase Agreement dated as of July 26, 2015, by and between Allergan and Teva, as it may be amended from time to time (the "Master Purchase Agreement"), may produce anti-competitive effects in the alleged relevant product market(s) in the United States for the generic pharmaceutical pipeline products listed on Schedule 6.1 (as such products are more specifically identified in this Supply Agreement), which would not be in the public interest, including, but not limited to, by eliminating competition between Teva and Allergan;

WHEREAS, in order to resolve the concerns raised by the FTC Staff in these alleged product markets in the United States, Teva has agreed to divest certain assets relating to these products to Buyer, to permit Buyer to replace the lost competition by manufacturing, marketing and selling the generic products referred to above into the respective alleged product markets;

WHEREAS, pursuant to that certain Asset Purchase Agreement, dated as of the date hereof, by and between Buyer and the Manufacturer (the "Asset Purchase Agreement"), Buyer purchased certain assets relating to the Supply Products (the "Acquisition");

WHEREAS, in connection with the Acquisition, Buyer desires to engage the Manufacturer to manufacture and/or supply the Supply Products to Buyer on a transitional basis, and to provide Buyer with ample opportunity to establish its own Manufacturing capabilities, whether directly or through a third party, upon the terms and subject to the conditions set forth herein;

WHEREAS, the Manufacturer wishes to manufacture and/or supply the Supply Products to Buyer upon the terms and subject to the conditions set forth herein; and

WHEREAS, the FTC has or is about to issue an Order governing the scope, nature, extent and requirements of this Supply Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:

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ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Any capitalized terms or any other terms specifically defined in the Asset Purchase Agreement and used herein will have the meaning ascribed to them in the Asset Purchase Agreement, unless otherwise expressly set forth below or herein. As used herein the words “including” or “includes” shall be deemed to mean “including, without limitation,” or “includes, without limitation”.

As used in this Supply Agreement, the following terms will have the meanings ascribed to them below:

- (a) “[***] Customers” means [***]
- (b) “Acquisition” has the meaning set forth in the recitals.
- (c) “Actual Manufacturing Costs” has the meaning set forth in Section 6.1.
- (d) “Allergan” has the meaning set forth in the recitals.
- (e) “ANDA” means the abbreviated new drug application for each Supply Product as approved by the FDA.
- (f) “API” means active pharmaceutical ingredient.
- (g) “Asset Purchase Agreement” has the meaning set forth in the recitals.
- (h) “Buyer” has the meaning set forth in the preamble.
- (i) “Buyer Taxes” has the meaning set forth in Section 6.4.
- (j) “Buyer Trademark” has the meaning set forth in Section 11.1.
- (k) “cGMP Requirements” means the FDA’s current good manufacturing practice requirements as promulgated under the FFDCa at 21 C.F.R. (parts 11, 210 and 211), and as further defined by FDA guidance documents, as such may be amended from time to time.
- (l) “COA” has the meaning set forth in Section 3.3(b).
- (m) “COC” has the meaning set forth in Section 3.3(b).
- (n) “Capped Product” means each of the following Supply Products: Phentermine HCl/Topiramate ER Capsules (generic Qsymia) or Metformin HCl/Saxagliptin ER Tablets (generic Kombiglyze XR).

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(o) “Commercial Viability” means the successful validation and qualification of a Supply Product and the receipt of all necessary approvals with respect to the commercial launch of such Supply Product.

(p) “End Date” means (a) with respect to Phentermine HCl/Topiramate ER Capsules (generic Qsymia), [***], and (b) with respect to Metformin HCl/Saxagliptin ER Tablets (generic Kombiglyze XR), [***].

(q) “FFDCA” means the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §§ 301 et seq., as amended.

(r) “Firm Order” has the meaning set forth in Section 3.2(a).

(s) [***]

(t) “Force Majeure” has the meaning set forth in Section 8.1.

(u) “Forecast” has the meaning set forth in Section 3.1.

(v) “Forms” has the meaning set forth in Section 12.6.

(w) “FTC” has the meaning set forth in the recitals.

(x) “FTC Interim Monitor” means the monitor appointed by the FTC pursuant to the Decision and Order in *In the Matter of Teva Pharmaceutical Industries Ltd.* in 2016 relating to the Proposed Allergan Transaction.

(y) “Generic Product” has the meaning set forth in Section 3.2(e).

(z) “Initial Term” has the meaning set forth in Section 7.1.

(aa) “Manufacturer” has the meaning set forth in the preamble.

(bb) “Manufacturing” or “Manufactured” means the manufacture and packaging of Supply Products, including, without limitation, mix, fill and finish.

(cc) “Master Purchase Agreement” has the meaning set forth in the recitals.

(dd) [***]

(ee) “Party” or “Parties” means the Manufacturer and/or Buyer, as applicable.

(ff) “Proposed Allergan Transaction” has the meaning set forth in the recitals.

(gg) “Purchase Order Date” has the meaning set forth in Section 3.2(a).

(hh) “Quality Agreement” has the meaning set forth in Section 5.6.

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(ii) [***]

(jj) “Reference Product” means the reference listed drug product for the relevant Supply Product.

(kk) “Select Pipeline Product” means each of the following Supply Products: Ethinyl Estradiol/Etonogestrel (generic NuvaRing) and Phentermine HCl/Topiramate ER Capsules (generic Qsymia).

(ll) “Specifications” means the requirements and standards for the Supply Products as required by applicable Law, the relevant ANDA and cGMP Requirements, as may be amended or supplemented (a) in accordance with this Supply Agreement or the Quality Agreement, (b) as required by applicable Law, the relevant ANDA (as may be amended or supplemented) or cGMP Requirements, or (c) by the mutual written agreement of the parties.

(mm) “Successful Product Technology Transfer” has the meaning set forth in Section 7.1.

(nn) “Supply Agreement” has the meaning set forth in the preamble.

(oo) “Supply Failure” means, except in the event of a Force Majeure, the inability of Manufacturer to supply at least [***] percent ([***]%) of ordered quantities of Supply Product to Buyer for a period of at least [***] following the confirmed delivery date set forth in a Firm Order.

(pp) “Supply Products” means the pharmaceutical Supply Products listed on Schedule 6.1 that are to be supplied by the Manufacturer to Buyer hereunder.

(qq) “Term” has the meaning set forth in Section 7.1.

(rr) “Teva” has the meaning set forth in the recitals.

(ss) “Transfer Prices” means the amount(s) to be paid by Buyer to the Manufacturer pursuant to Section 6.1 and as may be adjusted from time to time pursuant to Section 6.2.

Section 1.2 Incorporation by Reference and Supremacy of FTC Order.

(a) Incorporation of FTC Order. The Parties hereby agree and acknowledge that the terms and provisions of the Order of the FTC shall govern this Supply Agreement. The terms and provisions of the Order that pertain to this Supply Agreement are hereby deemed incorporated by reference into this Supply Agreement.

(b) Supremacy of FTC Order. To the extent that any term or provision of this Supply Agreement conflicts with any corresponding term or provision of the Order, the Parties hereby agree that the terms or provisions of the Order shall control the rights and obligations of the Parties.

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(c) Supremacy of Certain Terms and Provisions of this Supply Agreement. Notwithstanding the application of Section 1.2 (b), the Parties hereby agree that to the extent that any terms or provisions of this Supply Agreement do not conflict with the Order, but confer greater rights or benefits to Buyer, or more greatly obligate the Manufacturer, than the corresponding terms or provisions of the Order, then the terms or provisions of this Supply Agreement shall control the rights and obligations of the Parties.

ARTICLE II

MANUFACTURE AND SALE OF SUPPLY PRODUCTS

Section 2.1 Engagement. During the Term and upon the terms and subject to the conditions set forth herein, Buyer hereby agrees to purchase from Manufacturer and the Manufacturer agrees to supply the Supply Products to Buyer for sale by Buyer in the Territory. The Manufacturer shall have the right to subcontract its obligations under this Supply Agreement to a third party; provided, however that the Manufacturer shall be responsible for all the acts and omissions of the subcontractor and no subcontract shall release the Manufacturer from its responsibility for its obligations under this Agreement.

Section 2.2 Sale and Distribution. Buyer will sell the Supply Products only in the Territory and will not directly or indirectly sell or otherwise distribute the Supply Products outside of the Territory. Buyer shall have the sole and exclusive right to determine all terms and conditions of sale by it of the Supply Products.

Section 2.3 Packaging and Labeling. Supply Products and all labeling and packaging used in connection therewith shall include the appropriate product trademarks associated with any specific Supply Product, in the manner and to the extent specified in the Specifications. Buyer will be responsible for ensuring the accuracy of all information contained on all labels for Supply Products and for the compliance of all such labels with applicable Governmental Rules. The Manufacturer will, or will cause its contractors to, supply all packaging and labels for Supply Products under this Supply Agreement. Such packaging and labels will be in accordance with the Specifications. The Manufacturer will make any changes to labeling and packaging Specifications required in writing by Buyer, at Buyer's sole cost and expense, within a reasonable timeframe to be agreed upon in writing by both Parties. Buyer will be responsible for submitting any such changes to all applicable Governmental Entities for approval, and, if required, the Manufacturer shall provide all support and documents reasonably necessary in this regard.

Section 2.4 Facility Maintenance; Inspection; Reports.

(a) The Manufacturer shall, at all times, maintain and operate, or cause its contractors to maintain and operate, all facilities where Supply Products are Manufactured, packaged, tested, stored, warehoused or shipped, and implement such quality control procedures, as is reasonably required so as to be able to perform its obligations hereunder in accordance with all applicable Governmental Rules, including, without limitation, the cGMP Requirements. Not more than [***] (or more often for follow-up audits or inspections directed at significant or critical quality issues observed during the regular audit or brought to

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Buyer's attention through customer complaints or claims or by Governmental Entities), the Manufacturer shall permit, or cause its contractors to permit, quality assurance representatives of Buyer or designated third parties to inspect such facilities, operations, documents, and records related to the handling, manufacture, testing, inspection, packaging, storage, disposal and transportation of the Supply Products by the Manufacturer or the applicable contractor upon reasonable notice (which shall not be less than [***]), during normal business hours and on a confidential basis. The Manufacturer shall also permit, and cause its contractors to permit, representatives of the FDA to inspect such facilities as requested by the FDA. The Manufacturer shall promptly provide, or cause its contractor to provide, Buyer with a copy of any FDA Form 483s received at the conclusion of an inspection relating to any Supply Product or any facility where any Supply Product is Manufactured (to the extent the observation affects the manufacture of the Supply Product).

(b) The Manufacturer shall maintain adequate and accurate records consistent with the applicable Specifications, including records covering quality control testing and release of the Supply Products and all other Manufacturing services provided hereunder in material compliance with the cGMP Requirements and any other relevant Governmental Rules, at all times during the performance of the Manufacturing services and for a period as required by Governmental Rules.

(c) The Manufacturer shall promptly notify Buyer of any FDA inspection of the Manufacturing facilities, as far in advance as reasonably possible (but in any event no later than [***] after such inspection) if such inspection pertains to any Supply Product and, in such case, shall make all such records available to the FDA as required by applicable Governmental Rules. The Manufacturer shall promptly notify Buyer of any such disclosure and shall provide copies of any records made available to FDA, but only if and to the extent the same relate to the Supply Products and the Manufacturer's obligations hereunder (redacted as appropriate to reflect any confidential information of the Manufacturer and its other customers); provided that any such disclosure shall be for this limited purpose and Buyer shall hold such information in confidence, and may not share any such information with any third parties except as required by a Governmental Entity or by Governmental Rules.

(d) Subject to the foregoing record maintenance requirement and only with respect to any Supply Product that is supplied by the Manufacturer pursuant to an ANDA that is not a retained ANDA, the Manufacturer shall notify Buyer before destroying any records developed under this Supply Agreement and maintained in accordance with Section 2.4(b). In such case, Buyer shall have the option of having the records shipped to Buyer in accordance with Buyer's reasonable instructions and at Buyer's sole cost and expense. Buyer shall also have the option, at any time not later than [***] after the termination date of this Supply Agreement, of having one copy of any records developed under this Supply Agreement shipped to Buyer in accordance with Buyer's reasonable instructions and at Buyer's sole cost and expense.

Section 2.5 Adverse Events. Prior to the Closing Date, the Parties shall each assign a representative to negotiate in good faith and agree on a process and procedure for sharing adverse event information which shall be documented in a pharmacovigilance agreement which the Parties shall use commercially reasonable efforts to agree upon and execute prior to the

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Closing Date, but in any event no later than [***] from the Closing Date. Pending adoption of such agreement, the Parties shall implement a transition plan for exchange of any and all information concerning adverse events related to use of the Supply Products regardless of source, and the Parties shall ensure compliance with legal requirements.

ARTICLE III

FORECASTS, ORDERS AND SHIPMENT

Section 3.1 Forecasts. In order to assist in the planning of production runs for the Supply Products, Buyer will, within [***] following the Closing Date, provide the Manufacturer with a non-binding written forecast of estimated quantities of Supply Product that Buyer anticipates ordering from the Manufacturer during the next [***] period (the “Forecast”). This initial Forecast will be updated monthly on a rolling [***] basis and such updated Forecast will be promptly delivered to the Manufacturer by Buyer; provided that, in any updated Forecast, Buyer may not [***]. Buyer will forecast in amounts comprising full batch quantities, as such quantities are set forth on Schedule 6.1. Each Forecast will be made by Buyer in good faith, taking into account reasonable projections of demand for the Supply Products including, without limitation, demand in line with prescription trends, and allowing for reasonable safety stock. The Manufacturer shall use its commercially reasonable efforts to ensure sufficient Manufacturing capacity to meet the Forecast.

Section 3.2 Orders.

(a) Buyer will place firm purchase orders (“Firm Orders”) for Supply Products in writing for delivery at least [***] after the Purchase Order Date. The Manufacturer shall accept or reject each Firm Order in writing within [***] after its receipt of each order, and may only reject a Firm Order that [***]. Each Firm Order will specifically refer to this Supply Agreement and will specify the quantity and description of each Supply Product ordered, the requested delivery date (which delivery dates will not be on a Saturday, Sunday or holiday), the delivery address, the transportation method and carrier and any special instructions requested; provided that [***]. The minimum size of any order placed by Buyer will be a full batch in accordance with Schedule 6.1 hereto and larger orders shall be whole number multiples of a batch, except with the advance approval of the Manufacturer. The Supply Products set forth in Firm Orders will be delivered to such location as Buyer designates in writing to the Manufacturer from time to time.

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The date an order will be deemed placed (the “Purchase Order Date”) will be the date that the Manufacturer actually receives the purchase order form. Buyer will be fully responsible for any changes to a Firm Order. Orders will be deemed accepted by the Manufacturer unless the Manufacturer provides notification of rejection to Buyer within [***] of receipt of the Firm Order. In the event that a Firm Order is rejected, the Manufacturer shall provide to Buyer the reasons for rejection in writing and the Manufacturer and Buyer will cooperate in good faith to promptly resolve any issues raised by such order. The Manufacturer shall use commercially reasonable efforts to timely supply any Supply Products in accordance with the resolution of a rejected Firm Order.

(b) The Manufacturer will supply the Supply Products in accordance with each Firm Order placed pursuant to the terms of this Supply Agreement by Buyer and accepted by the Manufacturer including the quantities and delivery dates requested in each Firm Order. Each Firm Order will set forth a delivery date, not less than [***] after the date of such order. Consistent with the terms of the Order, the Manufacturer shall take all reasonably necessary actions to ensure fulfillment of any Firm Order without interruption or delay. In the event delivery of Supply Products pursuant to a Firm Order will be delayed, the Manufacturer will promptly notify Buyer in writing and if delayed by more than [***], Buyer will be entitled to revise its Forecasts and reschedule orders under Section 3.1 and this Section 3.2 to address such delay in a reasonable manner without penalty of any kind whatsoever; provided, however, that any revision shall not be deemed a waiver by Buyer of any claim for a breach of this Section 3.2(b) by the Manufacturer.

(c) Notwithstanding any other provisions to the contrary herein or in the Asset Purchase Agreement, the Manufacturer in its sole discretion may supply or cause its Affiliate to supply Buyer with the Supply Products listed on Schedule 6.1 from a facility approved as a Manufacturing site under the applicable ANDA retained by the Manufacturer or an Affiliate, and the Parties shall cooperate with each other to effectuate any changes to the labeling, packaging or ANDA that may be required due to such fulfillment from the alternate Manufacturing site.

(d) The terms of this Supply Agreement shall prevail over any conflicting, inconsistent or additional terms set forth in any Firm Order.

(e) In the event that the Manufacturer is unable to, or fails to, fulfill any Firm Order placed in connection with or following the launch of a Supply Product, [***].

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Section 3.3 Delivery.

(a) All Supply Products shipped under this Supply Agreement will be shipped EXW (Incoterms 2010) the Manufacturer's facility or, if applicable, the designated facility of its contract manufacturer to such location designated by Buyer in the applicable Firm Order. Buyer will pay all freight, insurance charges, taxes, import and export duties, inspection fees and other charges applicable to the sale and transport of Supply Products purchased by Buyer. Title and risk of loss and damages to Supply Products purchased by Buyer will pass to Buyer upon delivery to the carrier. In the event of damage or loss to the Supply Products after delivery to the carrier, Buyer will be responsible to file claims with the carrier. The Manufacturer shall notify Buyer of the following information concurrently with each shipment of Supply Product: (i) date of shipment, (ii) quantity and type of Supply Product shipped, and (iii) order number or other identifying information.

(b) The Manufacturer shall perform quality assurance testing with respect to the Supply Products sold hereunder, including stability testing, so that the Supply Products conform with the Specifications. With each shipment of Supply Products to Buyer, the Manufacturer shall provide Buyer with a Certificate of Analysis ("COA") and a Certificate of Compliance ("COC") confirming that the Supply Products in such shipment have been tested in accordance with the ANDAs and meet the Supply Products Specifications. The results of such testing shall accompany each COA. In addition, with each shipment of Supply Products to Buyer, the Manufacturer shall provide to Buyer a COC confirming that the Supply Products in such shipment have been manufactured in accordance with all of the requirements of the Agreement and the ANDA, in all material respects. Any deviations and investigations related to such Supply Products shall be completed in compliance with applicable ANDA, cGMP Requirements and the Quality Agreement (as defined in Section 5.6 hereof).

(c) Buyer represents and warrants that it will not ship Supply Product prior to the Closing Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties of the Manufacturer.

The Manufacturer hereby represents and warrants to Buyer as follows:

(a) Supply Product Compliance. All Supply Products delivered pursuant to this Agreement by the Manufacturer (or any sub-contractor thereof) to Buyer or its designee during the Term will at shipment be in compliance in all material respects with this Supply Agreement, the Specifications, the Quality Agreement and applicable Governmental Rules, including the cGMP Requirements, and the Manufacturing of such Supply Products will have been in accordance with this Supply Agreement, the Specifications and cGMP Requirements. At the time the Manufacturer makes Supply Product available for pick-up by Buyer (or Buyer's carrier), the Supply Products shall: (i) not be adulterated or misbranded within the meaning of the FDCA or within the meaning of any applicable state or municipal law in which the

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definitions of adulteration and misbranding are substantially the same as those contained in the FFDCa, as such FFDCa and such laws are constituted and in effect at the time of delivery; (ii) not be an article that may not be introduced into interstate commerce under the provisions of Sections 404 and 505 of the FFDCa; and (iii) have a shelf life that is not more than six (6) months into the product expiration.

(b) Authorization. This Supply Agreement has been duly executed and delivered by the Manufacturer and, assuming due execution and delivery by Buyer, constitutes a valid and binding obligation, enforceable against the Manufacturer in accordance with its terms, except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Supply Agreement have been duly authorized by all necessary action on the part of the Manufacturer and its respective officers and directors.

(c) No Encumbrance. Title to all Supply Products supplied to Buyer hereunder shall pass to Buyer as provided herein free and clear of all Encumbrances, other than Permitted Encumbrances.

(d) Absence of Conflicts. The execution, delivery and performance of this Supply Agreement by the Manufacturer does not conflict with or constitute a default under any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, does not conflict with any provision of any of its organizational documents and does not conflict with or violate any Governmental Rule or court order or decree. No consent of, or registration, declaration or filing with, any Governmental Entity is required to be obtained or made by or with respect to Manufacturer in connection with the execution, delivery and performance of this Supply Agreement, other than such consents, registrations, declarations or filings (i) that are required to be obtained under the Order and (ii) the failure of which to obtain or make would not reasonably be expected to have a material adverse effect on the ability of Manufacturer to perform its obligations under this Supply Agreement; except for receipt of FDA approval of any Product ANDA related to a Product that has not been approved by the FDA as of the Closing Date.

(e) Organization and Standing. The Manufacturer is a corporation, duly organized, validly existing and in good standing under the laws of Israel.

(f) Power and Authority. The Manufacturer has the corporate power and authority to execute, deliver and perform this Supply Agreement and to consummate the transactions contemplated hereby.

(g) Compliance With Law. The Manufacturer has and will maintain throughout the Term of this Agreement all permits, licenses, registrations and other forms of governmental authorization and approval as required by law in order for the Manufacturer to execute and deliver this Agreement and to perform its obligations hereunder in accordance with all applicable laws.

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(h) No Debarment. The Manufacturer is not debarred and has not and will not use in any capacity the services of any person debarred under subsection 306(a) or (b) of the Generic Drug Enforcement Act of 1992. If at any time this representation and warranty is no longer accurate, the Manufacturer shall promptly notify Buyer of such fact.

(i) No Enforcement Actions. There are no pending or, to the Knowledge of the Manufacturer, threatened enforcement actions, recalls, withdrawals or notices of health or safety risks to or from the FDA or other federal, state or foreign Governmental Entity which has jurisdiction over the Manufacturer's operations which relate to the Supply Products.

Section 4.2 Representations and Warranties of Buyer.

Buyer hereby represents and warrants to the Manufacturer as follows:

(a) Authorization. This Supply Agreement has been duly executed and delivered by Buyer and, assuming due execution and delivery by the Manufacturer, constitutes a valid and binding obligation, enforceable against Buyer in accordance with its terms, except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Supply Agreement have been duly authorized by all necessary action on the part of Buyer and its respective officers and directors.

(b) Absence of Conflicts. The execution, delivery and performance of this Supply Agreement by Buyer does not conflict with or constitute a default under any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, does not conflict with any provision of any organizational documents of Buyer and does not conflict with or violate any Governmental Rule or court order or decree. No consent of, or registration, declaration or filing with, any Governmental Entity is required to be obtained or made by or with respect to Buyer in connection with the execution, delivery and performance of this Supply Agreement, other than such consents, registrations, declarations or filings (i) that are required to be obtained under the Order and (ii) the failure of which to obtain or make would not reasonably be expected to have a material adverse effect on the ability of Buyer to perform its obligations under this Supply Agreement.

(c) Organization and Standing. Buyer is a corporation, duly organized, validly existing and in good standing under the laws of Switzerland.

(d) Power and Authority. Buyer has the corporate power and authority to execute, deliver and perform this Supply Agreement and to consummate the transactions contemplated hereby.

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ARTICLE V

QUALITY ASSURANCE

Section 5.1 The Manufacturer's Covenants.

The Manufacturer hereby covenants during the Term that it will (and use commercially reasonable efforts to cause its contractors to):

(a) manufacture, fill, package, test, handle, store, warehouse and ship the Supply Products in conformity with this Supply Agreement, Quality Agreement, Governmental Rules, and cGMP Requirements and the Specifications;

(b) promptly (but in any event no later than [***] after becoming aware) inform Buyer of any adverse events related to the Supply Products and any inspections, communications, or material issues raised by the FDA in connection with the Manufacturing of the Supply Products, and shall provide Buyer with copies of any correspondence (including emails) relating thereto;

(c) obtain and maintain all permits reasonably necessary to Manufacture and supply all Supply Product subject to an FDA approved ANDA in accordance with the Specifications, applicable Governmental Rules and this Supply Agreement; and

(d) if the Manufacturer becomes aware of any Supply Products that have not been Manufactured in accordance with the Specifications and that have been supplied, promptly take such corrective action as shall be reasonably necessary to correct such non-conformity and inform Buyer in writing.

Section 5.2 Buyer's Covenants

Buyer hereby covenants during the Term that it will:

(a) hold, store, handle, ship, deliver, distribute and/or sell the Supply Products (i) in accordance with applicable cGMP Requirements and Governmental Rules, including, but not limited to, any risk management programs required by the FDA; and (ii) in compliance with the Specifications;

(b) enter into all necessary compliance agreements as may be reasonably designated by the Manufacturer, including, but not limited to, agreements to cover quality assurance and adverse incident reporting; and

(c) except in respect of the requirements set forth in Section 3.3(b) and Section 5.1 hereof and the Quality Agreement, upon delivery of the Supply Products to Buyer, Buyer will be solely responsible for compliance with all quality control testing and other testing requirements set forth in this Supply Agreement and all related Governmental Rules with respect to such Supply Products.

Section 5.3 Rejection of Delivered Supply Products. Within [***] of receipt of any shipment of Supply Product and applicable COA and COC by Buyer at its applicable warehouse, Buyer will inspect the Supply Product, COA and COC and advise the Manufacturer of any defect (other than hidden defects) whereby the Supply Product does not conform to the Specifications. Any Supply Product not refused within [***] will be deemed accepted. If Buyer wishes to refuse acceptance, Buyer will, within such [***] period, provide written notice to the Manufacturer of its refusal to accept the defective Supply Product and the

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reason(s) therefor. In the event a hidden defect (i.e. one which could not have been reasonably identified during the initial [***] Buyer inspection period) is discovered at a later date whereby the Supply Product does not conform to the Specifications, Buyer shall inform the Manufacturer as soon as Buyer becomes aware of the alleged hidden defect. In the event that Buyer refuses acceptance or rejects the Supply Product due to a hidden defect, the Manufacturer, upon confirmation of the reasons for refusal or rejection of the Supply Product, will replace within [***] or as soon as reasonably practicable the defective Supply Product at the Manufacturer's sole cost and expense or refund the Transfer Price, at Buyer's option. If the Manufacturer and Buyer do not agree on the refusal or rejection of Supply Products, then either Party may refer the matter for final analysis to a specialized laboratory of national reputation acceptable to both Parties for the purpose of determining the results. Any determination by such laboratory will be final and binding upon the Parties. The cost of any such review by a laboratory shall be borne by Buyer if it is determined that the Supply Product conforms to the Specifications, and by the Manufacturer if determined that it does not. Except as set out in this Section 5.3 and Section 10.1, the Manufacturer shall have no liability to Buyer for any defect for which it has not received notice from Buyer as specified herein.

Section 5.4 Non-Conforming Supply Products. Notwithstanding any other provisions of this Supply Agreement, Buyer agrees to return to the Manufacturer (or, at Manufacturer's direction, to its contractors) any Supply Products that do not conform with the Specifications at the time of shipment to Buyer, or if Buyer and the Manufacturer mutually agree, to dispose of such Supply Products as the Manufacturer may direct. The Manufacturer shall be responsible for the reasonable and documented costs associated with the return and proper disposal of all such Supply Products not in conformance with the Specifications at the time of shipment and shall promptly (and, in any event, within [***] or as soon as reasonably practicable) replace (at Manufacturer's cost) or credit, at the option of Buyer, such non-conforming Supply Products.

Section 5.5 Recall. Manufacturer shall maintain traceability records in accordance with the applicable Governmental Rules, including cGMP Requirements, and in accordance with any written instructions or guidelines provided to the Manufacturer by Buyer, necessary to permit a recall, field correction or other notification to the field, of the Supply Products. Buyer, in consultation with the Manufacturer, shall have the exclusive right to institute a recall and shall be responsible for managing the recall and communications with customers and Governmental Entities; provided, however, notwithstanding the preceding, that for any Supply Product supplied pursuant to an ANDA owned by the Manufacturer, the Manufacturer, in consultation with Buyer, shall have the exclusive right to institute a recall and shall be responsible for managing the recall and communications with customers and Governmental Entities. The Parties shall cooperate with each other in connection with any such efforts. In the event that any Supply Product is quarantined or recalled by Buyer, or is subject to stop-sale action, whether voluntary or by governmental action, it is agreed and understood that any expenses, including any out-of-pocket administrative costs and reasonable and documented fees of any experts or attorneys that may be utilized by either Party, government fines or penalties, related to such recall, quarantine or stop-sale, will be borne by Buyer unless it is determined that the reason for the quarantine, recall or stop-sale action is the result of the breach by the Manufacturer of its obligations under this Supply Agreement, and in such case such expenses will be shared according to the relative responsibility of each Party; provided, however, that in such case, any expenses, costs, fees, fines or penalties borne by the Manufacturer under this Section 5.5 shall be subject to the provisions of Section 10.5(b). Said determination may be made by the Governmental Entity involved, or by mutual agreement of the Parties following examination and review of all records pertinent to the manufacture of the Supply Products subject to such recall.

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Section 5.6 Quality Procedures. The Manufacturer and Buyer shall comply with the terms of the quality requirements set forth in a quality agreement to be negotiated in good faith by the Parties and entered into by the Parties prior to the commercial launch of the applicable Supply Product (the "Quality Agreement") with respect to the manufacture of such Supply Products. To the extent that any inconsistencies or conflicts exist between the Quality Agreement and this Supply Agreement with regard to quality requirements and compliance with Governmental Rules, the provisions in the Quality Agreement shall prevail.

Section 5.7 Regulatory Communications. Buyer shall be responsible for communicating with the FDA regarding the Supply Products and the Manufacturing performed by the Manufacturer hereunder and the Manufacturer shall not initiate contact with the FDA or such other regulatory authority regarding the Supply Products or the Manufacturing without Buyer's prior written consent, except when required by the terms of this Supply Agreement or by applicable Governmental Rules; provided, however, notwithstanding the preceding, that for any Supply Products supplied pursuant to an ANDA owned by the Manufacturer, the Manufacturer shall be responsible for communicating with the FDA regarding such Supply Products and the Manufacturing performed by the Manufacturer hereunder and Buyer shall not initiate contact with the FDA or such other regulatory authority regarding the Supply Products or the Manufacturing without Manufacturer's prior written consent, except when required by the terms of this Supply Agreement or by applicable Governmental Rules. Each Party shall provide reasonable assistance to the other Party upon such Party's reasonable request, and at the requesting Party's sole cost and expense, with respect to such regulatory communications.

ARTICLE VI

PRICE AND PAYMENTS

Section 6.1 Prices. The prices payable by Buyer for each of the Supply Products will be the prices set forth on Schedule 6.1 and will be adjusted pursuant to Section 6.2 (as adjusted, "Transfer Price"). The prices for the Supply Products set forth on Schedule 6.1 are [***].

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Section 6.2 Adjustment.

(a) On each anniversary of the date the Manufacturer fulfills an initial Firm Order with respect to any Supply Product, the Manufacturer shall have the right to increase the Transfer Price of such Supply Product, at the election of the Manufacturer upon written notice to Buyer, by [***].

(b) Unless the transfer of the Product Technology (as defined in the Asset Purchase Agreement) pursuant to Section 7.3(b) of the Asset Purchase Agreement has been completed, on the fourth anniversary of the date the Manufacturer fulfills an initial Firm Order with respect to any Supply Product (“Year Four End Date”), the Manufacturer shall have the right to a payment equal to [***] percent ([***]%) of total annual costs of goods for the applicable Supply Product for the period beginning on the date immediately after the third anniversary of the date the Manufacturer fulfills an initial Firm Order with respect to any Supply Product and ending on the Year Four End Date.

Section 6.3 Invoices. The Manufacturer will send all invoices in respect of any Supply Products to a single address specified in writing by Buyer to the Manufacturer following the date that such Supply Products subject to any Firm Order shall have been made available to Buyer under Section 3.3(a). Payments for Supply Products sold hereunder will be made by Buyer to the Manufacturer within [***] after the date of the invoice by check or electronic funds transmission in United States dollars as specified in any invoice, without any offset or deduction of any nature whatsoever. Notwithstanding the foregoing, the Parties acknowledge that the Manufacturer shall not invoice Buyer, and Buyer shall have no obligation to make payment hereunder, prior to the Closing Date. All payments will be made to such account as the Manufacturer will have specified in writing to Buyer with written confirmation of payment sent by facsimile to such address as the Manufacturer will have specified in writing to Buyer. If Buyer fails to pay any undisputed invoiced amount when due, a service charge will be imposed by the Manufacturer equal to the lesser of [***] or the highest rate permitted by law of the outstanding amount for each month or portion thereof that such undisputed amount is overdue.

Section 6.4 Taxes, etc. Buyer will bear solely the cost of any taxes, levies, duties or fees of any kind, nature or description whatsoever applicable to the sale and transportation of Supply Product sold by the Manufacturer to Buyer (“Buyer Taxes”), and Buyer will forthwith pay to the Manufacturer all such sums upon demand. The Manufacturer and Buyer shall cooperate with each other and use their commercially reasonable efforts to obtain any certificate or other document from any person as may be necessary to mitigate, reduce or eliminate any such Buyer Taxes.

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Section 6.5 Separate Sale. Each shipment of Supply Product to Buyer will constitute a separate sale, obligating Buyer to pay therefor, whether said shipment is in whole or only partial fulfillment of any order or confirmation issued in connection therewith.

Section 6.6 Deductions. Except as otherwise required by applicable law, Buyer agrees not to make any deductions of any kind from any payments becoming due to the Manufacturer unless Buyer will have received prior written authorization from the Manufacturer authorizing such deduction.

ARTICLE VII

TERM AND TERMINATION

Section 7.1 Term. The provisions of this Supply Agreement will commence on the date hereof and will expire on the [***] anniversary of the commercial launch of such Supply Product unless earlier terminated in accordance with this Article VII (the "Initial Term"). On a Supply Product-by-Supply Product basis, prior to the date on which (i) Seller has successfully completed the transfer of the Product Technology pursuant to Section 7.3(b) of the Asset Purchase Agreement and (ii) Buyer has begun independent manufacturing and sales of the applicable Supply Product ("Successful Product Technology Transfer"), this Supply Agreement may be extended (x) with respect to Select Pipeline Products, [***] and (y) with respect to the other Supply Products, [***] in each case, subject to approval of the FTC Staff or the FTC Interim Monitor, and subject to earlier termination in accordance with this Article VII (together with the Initial Term, the "Term"). Notwithstanding the foregoing, in no event shall the Manufacturer be required to supply any Capped Product following the applicable End Date.

Section 7.2 Termination. Either the Manufacturer, on the one hand, or Buyer, on the other hand, as applicable, will have the right to terminate this Supply Agreement with immediate effect (except as otherwise stated below) upon written notice to the other upon the occurrence of the following:

(a) the Manufacturer, on the one hand, or Buyer, on the other hand, files a petition in bankruptcy, or enters into an agreement with its creditors, or applies for or consents to the appointment of a receiver or trustee, or makes an assignment for the benefit of creditors, or becomes subject to involuntary proceedings under any bankruptcy or insolvency Law;

(b) the Manufacturer, on the one hand, or Buyer, on the other hand, fails to cure any non-compliance with any of the terms and conditions hereof within the time period specified in any prior written notice (which will be at least [***]) delivered to the non-compliant Party by another Party; provided; however, that the Manufacturer shall be permitted to terminate under this Section 7.2(b) only for Buyer's failure to pay amounts due to the Manufacturer pursuant to this Supply Agreement and not disputed in good faith by Buyer (it being understood that any amounts due for Supply Product rejected pursuant to Section 5.3 shall be deemed to be disputed in good faith);

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(c) if Buyer believes it has sufficient alternative supply of any Supply Product to meet its needs, then Buyer may terminate this Supply Agreement with respect to such Supply Product upon [***] prior written notice to the Manufacturer;

(d) except as specifically provided in Section 7.2(b), the Manufacturer shall not have any right to terminate its supply obligations under this Supply Agreement as a result of any breach by Buyer; provided, however, that the Manufacturer shall be entitled to seek all other remedies available at law or in equity;

(e) if the Parties mutually agree in writing to terminate this Supply Agreement, following the provision of prior notice to the FTC Staff or the FTC Interim Monitor;

(f) with respect to each Supply Product, the Successful Product Technology Transfer; or

(g) termination of the Asset Purchase Agreement pursuant to Section 11.1(a) thereof.

Section 7.3 Effects of Termination.

If this Supply Agreement is terminated pursuant to Section 7.2:

(a) Buyer acknowledges and agrees that the Manufacturer will be entitled to cancel any Firm Order accepted prior to the date of termination, and will not be obligated to supply any Supply Products ordered by Buyer pursuant to such Firm Order, with respect to any Supply Products to be delivered after the effective date of the termination. In addition, Buyer shall purchase from the Manufacturer all quantities of components, materials, APIs and work-in-progress in the Manufacturer's, its Affiliates' and third party manufacturers' possession that is not reasonably allocable to or usable for other activities being carried out by the Manufacturer or its Affiliates, which amount shall be payable no later than [***] after receipt thereof by Buyer. In the event the Supply Agreement is terminated pursuant to Section 7.2(c), the provisions of this Section 7.3(a) will apply only with respect to the Supply Products for which the Supply Agreement has been terminated.

(b) If the termination is by the Manufacturer due to a default by Buyer in the payment of any amount owed hereunder to the Manufacturer when due, then all of the liabilities and obligations of Buyer to the Manufacturer, whether then due or not, will become immediately due and payable, and Manufacturer will be entitled to cancel any Firm Order then outstanding and will not be obligated to supply any Supply Products ordered by Buyer pursuant to such Firm Order.

(c) Subject to Sections 7.3(a) and 7.3(b) hereof, termination or expiration of this Supply Agreement for any reason will not relieve the Parties of any obligation accruing prior to such termination or expiration (including in respect of any Firm Orders). The rights and obligations of the Parties under Sections 2.4(d), 5.4, 5.5, 5.7, 7.3, Article IX, Article X, Article XI and Article XII will survive the expiration or termination of this Supply Agreement.

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(d) It is understood and agreed that Buyer will be responsible for all Manufacturing of the Supply Products after the earlier of the termination (in accordance with the terms hereof) or expiration of this Supply Agreement. In addition, it is understood and agreed that Buyer will be responsible, at its sole cost and expense, for any bioequivalence studies for the Supply Products to be Manufactured by Buyer, and validation and qualification, including without limitation, analytic method testing, of any Manufacturing facility to be used by Buyer, except as otherwise required pursuant to the terms of the Asset Purchase Agreement.

ARTICLE VIII

FORCE MAJEURE

Section 8.1 Force Majeure. Neither Party will be deemed to have defaulted under or breached this Supply Agreement for failure or delay in fulfilling or performing any term or provision of this Supply Agreement (other than the payment of money) when such failure or delay will be caused (directly or indirectly) by a circumstance beyond the reasonable control of the affected Party, including, without limitation, fire; flood; accident; explosion; terrorism; sabotage; strike, or any labor disturbance (regardless of the reasonableness of the demands of labor); civil commotions; riots; invasions; wars (present or future); acts, restraints, requisitions, regulations, or directions of any Governmental Entity, except where such acts, restraints, requisitions, regulations or directions are the result of a Party's negligence or willful actions; voluntary or mandatory compliance by the Manufacturer with any request for material represented to be for purposes of (directly or indirectly) producing articles for national defense or national defense facilities; shortage of labor, fuel, power, or raw materials; inability to obtain supplies; failures of normal sources of supplies; inability to obtain or delays of transportation facilities; any act of God; any act of the other Party or any other similar or dissimilar cause beyond the reasonable control of such Party (each a "Force Majeure"). Any Party asserting its inability to perform any obligation hereunder for any such contingency shall promptly notify the other Party of the existence of any such contingency and shall use commercially reasonable efforts to mitigate such contingency and recommence its performance of such obligation as soon as commercially practicable. Subject to this Section 8.1, if the Manufacturer is unable to supply Buyer with its requirements of Supply Products by reason of Force Majeure, Force Majeure shall excuse the Manufacturer's performance until the Force Majeure has ceased and for a reasonable period of time thereafter, to allow the Manufacturer to restore itself to the position it was in with respect to the Supply Products immediately prior to the Force Majeure. Within [***] of notification by the Manufacturer that it is able to resume the necessary supply of the Supply Products to Buyer, Buyer shall resume obtaining Supply Products from the Manufacturer pursuant to the terms of this Agreement; however, in respect of any Firm Orders for the Supply Products the delivery of which was during such Force Majeure period, the Parties shall discuss in good faith the requirements of Buyer and delivery of such Supply Products. Neither Party shall suffer penalty or incur any liability for its inability to perform hereunder by reason of Force Majeure. If a Party fails to perform any of its obligations under this Agreement by reason of Force Majeure and such non-performance continues for a period of [***] from the first occurrence of the event of Force Majeure, the other Party may terminate this

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Agreement with respect to any Supply Product that is directly related to, or the subject of, such Force Majeure event by providing written notice to that effect to the non-performing Party. In the event of such termination, both Parties' respective rights and obligations under this Agreement shall terminate with respect to such Supply Product except for any amounts previously due and owing by one Party to the other and except for any other obligations which this Agreement expressly provides shall survive termination.

ARTICLE IX

CONFIDENTIALITY

Section 9.1 Non-disclosure and Non-use Obligation. Each Party or its Affiliates or contractors may, from time to time, prior to or after the date hereof, disclose to the other Party information of a technical or non-technical nature that is not generally known to the trade or public. Each Party agrees that it will not, and will cause its Affiliates, and will use commercially reasonable efforts to cause its contractors, not to, use for any purpose other than as necessary to perform its obligations under this Supply Agreement, and will not disclose to anyone in any manner whatsoever, any such information including, without limitation, information relating in any way to the products, processes, and services of each Party or its Affiliates or contractors, which becomes known to the other Party on or prior to the date of the termination or expiration of this Supply Agreement. The obligations of this Section 9.1 will not apply to information (i) that is known to a Party as shown by written records prior to its disclosure by the other Party or its contractors; (ii) that becomes public information or is generally available to the public other than by an unauthorized act or omission of the other Party; or (iii) that is received by a Party from third parties who are in rightful possession of such information and who are lawfully entitled to disclose such information and did not receive such information from the other Party. From and after the Closing Date, the Transferred Assets and all confidential information relating solely and exclusively to the Transferred Assets or the manufacture thereof shall be considered the confidential information of Buyer under this Section 9.1 and the obligations of this Section 9.1 in respect thereof will apply to the Manufacturer and will not apply to Buyer. It being understood, for the avoidance of doubt, that, without limitation, to the extent any confidential information related to the Transferred Assets or the manufacture thereof is used by the Manufacturer in the retained business thereof, such confidential information shall constitute the confidential information of both Parties. Upon the termination or expiration of this Supply Agreement, each Party will return or destroy (with written confirmation thereof) to the other Party all documents that include confidential information of each Party or its contractors (other than, in the case of Buyer, upon termination of this Supply Agreement after the Closing Date or expiration of this Supply Agreement, the Transferred Assets), including all copies of such documents or extracts therefrom, if any, and will make no further use of such information.

ARTICLE X

INDEMNIFICATION

Section 10.1 By the Manufacturer. From and after the Closing Date, the Manufacturer will indemnify, defend and hold harmless, and pay and reimburse, Buyer and its Affiliates and their respective officers, directors, employees, agents, advisors and shareholders from and

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against any and all Losses resulting from any claim by a third party to the extent and only to the extent attributable to the Manufacturer's or its Affiliates' or its contractors' gross negligence, willful misconduct or breach of any of its representations and warranties, covenants, agreements or obligations contained in this Supply Agreement.

Section 10.2 By Buyer. From and after the Closing Date, Buyer will indemnify, defend and hold harmless, and pay and reimburse, the Manufacturer and its Affiliates and their respective officers, directors, employees, agents, advisors and shareholders from and against any and all Losses resulting from any claim by a third party (a) to the extent and only to the extent attributable to Buyer's gross negligence, willful misconduct or breach of any of its representations and warranties, covenants, agreements or obligations contained in this Supply Agreement; or (b) regarding any Supply Product sold by Buyer or its Affiliates from and after the Closing Date, including but not limited to (i) any claim for patent infringement, personal injury, death or property damage or (ii) the use of the Supply Products by any person; provided, however, that Buyer shall not be liable for any Losses to the extent arising from the Manufacturer's or its Affiliates' or contractors' negligence or breach of its representations and warranties, covenants, agreements or obligations contained herein.

Section 10.3 Procedures. In the event of any claims for indemnification made by one Party against the other Party under this Article X, the procedure to be used for the administration and resolution of such claims will be as set forth in Section 12.5 of the Asset Purchase Agreement.

Section 10.4 Insurance. At all times from the Closing Date through that date which is three (3) years after the termination or expiration of this Supply Agreement, each of Buyer and the Manufacturer will maintain product liability insurance (or self insurance), which is reasonable and customary in the USA pharmaceutical industry for companies of comparable size, provided that in no event shall the product liability insurance amounts be less than \$25,000,000 per occurrence and \$25,000,000 in the aggregate limit of liability per year. Each of Buyer and the Manufacturer shall provide written proof of such insurance to the other Party upon request.

Section 10.5 Limitations.

(a) In no event shall either Party be liable by reason of any breach of any representation, warranty, condition or other term of this Agreement or any duty of common law, for any consequential, special, indirect or incidental or punitive loss or damage (whether for loss of current or future profits, loss of enterprise value or otherwise) and each Party agrees that it shall not make any such claim; provided, however, that the foregoing does not limit any of the obligations or liability of (i) either Party or its Affiliates under Sections 10.1 and 10.2 with respect to claims of unrelated third parties or liability arising from [***] of a Party or its Affiliates or contractors or (ii) the Manufacturer for a Supply Failure arising from [***] by Manufacturer or its Affiliates.

(b) Notwithstanding any other provision of this Agreement, in the event that Buyer asserts or claims that the Manufacturer has breached any of its obligations hereunder or that the Manufacturer is liable pursuant to Section 10.1, the Manufacturer's maximum liability [***].

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ARTICLE XI

INTELLECTUAL PROPERTY RIGHTS

Section 11.1 License. Buyer hereby grants to the Manufacturer for the Term of this Supply Agreement, a royalty-free, non-exclusive, non-transferable right and license under the Transferred Assets, as applicable in the Territory, to manufacture and supply the Supply Products for Buyer in accordance with the terms hereof. This license is sublicenseable by the Manufacturer to contractors which the Manufacturer may cause to manufacture and supply the Supply Products

To the extent that any of the Supply Products are marketed under a trademark or housemark of Buyer (“Buyer Trademark”), Buyer hereby grants to the Manufacturer a revocable, non-assignable and non-exclusive license to apply and affix Buyer Trademark on or in relation to the Supply Products Manufactured for Buyer hereunder; provided, however that nothing herein contained shall give or be deemed to give or shall be intended to give the Manufacturer any right, title, interest or claim in or to Buyer Trademark.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Assignment. Neither Party may assign its rights or obligations under this Supply Agreement without the prior written consent of the other Party and the FTC Staff or the FTC Interim Monitor; provided, however, that after the Closing Date either Party may assign its rights and obligations under this Supply Agreement, without the prior written consent of the other Party, to an Affiliate or to a successor of the assigning Party by reason of merger, sale of all or substantially all of its assets or the portion of its business which relates to a Supply Product or any number of the Supply Products, or any similar transaction. Any permitted assignee or successor-in-interest will assume all obligations of its assignor under this Supply Agreement. No assignment will relieve either Party of its responsibility for the performance of any obligation. This Supply Agreement will be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Notwithstanding anything to the contrary contained herein, for the avoidance of doubt, the Manufacturer shall be permitted to delegate and assign any portion of its obligations hereunder to any of its Affiliates without the prior written consent of Buyer; provided that such delegation and assignment will not relieve the Manufacturer of its responsibility for the performance of any such obligation.

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Section 12.2 Severability. If any provision of this Supply Agreement is held to be illegal, invalid or unenforceable by any Law or public policy, the remaining provisions of this Supply Agreement will nevertheless remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom as long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties will negotiate reasonably and in good faith to modify this Supply Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible, subject to the approval of the FTC Staff or the FTC Interim Monitor.

Section 12.3 Notices. All notices and other communications required or permitted to be given or made pursuant to this Agreement shall be in writing signed by the sender and shall be deemed duly given (a) on the date delivered, if personally delivered, (b) on the date sent by telecopier with automatic confirmation by the transmitting machine showing the proper number of pages were transmitted without error, (c) on the Business Day after being sent by Federal Express or another recognized overnight mail service which utilizes a written form of receipt for next day or next Business Day delivery or (d) two (2) Business Days after mailing, if mailed by United States postage-prepaid certified or registered mail, return receipt requested, in each case addressed to the applicable Party at the address set forth below; provided that a Party may change its address for receiving notice by the proper giving of notice hereunder:

(a) if to Buyer, to:

Dr. Reddy's Laboratories S.A.
Elisabethenanlage 11
4051 Basel, Switzerland
Attn: [***]
Facsimile No.: [***]

With a copy (which shall not constitute notice) to:

Linklaters LLP
1345 Avenue of the Americas
New York, NY 10105
Attn: Peter Cohen-Millstein
Facsimile No.: (212) 903-9100

(b) if to the Manufacturer, to:

Teva Pharmaceutical Industries Ltd.
5 Basel Street
P.O.B. 3190
Petach Tikvah, Israel
Attention: [***]
Email: [***]

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and

Teva Pharmaceuticals USA, Inc.
425 Privet Road
PO Box 1005
Horsham, PA 19044 U.S.A.
Attention: General Counsel
Fax: [***]

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attn: Daniel E. Wolf
Facsimile No.: (212) 446-6460

and

Kirkland & Ellis LLP
655 Fifteenth Street, N.W.
Washington, D.C. 20005
Attn: Mark Kovner
Facsimile No.: (202) 654-9402

It is understood and agreed that this Section 12.3 is not intended to govern the ordinary course business communications necessary between the Parties in performing their duties, in due course, under the terms of this Supply Agreement, including the placement of orders and the delivery of Forecasts.

Section 12.4 Applicable Law. This Supply Agreement and any and all matters arising directly or indirectly herefrom shall be governed by and construed and enforced in accordance with the laws of the State of New York, U.S.A. applicable to agreements made and to be performed entirely in such state.

Section 12.5 Jurisdiction, Venue, Service of Process, WAIVER OF JURY TRIAL.

(a) Buyer and the Manufacturer agree to irrevocably submit to the exclusive jurisdiction of (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, U.S.A., for the purposes of any suit, action or other proceeding arising out of this Supply Agreement or any transaction contemplated hereby. Each Party agrees to commence any such action, suit or proceeding either in the United States District Court for the Southern District of New York, U.S.A. or, if such suit, action or other proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail or recognized

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international courier service to such Party's respective address set forth in Section 12.3 shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Supply Agreement. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Supply Agreement or the transactions contemplated hereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, U.S.A.

(b) BUYER AND THE MANUFACTURER HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (I) ARISING UNDER THIS AGREEMENT OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. THE PARTIES TO THIS AGREEMENT EACH HEREBY AGREE AND CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 12.6 Entire Agreement. This Supply Agreement and the attached Schedules, which are incorporated herein, along with the Asset Purchase Agreement and the Schedules and Exhibits thereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and all prior agreements with respect hereto are superseded. Each Party confirms that no representations, warranties, covenants or understandings of any kind, nature or description whatsoever are being made or relied upon by any Party, except such as are as specifically set forth herein or in the Asset Purchase Agreement. No amendment or modifications hereof will be binding upon the Parties unless set forth in a writing specified to be an explicit amendment to this Supply Agreement duly executed by authorized representatives of each of the Parties, and subject to the approval of the FTC Staff or the FTC Interim Monitor. The Parties recognize that, during the Term of this Supply Agreement, a purchase order, acknowledgement form or similar routine document (collectively, "Forms") may be used to implement or administer provisions of this Supply Agreement. Therefore, the Parties agree that the terms of this Supply Agreement, as it may be amended, will prevail in the event of any conflict between this Supply Agreement and the printed provision of such Forms, or typed provisions of Forms that add to, vary, modify or are in conflict with the provisions of this Supply Agreement with respect to the Supply Products sold during the Term of this Supply Agreement.

Section 12.7 Headings. The headings used in this Supply Agreement are intended for convenience only and will not be considered part of the written understanding among the Parties and will not affect the construction of this Supply Agreement.

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Section 12.8 Independent Contractors. The relationship between the Manufacturer, on the one hand, and Buyer, on the other hand, is solely that of buyer and seller. It is expressly agreed that the Manufacturer, on the one hand, and Buyer, on the other hand, will be independent contractors and that neither the relationship among the Parties nor this Supply Agreement will be construed as creating a partnership, joint venture or agency. Neither the Manufacturer, on the one hand, nor Buyer, on the other hand, will have the authority to make any statements, representations or commitments of any kind, or to take any action or to incur any liability or obligation which will be binding on the other, without the prior consent of the other Party to do so. All persons employed by a Party will be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment will be for the account and expense of such Party.

Section 12.9 Allergan. Notwithstanding anything to the contrary contained herein, Buyer, on behalf of itself and its Affiliates, acknowledges that neither Allergan nor any of its Affiliates from time to time shall have any liability under this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby, including, but not limited to, any dispute related to, or arising from, the Supply Products.

Section 12.10 Waiver. The waiver by either Party of any right hereunder or the failure to perform or of a breach by the other Party will not be deemed a waiver of any other right hereunder or of any other or subsequent breach or failure by said other Party whether of a similar nature or otherwise.

Section 12.11 Counterparts. This Supply Agreement may be executed in counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument and will become effective when one or more counterparts have been signed by each of the Parties hereto and delivered to the other Parties hereto, in person or by facsimile or electronic image scan, receipt acknowledged in each case, it being understood that not all Parties hereto need sign the same counterpart.

Section 12.12 No Benefit to Third Parties. The representations, warranties, covenants and agreements set forth in this Supply Agreement are for the sole benefit of the Parties and their successors and permitted assigns, and nothing herein, express or implied, is intended to or will confer upon any person or entity any legal or equitable rights, benefits or remedies, other than to the extent set forth in Sections 10.1 and 10.2.

[signature page follows]

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IN WITNESS WHEREOF, the Parties hereto have caused this Supply Agreement to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

TEVA PHARMACEUTICAL INDUSTRIES LTD.

By: /s/ Dror Bashan

Name: Dror Bashan

Title: SVP, Head of M&A

Global BD

Teva Pharmaceuticals Industries

6.6.16

By: /s/ Eyal Desheh

Name: Eyal Desheh

Title: Executive Vice President

Chief Financial Officer

[Signature page to the Supply Agreement]

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IN WITNESS WHEREOF, the Parties hereto have caused this Supply Agreement to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

DR. REDDY'S LABORATORIES S.A.

By: /s/ Sameer Natu

Name: Sameer Natu

Title: Senior Director

By: /s/ Rujul A. Pandya

Name: Rujul Pandya

Title: Director

[Signature page to the Supply Agreement]

Exhibits and Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that we may request, pursuant to applicable rules, confidential treatment for any schedule or exhibit so furnished.

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EXECUTION VERSION

ASSET PURCHASE AGREEMENT

BETWEEN

WATSON LABORATORIES, INC.

AND

DR. REDDY'S LABORATORIES S.A.

DATED AS OF

JUNE 10, 2016

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of June 10, 2016 (the "Effective Date"), is made by and between Dr. Reddy's Laboratories S.A., a company organized under the laws of Switzerland ("Buyer"), and Watson Laboratories Inc., a Nevada corporation ("Seller").

WHEREAS, the FTC staff has raised the concern that the proposed acquisition (the "Proposed Allergan Transaction") of certain businesses and assets of Allergan plc ("Allergan") by Teva Pharmaceutical Industries Ltd. ("Teva"), pursuant to the Allergan Agreement, is likely to produce anticompetitive effects in the alleged relevant product market(s) in the United States for the generic pharmaceutical products listed on Exhibit C (as such products are more specifically identified in this Agreement), which would not be in the public interest, including, but not limited to, by eliminating competition between Teva and Allergan;

WHEREAS, in order to resolve the concerns raised by the FTC staff in these alleged product markets in the United States, Teva has agreed to enter into this Agreement with Buyer to divest certain assets related to these products to Buyer, and to permit Buyer to replace the lost competition by manufacturing, marketing and selling the generic products referred to above into the respective alleged product markets;

WHEREAS, the FTC has or is about to issue an Order governing the scope, nature, extent and requirements of this Agreement;

WHEREAS, Seller sells the Products (as defined herein) commercially and/or has a Product ANDA (as defined herein) filed with the FDA with respect to the Products;

WHEREAS, upon and subject to the Allergan Closing, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, certain Transferred Assets (as defined herein) related to the Products within the Territory (as defined herein), all upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, concurrently with the execution of this Agreement, certain Affiliates of Seller entered into another asset purchase agreement with Buyer related to the Order (the "Other Acquisition Agreement"), pursuant to which such Seller Affiliates have agreed to sell to Buyer, and Buyer has agreed to purchase from such Seller Affiliates, certain Transferred Assets (as defined in the Other Acquisition Agreement) related to the Products (as defined in the Other Acquisition Agreement) within the Territory (as defined in the Other Acquisition Agreement), all upon the terms and conditions set forth therein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

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ARTICLE I.

DEFINITIONS

SECTION 1.1. Definitions

As used in this Agreement, the following terms have the meanings set forth below:

“Affiliate” means any Person that controls, is controlled by, or is under common control with the applicable Person. For purposes of this definition, “control” shall mean: (a) in the case of corporate entities, direct or indirect ownership of more than fifty percent (50%) of the stock or shares entitled to vote for the election of directors, or otherwise having the power to control or direct the affairs of such Person; and (b) in the case of non-corporate entities, direct or indirect ownership of more than fifty percent (50%) of the equity interest or the power to direct the management and policies of such noncorporate entities.

“Agreed Allocation” has the meaning set forth in Section 3.2.

“Agreement” has the meaning set forth in the preamble.

“Allergan” has the meaning set forth in the recitals.

“Allergan Agreement” means the Master Purchase Agreement dated as of July 26, 2015 by and between Allergan and Teva, as it may be amended from time to time.

“Allergan Closing” means the closing of the Proposed Allergan Transaction pursuant to the Allergan Agreement.

“Ancillary Agreements” means the Assignment and Assumption Agreement, the Bill of Sale, the Litigation Cooperation Agreement and the Development Agreement.

“ANDA” means an Abbreviated New Drug Application as defined in the FDCA.

“Assigned Contracts” means the following Contracts set forth on Schedule 2.2(a)(vi) hereto, but solely with respect to the applicable Product, or Contracts or arrangements conferring substantially equivalent rights with respect to the applicable Products.

“Assigned Patents” means the patents set forth on Schedule 2.2(a)(v) hereto and any related registrations or applications for registrations thereof.

“Assignment and Assumption Agreement” means an assignment and assumption agreement to be executed and delivered by Buyer and Seller at Closing, substantially in the form of Exhibit A.

“Assumed Liabilities” has the meaning set forth in Section 2.3(a).

“Bill of Sale” means a bill of sale to be executed and delivered by Seller to Buyer at Closing, substantially in the form of Exhibit B.

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“Business Day” means any day other than a Friday, Saturday, Sunday or other day on which banks in New York City or Israel are permitted or required to close by Law.

“Buyer” has the meaning set forth in the preamble.

“Buyer Indemnified Parties” has the meaning set forth in Section 12.2.

“Buyer NDC Numbers” has the meaning set forth in Section 8.6.

“Buyer Officer’s Certificate” means a certificate, dated the Closing Date, duly executed by an authorized officer of Buyer, reasonably satisfactory in form to Seller, as to the satisfaction of the conditions set forth in Sections 10.3(a) and (b).

“Buyer Returns” has the meaning set forth in Section 9.1(a).

“Cap” has the meaning set forth in Section 12.4(b).

“Closing” and “Closing Date” have the respective meanings set forth in Section 4.1.

“Code” means the Internal Revenue Code of 1986, as amended.

“Contracts” means contracts, leases, licenses, indentures, agreements, purchase orders and all other legally binding arrangements, whether in existence on the date hereof or subsequently entered into, including all amendments thereto.

“Contractual Consents” means consents of the relevant third parties relating to those Contracts listed on Schedule 5.3(c) to the assignment of such Contract or consummation of the transactions contemplated hereby, as applicable.

“Contractual Consent Long-Stop Date” has the meaning set forth in Section 11(a)(iv).

“Customer List” has the meaning set forth in Section 5.10(c) hereof.

“Customers” means customers that have purchased the Products during the six (6) month period prior to the date hereof.

“Data Room” has the meaning set forth in Section 9.7.

“Deductible” has the meaning set forth in Section 12.4(b).

“Development Agreement” means the Development Agreement to be negotiated in good faith and agreed by Seller and Buyer as promptly as reasonably practicable and in any event within forty five (45) days following the Closing, such Development Agreement to contain, among other things, customary terms and conditions relating to a governance/information sharing mechanism, regulatory/development responsibilities (including compliance with Laws and cGMP), access to facilities, audit of books and records, and ownership of IP/regulatory files.

“Direct Cost” means the cost of (i) direct labor and direct material used and (ii) all other reasonable out-of-pocket expenses, in each case, to provide the relevant assistance or service.

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“Disclosing Party” has the meaning set forth in Section 8.3.

“Effective Date” has the meaning set forth in the preamble.

“Encumbrance” means, with respect to any asset, any imperfection of title, mortgage, charge, lien, security interest, easement, right of way, pledge or encumbrance of any nature whatsoever.

“Excluded Assets” has the meaning set forth in Section 2.2(b).

“Excluded Liabilities” has the meaning set forth in Section 2.3(b).

“Exhibits” means, collectively, the Exhibits referred to throughout this Agreement.

“Expiration Date” has the meaning set forth in Section 12.1.

“Failure to Approve Termination Period” means the fourteen (14) day period following Seller obtaining Knowledge of any Failure to Approve.

“FDA” means the U.S. Food and Drug Administration and any successor agency thereto.

“FFDCA” means the Federal Food, Drug, and Cosmetic Act of 1938, as amended.

“Finished Goods” means each of the Products, respectively, packaged, labeled and ready for distribution and sale in finished form.

“FTC” means the U.S. Federal Trade Commission and any successor agency thereto.

“GAAP” means generally accepted accounting principles in the U.S., consistently applied.

“Governmental Entity” means any nation or government or any court, administrative agency or commission or other governmental authority, body or instrumentality, whether U.S. (federal, state, country, municipal or other) or non-U.S.

“Governmental Rule” means any Law, judgment, order, decree, statute, ordinance, rule or regulation enacted, issued or promulgated by any Governmental Entity.

“Indemnified Party” has the meaning set forth in Section 12.3.

“Indemnifying Party” has the meaning set forth in Section 12.5(a).

“Individual Product Price” means the price specified for each Product on Exhibit F.

“Knowledge” of (i) Seller means all such facts, circumstances or other information, of which the individuals listed on Schedule 1.1(a) are actually aware and (ii) Buyer means all such facts, circumstances or other information, of which [***] are actually aware.

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“Law” means each federal, state, provincial, municipal, local, or foreign law, statute, ordinance, order, determination, judgment, common law, code, rule, official standard, or regulation, enacted, enforced, entered, promulgated, or issued by any Governmental Entity.

“Liabilities” means any and all debts, liabilities and obligations of any kind, nature, character or description, whether accrued or fixed, absolute or contingent, matured or unmatured, or known or unknown, including those arising under any Governmental Rule or action and those arising under any Contract, arrangement, commitment or undertaking, or otherwise.

“Licenses” has the meaning set forth in Section 2.4(a).

“Litigation Cooperation Agreement” means the Litigation Cooperation Agreement to be negotiated in good faith and agreed by Seller and Buyer between the date hereof and Closing and to be executed and delivered by Seller and Buyer at Closing, such Litigation Cooperation Agreement to contain, among other things, customary terms and conditions relating to general cooperation in respect of litigation matters, the provision by Seller to Buyer of relevant litigation files, background information and fact documents, reasonable access during normal business hours to premises, employees, executives, affiliates and representatives of Seller, the enactment of litigation holds, the maintenance of attorney-client and any other applicable privileges, and the waiver by Seller and its Affiliates of any conflict which would preclude its current counsel in any of the litigations from representing Buyer in such litigation (subject to such counsel’s customary conflicts checks).

“Long-Stop Date” has the meaning set forth in Section 11(a)(iv).

“Losses” means any and all damages, losses, Liabilities, claims, judgments, penalties, payments, interest, costs and expenses (including reasonable and documented legal fees, accountants’ fees and expert witnesses’ fees and expenses incurred in investigating and/or prosecuting any claim for indemnification).

“Material Adverse Effect” means an effect which has had or would reasonably be expected to have, a materially adverse effect on the Transferred Assets or Product Technology, taken as a whole, but will not include (a) any adverse change or effect due to changes in conditions generally affecting (i) the healthcare industry or (ii) the United States economy as a whole, or (b) any change or adverse effect caused by, or relating to (i) the commencement, occurrence, continuation, or intensification of any national or international political conditions, including the engagement by the United States or any other country or group in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States or any other country, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment, or personnel of the United States or any other country or group, (ii) financial, banking, or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iii) any changes in Law or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof, (iv) the occurrence, continuation or intensification of any earthquakes, hurricanes, pandemics, or other natural disasters, or any other force majeure event, whether or not caused by any Person, or any national or international calamity or crisis, (v) compliance with the terms of, or the taking of any action

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required by, this Agreement or the transactions contemplated hereby (including any action reasonably required by, or condition or other term reasonably imposed by, the FTC in connection with the Order) or (vi) the execution, announcement or pendency of this Agreement and the transactions contemplated by this Agreement; provided, however, that the changes set forth in the foregoing clauses (a)(i), (b) (iii) and (b)(iv) shall be taken into account in determining whether a “Material Adverse Effect” has occurred to the extent (and only to the extent) such changes have a disproportionate impact on the Transferred Assets or the Products, in each case, when compared to similar companies or products in the pharmaceutical industry.

“Medicaid Reimbursements and Rebates” means all discounts, rebates, reimbursements or other payments required by Governmental Rule to be made under Medicaid, Medicare or other governmental special medical assistance programs.

“NDC” means a national drug code as issued by the FDA.

“NDC Numbers” means the NDC Number for each of the Products, respectively.

“Order” means the Decision and Order relating to the Products issued by the FTC in the proceeding captioned In the Matter of Teva Pharmaceutical Industries Ltd., a corporation.

“Other Acquisition Agreement” has the meaning set forth in the recitals.

“Permitted Encumbrances” means (a) any minor imperfections of title or similar Encumbrance that do not, and would not reasonably be expected to, individually or in the aggregate, materially impair the value or materially interfere with the use of, the Transferred Assets or the Product Technology, (b) Encumbrances for Taxes that are not yet due and payable, (c) Encumbrances that will be released at Closing and are disclosed on Schedule 1.1(c), (d) statutory Encumbrances arising out of operation of Law with respect to a Liability incurred in the ordinary course of business and which is not delinquent, (e) Encumbrances incurred as a result of any facts or circumstances related to Buyer or its Affiliates and (f) Encumbrances set forth on Schedule 1.1(f).

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, business association, organization, Governmental Entity or other entity.

“Product ANDA” means, for each of the Products, respectively, the Abbreviated New Drug Application (as defined in the FDCA) identified on Exhibit C, and all amendments and supplements thereto, that have been filed with the FDA seeking authorization and approval to manufacture, package, ship, market and sell such Products, as more fully defined in 21 C.F.R. Part 314.

[***]

[***]

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“Products” means the Products listed on Exhibit C hereto to be purchased pursuant to this Agreement.

“Product Scientific and Regulatory Material” means all technological, scientific, development, chemical, biological, pharmacological, toxicological, regulatory, clinical trial materials, product safety related information (including periodic safety update reports and adverse event database information), written correspondence with any Governmental Entity and other data, files, records and other information (in any form or medium, wherever located) similar to the foregoing, in each case to the extent solely related to the Products that are owned by Seller and in Seller’s possession or control.

“Product Technology” means the following information owned by or to the extent licensed to Seller, as in existence and in the possession or control of Seller as of the Closing Date: the manufacturing technology, proprietary or confidential information, processes, techniques, protocols, methods, improvements and know-how that are necessary to manufacture the Products in accordance with the current applicable Product ANDA, as the case may be, including, but not limited to, the manufacturing process approved in the applicable Product ANDAs, specifications and test methods, raw material, packaging, stability and other applicable specifications, manufacturing and packaging instructions, master formula, validation reports to the extent available, stability data, analytical methods, records of complaints, annual product reviews to the extent available, and other master documents necessary for the manufacture, control and release of the Products as conducted by, or on behalf of, Seller or any of its Affiliates before the Effective Date. The Product Technology includes, without limitation, the rights owned or to the extent controlled by Seller under any patent issued in or subject to a pending application in the Territory as of the Closing Date, and any rights under any patent or patent application outside of the Territory solely to the extent necessary to manufacture the Products outside the Territory for importation to and sale in the Territory. For purposes of this definition, Allergan and its Affiliates will not be deemed to be Affiliates of Seller.

“Proposed Allergan Transaction” has the meaning set forth in the recitals.

“Purchase Price” has the meaning set forth in Section 3.1.

“Receiving Party” has the meaning set forth in Section 8.3.

“Regulatory Activities” has the meaning set forth in Section 7.3(b).

“Regulatory Approvals” has the meaning set forth in Section 7.3(b).

“Regulatory Authority” has the meaning set forth in Section 7.3(b).

“Schedules” means, collectively, the Schedules referred to throughout this Agreement.

“Seller” has the meaning set forth in the preamble.

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“Seller Group” means Seller and its Affiliates.

“Seller Income Taxes” means any income Tax on the sale consideration received by Seller from Buyer that is imposed on, or incurred by, Seller or any Affiliate of Seller.

“Seller Indemnified Parties” has the meaning set forth in Section 12.3(a).

“Seller Officer’s Certificate” means a certificate, dated the Closing Date, duly executed by an authorized officer of Seller, reasonably satisfactory in form to Buyer, (a) as to the satisfaction of the conditions set forth in Sections 10.2(a), (b) and (c), and (b) [***].

“Seller Payments” has the meaning set forth in Section 9.1(c).

“Seller’s Taxes” means all (i) Taxes arising out of, relating to or otherwise in respect of the Transferred Assets that are attributable to taxable periods, or portions thereof, ending on or prior to the Closing Date; and (ii) Taxes imposed on, or incurred by, Seller or any Affiliate of Seller for which Seller or any Affiliate of Seller is liable that do not arise out of, relate to or otherwise are not in respect of the Transferred Assets.

“Staff Rejection Termination Period” means the fourteen (14) day period immediately following Seller obtaining Knowledge of any Staff Rejection.

“Tax(es)” means all Federal, state, local and foreign taxes, customs, duties, governmental fees and assessments, including all interest, penalties and additions with respect thereto.

“Tax Return” means any report, return, election, notice, estimate, declaration, information statement and other forms and documents (including all schedules, exhibits and other attachments thereto) relating to and filed or required to be filed with a taxing authority in connection with any Taxes (including estimated Taxes).

“Territory” means the United States of America and its territories, protectorates and possessions, including Puerto Rico.

“Teva” has the meaning set forth in the recitals.

“Third Party Claim” has the meaning set forth in Section 12.5(b).

“Transfer Taxes” means transfer, sales, value added, stamp duty and similar Taxes payable in connection with the transactions contemplated hereby, excluding, for the avoidance of doubt, any Income Taxes and any Tax Liability arising to Seller due to any transactions occurring before the Closing Date.

“Transferred Assets” has the meaning set forth in Section 2.2(a).

“Transition” has the meaning set forth in Section 7.8.

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“Transition Committee” has the meaning set forth in Section 7.8.

“U.S.” or “U.S.A.” means the United States of America.

SECTION 1.2. Interpretation

When used in this Agreement, the words “include”, “includes” and “including” will be deemed to be followed by the words “without limitation.” Any terms defined in the singular will have a comparable meaning when used in the plural, and vice versa. Unless otherwise specifically indicated, references to any statute are as from time to time amended, modified or supplemented and as currently in effect, including by succession of comparable successor statute.

SECTION 1.3. Currency

All currency amounts referred to in this Agreement are in U.S. Dollars, unless otherwise specified.

SECTION 1.4. Incorporation by Reference and Supremacy of FTC Order

(a) Incorporation of FTC Order. The parties hereby agree and acknowledge that the terms and provisions of the Order of the FTC shall govern this Agreement. A copy of the Order proposed as of the date hereof is attached as Appendix I, and upon issuance by the FTC, the final Order shall replace the currently proposed Order as Appendix I attached hereto without any other action by the parties hereto. The terms and provisions of the Order that pertain to this Agreement are hereby deemed incorporated by reference into this Agreement.

(b) Supremacy of FTC Order. To the extent that any term or provision of this Agreement conflicts with any corresponding term or provision of the Order, the parties hereby agree that the terms or provisions of the Order shall control the rights and obligations of the parties.

(c) Publicity of Order. Buyer acknowledges that the Order will be publicly available and will include information regarding the Products, the Buyer and certain information regarding this Agreement and the Ancillary Agreements.

ARTICLE II.

SALE AND PURCHASE OF TRANSFERRED ASSETS

SECTION 2.1. Purchase and Sale

Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Seller will (and, as applicable, will cause its Affiliates to) sell, assign, transfer, convey and deliver to Buyer, and Buyer will purchase, acquire and accept, all right, title and interest, within the Territory, of Seller (and, as applicable, its Affiliates) in, to and under the Transferred Assets free and clear of all Encumbrances other than Permitted Encumbrances.

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SECTION 2.2. Transferred Assets

(a) The term “Transferred Assets” means the following assets of Seller and its Affiliates, as the same exist on the Closing Date that relate solely and exclusively to the Products (and, for the avoidance of doubt, excluding the Excluded Assets):

- (i) the Product ANDAs;
- (ii) any correspondence with the FDA in Seller’s possession or control with respect to the Product ANDAs;
- (iii) annual and periodic reports relating to the Product ANDAs which have been filed by or on behalf of Seller or its Affiliates with the FDA, and adverse event reports pertaining to the Products, in each case as are in Seller’s or its Affiliates’ possession or control;
- (iv) the quantity and delivery terms in all outstanding customer purchase orders for the Products;
- (v) the Product Scientific and Regulatory Material;
- (vi) the Assigned Patents;
- (vii) the Assigned Contracts;
- (viii) the trademark set forth on Schedule 2.2(a)(viii) including the goodwill associated therewith; and
- (ix) any other assets belonging to Seller that are required to be transferred pursuant to the Order.

(b) Seller and Buyer expressly agree and acknowledge that the Transferred Assets will not include any assets of any kind, nature, character or description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise, and wherever situated) that are not expressly included within the definition of Transferred Assets (the “Excluded Assets”). Excluded Assets include, without limitation, any refund of Seller’s Taxes, and all trademarks, and trade names not specifically included in the Transferred Assets and all, brand names, logotypes, symbols, service marks, and trade dress, and any registrations or applications for registrations of any of the foregoing.

(c) Buyer acknowledges and agrees that Seller may retain for archival purposes and for purposes of complying with applicable Law and for legal and regulatory purposes as a seller of pharmaceutical products, one copy of all or any part of the documentation that Seller delivers to Buyer pursuant to Section 2.2(a). The copies will be retained by Seller’s legal counsel and Seller agrees to treat such copies as confidential information (in accordance with Section 8.3 hereof).

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SECTION 2.3. Assumption of Certain Liabilities and Obligations

(a) Buyer will assume, be responsible for and pay, perform and/or otherwise discharge when due those Liabilities (including any Liabilities arising in respect of Taxes) directly arising out of or in connection with or directly related to (x) the Transferred Assets, the use thereof, or the use of the Product Technology by or on behalf of Buyer or its Affiliates or their respective agents or assignees on or after the Closing Date and (y) the marketing, sale or use of the Products by or on behalf of Buyer or its Affiliates or their respective agents or assignees on or after the Closing Date; provided that, for the avoidance of doubt, such Assumed Liabilities shall exclude the Seller's Taxes, and include: (i) Liabilities arising from any patent infringement claim or lawsuit brought by any third party, the FDA or any other Governmental Entity, in all cases only to the extent that they relate to Product sold on or after the Closing Date; (ii) Liabilities arising from any FDA or any other Governmental Entity action or notification only to the extent that such Liabilities relate to Product sold by or on behalf of Buyer or its Affiliates; (iii) Liabilities arising from any product liability claims relating to Product sold by Buyer or its agents or assignees; (iv) Liabilities arising on or after the Closing Date from any plan of Risk Evaluation and Mitigation Strategies to the extent relating to any of the Products sold by Buyer or its Affiliates, or their respective agents or assignees; and (v) state and federal Medicaid/Medicare rebates and payments, and all credits, chargebacks, rebates, discounts, allowances, incentives and similar payments in connection with Products sold on or after the Closing Date by or on behalf of Buyer or its Affiliates (collectively, the "Assumed Liabilities").

(b) Except to the extent expressly included in the Assumed Liabilities, Buyer will not assume or be responsible or liable for any Liabilities of Seller or its Affiliates, and shall in no event assume or be responsible or liable for any Liabilities of Seller or its Affiliates, and shall in no event assume or be responsible or liable for any Liabilities arising out of or in connection with or related to (i) the Transferred Assets, the use thereof or the use of the Product Technology by or on behalf of Seller or its Affiliates or their respective agents or assignees prior to the Closing Date, (ii) the marketing, sale or use of the Products by or on behalf of Seller or its Affiliates or their respective agents or assignees prior to the Closing Date or liabilities that were incurred before Closing with respect to the Products and (iii) Seller's Taxes (collectively, the "Excluded Liabilities").

SECTION 2.4. License to Certain Product Technology

(a) Seller hereby irrevocably grants to Buyer as of the Closing Date (i) a royalty-free exclusive, perpetual license to use the Product Technology that is owned or licensed (to the extent capable of sublicense, provided that Seller does not incur any additional fees payable to third parties with respect to any such sublicense and that Buyer agrees to be bound by the terms required for such sublicense by the third party licensor and to be liable for any breach thereof) by Seller and presently used or held for use solely and specifically for the manufacture of the Products for sale in the Territory and not for other products of Seller or for sale in other territories, to market and sell Products in the Territory, and to manufacture Products for marketing and sale in the Territory, and (ii) a royalty-free, non-exclusive, perpetual license to use the Product Technology that is owned or licensed (to the extent capable of sublicense, provided that Seller does not incur any additional fees payable to third parties with respect to any such sublicense and that Buyer agrees to be bound by the terms required for such sublicense by the

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third party licensor and to be liable for any breach thereof) by Seller and used or held for use not solely and specifically for the manufacture of the Products, to market and sell Products in the Territory and to manufacture Products for marketing and sale in the Territory (the "Licenses"). Each of the Licenses includes the right to grant sublicenses.

(b) Each party may modify or improve the Product Technology. The party making such modifications or improvements shall own all right, title and interest therein.

SECTION 2.5. Covenant Not to Sue

Each of the Seller and the Buyer hereby covenants that such party and its Affiliates will not bring any suits or claims, or cause or support any licensee or other third party to bring any suits or claims, against the other party or its Affiliates, their manufacturers and importers, or their distributors and customers or their consumers, alleging that the manufacture, use, sale, offer for sale or importation in or for the Territory of the Products, or the equivalent competing products sold by or on behalf of the Seller in or for the Territory, infringes any patent rights or misappropriates any trade secrets owned or controlled by such party or any of its Affiliates.

SECTION 2.6. Nonassignable Assets

(a) Notwithstanding anything in this Agreement to the contrary, to the extent that the transfer or assignment to Buyer of any Transferred Asset is prohibited by any Governmental Rules or would require any authorizations, approvals, consents or waivers, and such authorizations, approvals, consents or waivers shall not have been obtained, neither this Agreement nor any document delivered pursuant hereto shall constitute a sale, assignment or transfer or an attempted assignment or transfer of such Transferred Asset if the applicable authorization, approval, consent or waiver has not been obtained by (or does not remain in full force and effect at) the Closing, unless and until such third party authorization, approval, consent or waiver is obtained, at which time such Transferred Asset shall be assumed and transferred to Buyer in accordance with the terms and conditions hereof.

(b) With respect to any such authorizations, approvals, consents or waivers that are required for Transferred Assets, the parties shall use their respective commercially reasonable efforts, and reasonably cooperate with each other, to obtain promptly such authorizations, approvals, consents or waivers. In the event that any such authorizations, approvals, consents or waivers are not obtained by the Closing Date, the parties shall cooperate with each other in any mutually agreeable, reasonable and lawful arrangements designed to provide to Buyer the benefits of use of such Transferred Assets and to impose upon Buyer the liabilities and obligations of such Transferred Assets as if such Transferred Assets had been conveyed to Buyer at the Closing.

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ARTICLE III.

PURCHASE PRICE

SECTION 3.1. Purchase Price

The purchase price for all of the Transferred Assets will be an amount in cash to be paid on the Closing Date equal to [***] (the "Purchase Price"), payable in accordance with Section 4.2(b).

SECTION 3.2. Allocation of Purchase Price

The Purchase Price will be allocated among the Transferred Assets as of the Closing Date in accordance with applicable Law and as shall be negotiated and agreed in good faith by the parties as promptly as reasonably practicable following the date hereof and in any event prior to the Closing (the "Agreed Allocation"). Each of the parties hereto agrees to report (and to cause its Affiliates to report) the transactions contemplated by this Agreement in a manner consistent with applicable Law and with the terms of this Agreement, including the Agreed Allocation, and agrees not to take any position inconsistent therewith in any Tax Return, including the reports required to be filed under Section 1060 of the Code, in any Tax refund claim, in any litigation or otherwise.

SECTION 3.3. Transfer Taxes

All Transfer Taxes will be borne by Buyer.

SECTION 3.4. Income Taxes

All Seller Income Taxes will be borne by Seller.

SECTION 3.5. Withholding

Notwithstanding anything in this Agreement to the contrary, Buyer shall be entitled at any time to deduct and withhold from any amount otherwise payable pursuant to this Agreement in respect of the transactions contemplated hereunder any amounts such entity is required under applicable Tax Law to deduct and withhold and pay over to the applicable taxing authorities in connection with the payment of the applicable consideration; provided that if Buyer determines that an amount is required to be deducted or withheld, Buyer shall (i) at least five (5) Business Days prior to the payment of such amount, provide the Seller with written notice of its intent to deduct or withhold, (ii) cooperate in good faith will Seller to reduce or eliminate the deduction or withholding of such amount, and (iii) shall provide Seller a reasonable opportunity to provide forms or other documentation that would exempt such amounts from withholding. To the extent that amounts are so withheld, such amounts shall be paid over to the applicable taxing authorities, provided that any withheld amounts shall be treated for all purposes of this Agreement as having been paid to Seller.

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ARTICLE IV.

THE CLOSING

SECTION 4.1. Closing Date

The closing of the (i) sale and transfer of the Transferred Assets and (ii) license of the Product Technology pursuant to Section 2.4 (the "Closing") will take place at the offices of Seller at 1090 Horsham Road, North Wales, PA 19454, or at another place designated by Seller, on the first Business Day following the date on which all of the conditions to each party's obligations under Article X have been satisfied or (if permitted) waived, or at such other time, date and/or place as mutually agreed to by the parties hereto (such date of the Closing being hereinafter referred to as the "Closing Date"). The parties will use their commercially reasonable efforts to cause the Closing Date to occur on the same date as the date of the Allergan Closing.

SECTION 4.2. Transactions to Be Effected at the Closing

At the Closing:

(a) Seller will deliver or cause to be delivered to Buyer each of the items referred to in Section 10.2(d), in each case appropriately executed; and

(b) Buyer will deliver or cause to be delivered to Seller (i) each of the items referred to in Section 10.3(d), in each case appropriately executed, and (ii) payment of the Purchase Price by wire transfer in immediately available funds, to an account in the name of Seller designated in writing by Seller to Buyer (such designation to be made at least five (5) Business Days prior to the Closing Date in an invoice for the Purchase Price issued by Seller to Buyer).

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

SECTION 5.1. Seller Organization; Good Standing

Seller is a corporation duly organized, validly existing and in good standing under the Laws of Israel. Seller has the requisite power and authority to own and transfer all rights to the Transferred Assets, to license the Product Technology pursuant to Section 2.4 and to carry on its business as currently conducted. Seller is duly qualified to conduct business as a foreign corporation and is in good standing in each jurisdiction where the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing would not have a Material Adverse Effect. Seller is the Respondent to the Order.

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SECTION 5.2. Authority; Execution and Delivery

Seller has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated hereby have been duly and validly authorized and no other corporate proceeding is necessary on the part of Seller. This Agreement has been duly executed and delivered by Seller and, assuming the due authorization, execution and delivery of this Agreement by Buyer, will constitute the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar Laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at Law.

SECTION 5.3. Consents; No Violation, Etc.

The execution, delivery and performance of this Agreement do not, and the consummation of the transactions contemplated hereby and the compliance with the terms hereof will not:

- (a) violate any Governmental Rule applicable to Seller,
- (b) conflict with any provision of the certificate of incorporation or by-laws (or similar organizational document) of Seller,
- (c) except as set forth on Schedule 5.3, conflict with any contract to which Seller is a party or by which it is otherwise bound, including any Contract related to any of the Products, or result in the creation of any Encumbrance upon any of the Transferred Assets (other than a Permitted Encumbrance),
- (d) subject to the foregoing clause (c), to the Knowledge of Seller, violate any rights of any third party; or
- (e) except as set forth on Schedule 5.3, require any approval, authorization, consent, license, exemption, filing or registration with any court, arbitrator or Governmental Entity other than approval of the FTC,

except, with respect to the foregoing clauses (a) and (c), for such violations or conflicts which would not have a Material Adverse Effect or materially interfere with Seller's performance of its obligations hereunder and, with respect to the foregoing clause (e), (i) for receipt of FDA approval of any Product ANDA related to a Product that has not been approved by the FDA as of the Effective Date and (ii) otherwise, for such approvals, authorizations, consents, licenses, exemptions, filings or registrations that, if not obtained or made, would not have a Material Adverse Effect or interfere with Seller's performance of its obligations hereunder.

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SECTION 5.4. Title to Transferred Assets

Seller has good and valid title to all of the Transferred Assets, the right to license the Product Technology pursuant to Section 2.4 free and clear of all Encumbrances, other than Permitted Encumbrances. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, ALL OF THE TRANSFERRED ASSETS ARE BEING SOLD, ASSIGNED, CONVEYED OR DELIVERED (AS APPLICABLE) TO BUYER ON AN “AS IS” “WHERE IS” BASIS WITHOUT REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR INFRINGEMENT OF THIRD PARTY RIGHTS, AND ALL SUCH WARRANTIES ARE DISCLAIMED.

SECTION 5.5. Litigation

(a) There is no suit, claim, action, investigation or proceeding pending or, to the Knowledge of Seller, threatened against Seller or its Affiliates, that relates to the Transferred Assets, the Assumed Liabilities or the Product Technology that (i) challenges or seeks to prevent or enjoin the transactions contemplated by this Agreement, or (ii) has not been disclosed to Buyer in writing on Schedule 5.5(a)(i) prior to the execution of this Agreement. Except as set forth on Schedule 5.5(a)(ii), there is no settlement agreement to which Seller or its Affiliates are a party for any past or current suit, claim, action, investigation or proceeding, or order or decree of any Governmental Entity with respect to Seller or its Affiliates, that relates to the Transferred Assets, the Assumed Liabilities or the Product Technology.

(b) Except as set forth on Schedule 5.5(b) hereto, during the twelve (12) month period ending on the Effective Date (i) Seller has not received any written notice from any other Person challenging its ownership or rights in or to use any intellectual property relating to the Products, the Transferred Assets or the Product Technology, (ii) there has not been any, and there are no, actions, including any suits, claims, investigations or proceedings pending or, to the Knowledge of Seller, threatened against Seller or its Affiliates, relating to its ownership or rights in or to use any intellectual property relating to the Products, the Transferred Assets or the Product Technology, and (iii) there has not been any, and there are no, actions including product liability suits, claims, investigations or proceedings of any kind, including product liability, tort or breach of contract, pending or, to the Knowledge of Seller, threatened against Seller, relating to the Products, the Transferred Assets or the Product Technology.

SECTION 5.6. Regulatory Issues

(a) Except as may be disclosed on Schedule 5.6(a) hereto, during the twenty-four (24) month period ending on the Effective Date, (i) with respect to the Products only, Seller has not received: (A) any FDA Form 483s or warning letters directly relating to the Products or the facilities in which the Products are manufactured; or (B) any FDA Notices of Adverse Findings with respect to the Products; and (ii) there has not been a recall or market withdrawal of any Product by Seller, whether voluntary or involuntary.

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(b) To the Knowledge of Seller, the Data Room contains all material information in the possession or control of Seller and its Affiliates relating to (i) adverse drug experience information, (ii) material events and matters concerning or affecting safety, toxicology and formulation and (iii) medical inquiries and complaints brought to the attention of Seller in respect of the Products, in each case during the period ending on the Effective Date and commencing on the date that is three years prior to filing of the relevant Product ANDA.

SECTION 5.7. No Brokers

Except as may be disclosed on Schedule 5.7 hereto, Seller has not entered into any agreement, arrangement or understanding with any Person or firm which will result in the obligation to pay any finder's fee, brokerage commission or similar payment in connection with the transactions contemplated hereby.

SECTION 5.8. Exclusive Representations and Warranties

Other than the representations and warranties set forth in this Article V and any certificates delivered hereunder pursuant to Section 10.2(d), Seller is not making any other representations or warranties, express or implied, with respect to the Products or the Transferred Assets or the Product Technology or any other matter, including but not limited to any warranty of merchantability or fitness for a particular purpose or infringement of third party rights, and all such warranties are disclaimed.

SECTION 5.9. Regulatory Commitments

(a) Seller has complied in all material respects with all obligations arising from or related to any commitments to any Governmental Entity involving any Products. Seller and its Affiliates have been since January 1, 2014 in compliance in all material respects with all Laws applicable to the Transferred Assets, the Assumed Liabilities and the Product Technology.

SECTION 5.10. Contracts to be Assumed; Customers

(a) Other than (i) the Assigned Contracts and (ii) Contracts with Customers there are no other material Contracts related to the Products.

(b) Each Contract that is a Transferred Asset is a legal, valid and binding obligation of Seller and is in full force and effect and, to the Knowledge of Seller, each other party thereto, enforceable against Seller and each other party in accordance with its terms (except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting creditors' rights generally, and subject to the limitations imposed by general equitable principles, regardless of whether such enforceability is considered in a proceeding at Law or in equity). Seller has performed all material obligations under any such Contract, has not received notice from any party claiming or alleging that Seller has breached or is in default thereunder and Seller is not (with or without lapse of time or notice, or both) in material breach or material default thereunder. To the Knowledge of Seller, each other party to each such Contract is not in material breach or default thereunder.

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(c) Schedule 5.10(c) hereto sets forth (i) a true and complete list of Customers as of the Effective Date (the “Customer List”), and (ii) a list of active pharmaceutical ingredients in respect of the Products, the supplier thereof and the cost of such ingredients on a per kilogram basis.

SECTION 5.11. Inventory

Schedule 5.11 provides a true and accurate description of the inventory levels in respect of Seller’s three largest wholesalers of all Products, by Stock Keeping Unit (SKU) as of April 30, 2016 (or subsequent month end, if available) as communicated to Seller by such wholesalers.

SECTION 5.12. Assets

The Transferred Assets and the Product Technology, and the rights to be acquired under this Agreement constitute all of the material assets used or held for use by Seller or to be transferred to an Affiliate of Teva, or to which Teva has a right, in each case pursuant to the Allergan Agreement with respect to the Transferred Assets.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

SECTION 6.1. Buyer’s Organization; Good Standing

Buyer is a company duly organized, validly existing and in good standing under the Laws of Switzerland. Buyer has all requisite corporate power and authority to carry on its business as it is currently being conducted. Buyer is duly qualified to conduct business as a foreign corporation and is in good standing in every jurisdiction where the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing would not prevent or materially delay the consummation of the transactions contemplated hereby.

SECTION 6.2. Authority; Execution and Delivery

Buyer has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Buyer and the consummation of the transactions contemplated hereby have been duly and validly authorized. This Agreement has been duly executed and delivered by Buyer and, assuming the due authorization, execution and delivery of this Agreement by Seller, constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar Laws affecting creditors’ rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at Law.

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SECTION 6.3. Consents; No Violations, Etc.

The execution, delivery and performance of this Agreement do not, and the consummation of the transactions contemplated hereby and the compliance with the terms hereof will not (i) violate any Governmental Rule applicable to Buyer, (ii) conflict with any provision of the certificate of incorporation or by-laws of Buyer, (iii) conflict with any material contract to which Buyer is a party or by which it is otherwise bound or (iv) require any approval, authorization, consent, license, exemption, filing or registration with any court, arbitrator or Governmental Entity, other than approval of the FTC, except with respect to the foregoing clauses (i) and (iii), for such violations or conflicts which would not materially interfere with Buyer's performance of its obligations hereunder or, with respect to the foregoing clause (iv), for the Order and such approvals, authorizations, consents, licenses, exemptions, filings or registrations which have been obtained or made or which, if not obtained or made, would not materially interfere with Buyer's performance of its obligations hereunder.

SECTION 6.4. Litigation

There is no suit, claim, action, investigation or proceeding pending or, to the Knowledge of Buyer, threatened against Buyer or any of its Affiliates which, if adversely determined, would materially interfere with the ability of Buyer to perform its obligations hereunder or the consummation of the transactions contemplated hereby.

SECTION 6.5. Development

As of the date hereof, Buyer has not begun developing (i.e., established bioequivalence with) a generic version of any Product, has not filed a Product ANDA for a generic version of any Product, and does not own or have a right to distribute any product under a Product ANDA for a generic version of any Product or the corresponding NDA, in each case, in a manner that would not cause the FTC staff to determine Buyer is not an acceptable acquirer of the Transferred Assets.

SECTION 6.6. No Brokers

Buyer has not entered into any agreement, arrangement or understanding with any Person or firm which will result in the obligation to pay any finder's fee, brokerage commission or similar payment in connection with the transactions contemplated hereby for which Seller could be liable.

SECTION 6.7. Availability of Funds

As of the Closing Date, Buyer will have cash available that is sufficient to enable it to make payment of the Purchase Price, to satisfy all of the Assumed Liabilities and to make all other necessary payments in connection with transactions contemplated by this Agreement from internal cash accrual and existing lines of credit.

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SECTION 6.8. Solvency

(a) Immediately following the Closing, and after giving effect to all of the transactions contemplated by this Agreement, Buyer will be Solvent. In connection with the transactions contemplated by this Agreement, Buyer is not making any transfer of property and is not incurring any Liability with the intent to hinder, delay, or defraud, either present or future creditors of Buyer.

(b) For purposes of this Agreement, “Solvent” when used with respect to Buyer or the Transferred Assets acquired by Buyer hereunder means, as applicable, that immediately following the Closing Date, (i) the amount of the Present Fair Saleable Value of its assets will, as of such date, exceed all of its known Liabilities as of such date, (ii) such Person will not have, as of such date, an unreasonably small amount of capital for the business in which it is engaged or will be engaged, and (iii) such Person will be able to pay its Debts as they become absolute and mature, taking into account the timing of and amounts of cash to be received by it and the timing of and amounts of cash to be payable on or in respect of its Debts.

(c) For purposes of the definition of “Solvent”: (i) “Debt” means Liability on a Payment Right and “Payment Right” means (A) any right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (B) the right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; and (ii) “Present Fair Saleable Value” means, with respect to Buyer or the Transferred Assets being acquired by Buyer hereunder, the amount that may be realized if its aggregate assets (including its goodwill) are sold as an entirety with reasonable promptness in an arm’s-length transaction under present conditions for the sale of comparable business enterprises.

SECTION 6.9. Independent Investigation; No Seller Warranty

(a) Buyer has conducted its own independent investigation, review, and analysis of the Transferred Assets, the Products, the Product Technology, and the Assumed Liabilities, has formed an independent judgment concerning the Transferred Assets, the Products, the Product Technology and the Assumed Liabilities and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of Seller, for such purpose.

(b) Buyer acknowledges and represents that: (i) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon its own investigation and the express representations and warranties of Seller set forth in this Agreement (including the related portions of the Schedules) and any certificates delivered hereunder; and (ii) neither Seller nor any other Person has made, and the Buyer is not relying on, any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding Seller, its Affiliates, the Transferred Assets, the Products, the Product Technology or the Assumed Liabilities not expressly set forth in this Agreement (including any information, documents and materials made available to Buyer in any electronic data room or

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any repository of information, management presentations, or in any other form in expectation of the transactions contemplated hereby), and neither Seller nor any other Person will have or be subject to any Liability to Buyer or any other Person resulting from the distribution to Buyer or its representatives or Buyer's use of any such information.

SECTION 6.10. No Guarantee of FDA Approval

Buyer acknowledges and agrees that Seller does not guarantee that FDA approval will be obtained for a Product ANDA that has not already been approved by FDA as of the date hereof and makes no representation or warranty hereunder with respect to any Product that has not already been approved by FDA as of the date hereof.

ARTICLE VII.

CERTAIN COVENANTS AND AGREEMENTS OF SELLER

SECTION 7.1. Conduct of Business Until Closing

During the period from the date of this Agreement and continuing until the Closing, Seller agrees that:

(a) **Ordinary Course.** Seller will conduct its business with respect to the Products and the Transferred Assets in all material respects in the ordinary course and in substantially the same manner as presently conducted and in accordance with the Order of the FTC, including, without limitation, by using commercially reasonable efforts to, in each case in accordance with past practices hereof and reasonable industry standards, (i) maintain sales of Products and customer inventory levels in respect thereof in accordance with past practices, historical sales data provided by Seller to Buyer pursuant to Section 7.6 hereof and reasonable industry standards, (ii) not engage in any special promotional activities including special discounts, (iii) not waive any material claims or rights related to the Products or the Transferred Assets, (iv) not terminate, modify or waive any material provision of any Assigned Contract, (v) with respect to the Products and the Transferred Assets, as applicable, not materially alter the activities and practices with respect to inventory levels of the Products maintained at the wholesale, chain, institutional or retail levels in any material respect, (vi) seek FDA approval for the Product ANDA for any pipeline Product that has not already been approved by the FDA as of the Effective Date, (vii) maintain any Product ANDAs that have been approved by the FDA as of the Effective Date, (viii) comply with any Laws and FDA requests or requirements in respect of the Product ANDAs or the manufacture, distribution and sale of any of the Products pursuant to the Product ANDAs, in each case, in any material respect, (ix) maintain any Assigned Patents, (x) maintain, in all material respects, the assets reasonably necessary to the manufacture of the Products, (xi) maintain sales efforts and sales levels consistent in all material respects with past practice, or (xii) not agree, in writing or otherwise, to take or authorize the taking of any actions that conflict with the foregoing; provided, however, that nothing contained herein will be deemed to require the expenditures of any funds outside of the ordinary course of business. Seller will not, without the prior written consent of Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), amend or modify any Assigned Contract in a manner adverse to Buyer in any material respect, including any change in any price therein.

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(b) No Dispositions. Seller will not sell, lease, license, encumber, pledge or transfer, or agree to sell, lease, license, encumber, pledge or transfer, any of the Transferred Assets or the Product Technology.

(c) No Settlements. Seller will not, without the prior written consent of Buyer (such consent not to be unreasonably withheld), (i) settle or agree to settle any claim, suit, action or other proceeding relating to the Products or the Transferred Assets brought against it by any Governmental Entity; provided, however, that Seller may take any action or omit to take any action, to the extent required by, or reasonably necessary to comply with the Order or (ii) initiate or agree to initiate any claim, suit, action or other proceeding relating to the Products or the Transferred Assets except to protect the Products or the Transferred Assets.

SECTION 7.2. Post-Closing Orders and Payments

From and after 12:01 A.M. (New York, New York, USA time) on the day immediately following the Closing Date, (i) Seller will promptly deliver to Buyer any payments received by Seller from third parties for Finished Goods purchased by the third parties from Buyer on or after the Closing Date, and refer all inquiries it will receive with respect to the Products (other than with respect to Excluded Assets or Excluded Liabilities), to Buyer or its designee; and (ii) Buyer will promptly deliver to Seller any payments received by Buyer from third parties for Finished Goods purchased by third parties from Seller or its Affiliates prior to the Closing.

SECTION 7.3. Technology Transfer; Assistance with Buyer Regulatory Filings

(a) Seller and Buyer will use commercially reasonable efforts to effect an orderly transfer of the Product Technology from Seller to Buyer pursuant to the terms of this Agreement as soon as practicable following the Closing Date. Seller will provide reasonable cooperation and assistance to Buyer, including making available Seller personnel, in connection with such transfer of the Product Technology and Buyer's preparation of all filings required to be filed with the FDA by Buyer with respect to such transfer of the Product Technology. Each party will bear the Direct Costs incurred by it and its Affiliates in connection with its activities undertaken under this Section 7.3(a).

(b) Buyer shall have sole responsibility for obtaining, and shall use commercially reasonable efforts to obtain, all regulatory approvals necessary for the offer, sale, importation, manufacture, distribution, marketing, promotion, import, export, pricing and reimbursement of the Products, including, without limitation, supplementing the Product ANDA to include facilities designated by Buyer and to delete Seller's facilities, and assuming all responsibility for maintenance of the Product ANDAs. All decisions regarding the validation of Products and the conduct of any and all actions reasonably necessary or required to obtain and maintain the Regulatory Approvals required for Product ANDA ("Regulatory Activities") with respect to the Products after the Closing Date shall be made by Buyer in its sole and absolute discretion, and all such Regulatory Activities shall be at its sole cost. Seller shall use commercially reasonable efforts in providing reasonable cooperation and pre-launch assistance to Buyer for unlaunched Products, including (i) making available personnel of Seller and its Affiliates who have been directly involved in development and filing of the Product ANDA, (ii) any cooperation and assistance as may be mutually agreed, (iii) with respect to Regulatory Activity, and (iv) any

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testing, development, batch manufacturing, report writing, and response drafting as reasonably necessary to respond to any questions or Product ANDA deficiencies from any Regulatory Authority within the timelines stipulated by such Regulatory Authority; provided, however, that Seller shall not be required by this Section 7.3(b) to provide any testing, development or batch manufacturing with respect to Products that are not Supply Products. In addition, solely with respect to the Supply Products, Seller shall use commercially reasonable efforts to provide pre-validation and validation support services for Supply Products from Seller's facilities as may be reasonably requested by Buyer. For purposes of this Section 7.3, (A) "Regulatory Authority" means any governmental regulatory authority within the Territory involved in regulating any aspect of the development, manufacture, testing, market approval, sale, distribution, packaging or use of the Product ANDA, including the FDA, and (B) "Regulatory Approvals" means any and all approvals, licenses, registrations, or authorizations of the relevant Regulatory Authority necessary for the development, manufacture, use, storage, import, transport or commercialization of any Supply Product. In furtherance of and without limitation to the foregoing, the parties will negotiate in good faith and agree as promptly as reasonably practicable and in any event within forty-five (45) days following the Closing, the Development Agreement. Buyer will bear the Direct Costs incurred by Buyer, Seller and their respective Affiliates in connection with its activities undertaken under this Section 7.3(b).

SECTION 7.4. Seller's NDC Numbers

Buyer and its Affiliates will (i) sell Products only under Buyer NDC Numbers and (ii) not sell any Product under Seller's or its Affiliates' names, in each case save to the extent contemplated or permitted hereunder.

SECTION 7.5. Competition

(a) The parties hereto agree and acknowledge that the provisions of this Agreement will not be construed to limit or restrict in any manner the right of Seller or any of its Affiliates to develop, manufacture, use, sell or commercialize in any manner any pharmaceutical product, including any product competitive with the Products if sold under a Product ANDA or other filing that is not being purchased by Buyer as part of the Transferred Assets hereunder, either in the Territory or outside of the Territory.

(b) Nothing contained in this Agreement will be construed as prohibiting Seller or any of its Affiliates from: (i) acquiring (whether by merger, asset or stock acquisition or otherwise) another company, business or line of products (including by license thereof or through investment therein), which makes, has made, sells, has sold, markets, has marketed, distributes or has distributed or otherwise represents a product which is substantially similar to or equivalent to a Product and continuing to operate such company, business or line of products following such acquisition; or (ii) entering into a joint venture, alliance or other similar collaborative arrangement between Seller or any of its Affiliates thereof and any third party which joint venture makes, has made, sells, has sold, markets, has marketed, distributes or has distributed a product which is substantially similar to or equivalent to a Product and continuing to participate in such collaboration.

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SECTION 7.6. Sales Data; Customer

(a) On the Effective Date, Seller shall deliver to Buyer monthly net sales data for the Products (as calculated by Seller in accordance with its standard practice) for the previous six (6) month period, including details on units.

(b) Within two (2) Business Days after the Closing Date, Seller shall update the Customer List and the information required to be provided pursuant to Section 7.6(a) as necessary, to ensure that such information remains materially accurate and complete up to and including the Closing Date.

(c) On or after the date that is five (5) Business Days prior to the anticipated Closing Date, but in no event earlier than such date, and subject to Section 8.3 hereof, Buyer may contact the Customers to promote the Products and the distribution thereof.

SECTION 7.7. Nonsolicitation

Until the earlier of the Closing or termination of this Agreement pursuant to Section 11.1, no member of the Seller Group or any Person acting on its behalf shall, directly or indirectly, other than in the ordinary course of business, (i) solicit or encourage any inquiries or proposals for, or enter into any discussions with respect to, the acquisition, lease or exchange of any of the Products or any of the Transferred Assets or (ii) furnish or cause to be furnished any non-public information concerning any of the Products or any of the Transferred Assets to any Person (other than Buyer) for purposes of facilitating such a transaction. No member of the Seller Group shall (x) sell, transfer or otherwise dispose of, grant any option or proxy to any Person with respect to, create any Encumbrance upon, or transfer any interest in, any Transferred Asset, other than in the ordinary course of business and consistent with this Agreement, or (y) enter into any agreement, commitment or arrangement (whether or not binding) with any person to do any of the foregoing.

SECTION 7.8. Transition Plan

As soon as reasonably practicable following the date hereof, and in any event within thirty (30) days, the parties shall establish a joint transition team (the "Transition Committee") to oversee and manage the transition of the Transferred Assets and the Products from Seller to Buyer (the "Transition") comprising an equal number of suitable representatives nominated by, on the one hand, Seller, and, on the other hand, Buyer, such representatives to have the requisite skills, knowledge and experience to discuss, coordinate and make arrangements to give effect to the Transition.

ARTICLE VIII.

CERTAIN COVENANTS AND AGREEMENTS

SECTION 8.1. Insurance

At all times from the Closing Date through that date which is three (3) years after the termination or expiration of this Agreement, Buyer will maintain product liability and other insurance for itself (either in its own name or in the name of its Affiliates or through self-

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insurance) in amounts, respectively, which are reasonable and customary in the USA pharmaceutical industry for companies of comparable size, provided that in no event shall the product liability insurance amounts be less than \$25,000,000 per occurrence and \$25,000,000 in the aggregate limit of liability per year. Buyer shall provide the Seller with written proof of such insurance upon Seller's request.

SECTION 8.2. Books and Records

Following the Closing, Buyer will preserve all books and records included within the Transferred Assets for applicable periods of time as required by the FDA or FTC and, subject to Section 8.3 hereof, make such books and records available for inspection and copying by Seller or its agents upon reasonable request and upon reasonable notice for any reasonable business purpose, including in respect of litigation, insurance matters and financial reporting of the Seller Group. Each party acknowledges that the books and records made available to such party or its agents pursuant to this Section 8.2 constitutes confidential information of the other party and is subject to the confidentiality provisions of Section 8.3 hereof.

SECTION 8.3. Confidentiality

Each party hereto or its Affiliates or contractors (a "Disclosing Party") may, from time to time, prior to or after the Effective Date, disclose to the other party (the "Receiving Party") information of a technical or non-technical nature that is not generally known to the trade or public. The Receiving Party agrees that it will not use for any purpose other than as necessary to perform its obligations under this Agreement and the Ancillary Agreements, and will not disclose to anyone in any manner whatsoever, any such information, including, without limitation, information relating in any way to the products, processes, and services of the Disclosing Party, which becomes known to the Receiving Party on or prior to the later of the date of the termination of this Agreement. The obligations of this Section 8.3 will not apply to information that (i) is known to the Receiving Party as shown by written records prior to its disclosure by the Disclosing Party or its Affiliates or its contractors; (ii) becomes public information or is generally available to the public other than by an unauthorized act or omission of the Receiving Party; or (iii) is received by the Receiving Party from third parties who are in rightful possession of such information and who are lawfully entitled to disclose such information to the Receiving Party and did not receive such information from the Disclosing Party. From and after the Closing Date, the Transferred Assets and all confidential information related solely and exclusively to the Transferred Assets or the manufacture thereof shall be considered the confidential information of Buyer under this Section 8.3 and the obligations of this Section 8.3 in respect thereof will apply to Seller and not the Buyer. It being understood for the avoidance of doubt, that, without limitation, to the extent any confidential information related to the Transferred Assets or the manufacture thereof is used by the Seller in the retained business thereof, such confidential information shall constitute the confidential information of both parties. Upon the latter of the date of termination of this Agreement, the Receiving Party will return to the Disclosing Party all documents that include confidential information of the Disclosing Party or its contractors (other than the Transferred Assets), including all copies of such documents or extracts therefrom, if any, and will make no further use of such information. To the extent that the confidential information relates to the Products, each Disclosing Party or Receiving Party, as the case may be, shall create an internal firewall and use commercially reasonable efforts to protect against the disclosure of such information to such Disclosing Party's or Receiving Party's, as the case may be, marketing and sales personnel.

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SECTION 8.4. Assumption of Regulatory Commitments

From and after the Closing Date, Buyer will assume control of, and responsibility for all costs and Liabilities arising from or related to any commitments or obligations to any Governmental Entity involving the Products, only to the extent arising from or relating to Product sold by Buyer after the Closing Date, and in the case of any Products that are subject to obtaining FDA approval of any unapproved Product ANDA, transferred to Buyer on the Closing Date.

SECTION 8.5. Bulk Transfer Laws

Buyer hereby waives compliance by Seller with the provisions of any so-called “bulk transfer law” of any jurisdiction in connection with the sale of the Transferred Assets to Buyer.

SECTION 8.6. Buyer NDC Numbers; Buyer Trademarks and Buyer Trade Dress Changes

Buyer covenants and agrees that, if not already applied for, Buyer will apply for and initiate applicable processes to obtain and establish new NDC Numbers (the “Buyer NDC Numbers”) prior to the launch of the applicable Product and notify Seller thereof.

SECTION 8.7. Response to Medical Inquiries and Products Complaints

After the Closing Date, Buyer will assume all responsibility for responding to any medical inquiries or complaints about the Products in the Territory.

SECTION 8.8. Transition of Manufacturing Services

Buyer and Seller will use commercially reasonable efforts to coordinate with each other to facilitate an orderly transition to Buyer of the supply of Products presently manufactured by third-party manufacturers for Seller pursuant to the Assigned Contracts. In furtherance thereof, promptly after the Effective Date, Buyer and Seller shall mutually agree on the manner in which they shall jointly contact such third-party manufacturers and the content of such communications regarding the transition of the supply of Products from Seller to Buyer, including the assignment of any applicable Assigned Contracts to Buyer.

SECTION 8.9. Use of Transferred Assets

(a) Nothing contained in this Agreement will be construed as prohibiting Buyer or any of its Affiliates from: (a) acquiring (whether by merger, asset or stock acquisition or otherwise) another company, business or line of products (including by license thereof or through investment therein), which makes, has made, sells, has sold, markets, has marketed, distributes or has distributed or otherwise represents a product which is substantially similar to or equivalent to a Product and continuing to operate such company, business or line of products following such acquisition; or (b) entering into a joint venture, alliance or other similar collaborative arrangement between Buyer or any of its Affiliates thereof and any third party which joint venture makes, has made, sells, has sold, markets, has marketed, distributes or has distributed a product which is substantially similar to or equivalent to a Product, and continuing to participate in such arrangement.

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ARTICLE IX.

OTHER COVENANTS AND AGREEMENTS

SECTION 9.1. Trade Returns, Medicaid Rebates, Chargebacks

(a) (i) Buyer will, at its expense, process and bear the cost of returns of any Products bearing Buyer NDC Number sold by Buyer or its Affiliates and returned in accordance with Buyer's returned goods policy ("Buyer Returns") and (ii) Seller will, at its expense, process and bear the cost of returns on or after the Closing Date of all Products other than Buyer Returns.

(b) Seller and Buyer will be responsible for processing and payment of all Medicaid Reimbursements and Rebates for the Products sold bearing their respective NDC Numbers.

(c) Seller will be responsible for any and all payments, rebates, administrative fees or chargebacks due to customers under Seller's contracts for Products bearing the Seller NDC Number which were sold by Seller or its Affiliates ("Seller Payments"). Buyer agrees that Seller shall have no responsibility for, and "Seller Payments" shall not include, credits for shelf stock adjustments or similar adjustments resulting from price decreases on or after the Closing Date. Buyer will be responsible for all payments, rebates, administrative fees or chargebacks due in connection with any and all sales of Products by or on behalf of Buyer, other than Seller Payments.

SECTION 9.2. Adverse Experience Reports

Seller shall continue to be responsible for adverse experience reporting to the FDA until the Closing Date. On and after the Closing Date, Buyer shall be responsible for adverse experience reporting to the FDA in respect of the Products. Seller shall at all times provide to Buyer all adverse drug experience information brought to the attention of Seller in respect of the Products manufactured by Seller or its Affiliates, as well as any material events and matters concerning or affecting safety of the Products manufactured by Seller or its Affiliates. At and after the Closing, Seller shall cooperate with Buyer's requests regarding adverse experience information in respect of the Products to ensure that all adverse experience data is transferred to Buyer. After the Closing Date, subject to this Agreement and any other agreement executed between the parties and/or their Affiliates with respect to any Product, Seller will promptly submit to Buyer all adverse drug experience information brought to the attention of Seller or its Affiliates or their respective agents in respect of the Products, as well as any material events and matters concerning or affecting safety of the Products. After the Closing Date, any new adverse experience reports or any follow-up adverse experience reports received by Seller will be forwarded to Buyer, together with any source documents, as promptly as reasonably practicable and in any event within three (3) Business Days after receipt by Seller. Unless notified otherwise in writing by Buyer, Seller shall forward such reports to: Head of Pharmacovigilance, Dr. Reddy's Laboratories S.A., Elisabethenanlage 11, 4051 Basel, Switzerland.

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SECTION 9.3. Transfer of Product ANDAs, Etc.

(a) Seller will cooperate with Buyer in disclosing any relevant records and reports which are required to be made, maintained and reported pursuant to Governmental Rules in the Territory with respect to the Product ANDAs that are part of the Transferred Assets and coordinating with Buyer to make an orderly and prompt transition of the Transferred Assets as soon as practicable after Closing.

(b) The parties hereto agree to use their commercially reasonable efforts to take any other actions required by the FDA to effect the transactions contemplated hereby. On the Closing Date, each of the parties hereto will take any actions necessary to affect the transfer of the Product ANDAs from Seller to Buyer, including notices to the FDA regarding such transfer from Seller to Buyer of the Product ANDAs. Each party shall bear its own costs related thereto. Seller shall use its commercially reasonable efforts and take all necessary actions to seek to cause the transfer of hard copies (to the extent reasonably in Seller's possession) of the Product ANDAs to Buyer as soon as reasonably practicable after the Closing.

SECTION 9.4. Further Action; Consents; Filings

(a) Upon the terms and subject to the conditions hereof, each of Buyer and Seller will use commercially reasonable efforts to (i) take, or cause to be taken, all actions necessary, proper or advisable under applicable Governmental Rules or otherwise to satisfy the conditions to Closing set forth in Article X and consummate and make effective the transactions contemplated by this Agreement, (ii) obtain from the requisite Governmental Entities any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement and (iii) make all necessary filings, and thereafter make any other advisable submissions, with respect to this Agreement and the transactions contemplated by this Agreement required under any applicable Governmental Rules, including, without limitation, all filings with the FDA or other Governmental Entity needed to obtain approval of Buyer to manufacture the Products in a timely and reasonable manner. Each of Seller and Buyer will provide copies of all non-confidential documents to the other party and its advisors prior to filing and, if requested, will accept all reasonable additions, deletions or changes suggested in connection therewith. Each of Seller and Buyer will furnish all information required for any application or other filing to be made pursuant to the rules and regulations of any applicable Governmental Rules in connection with the transactions contemplated by this Agreement.

(b) Each of Buyer and Seller shall use commercially reasonable efforts to obtain from the FTC preliminary approval for Buyer as the purchaser of the Transferred Assets. Each of Buyer and Seller agrees to cooperate and use its commercially reasonable efforts vigorously to contest and resist any action, including legislative, administrative or judicial action, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits the consummation of the transactions contemplated by this Agreement, including by vigorously pursuing all available avenues of administrative and judicial appeal and all available legislative action.

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SECTION 9.5. Compliance with the Federal Trade Commission Decision

Reference is made to the Order. The parties hereto agree that the provisions set forth in Appendix II, which provisions are called for by the Order, are incorporated into this Agreement as if set forth in their entirety in this Agreement. To the extent the provisions of Appendix II conflict with the provisions of this Agreement, the provisions of Appendix II shall govern.

SECTION 9.6. Representations to Customers

During the two (2) year period following the Closing, Buyer and Seller each agrees not to make any false and/or disparaging statements about any Product.

SECTION 9.7. Preservation of Data Room

Seller shall deliver to Buyer one (1) copy of a compact disc or DVD-ROM containing a true, correct and complete copy of the materials in the Intralinks electronic data room sponsored by Seller (the "Data Room") no more than ten (10) days after the Closing Date.

SECTION 9.8. Notice of [***]

During the period from the date of this Agreement and continuing until the Closing, Seller shall promptly notify Buyer in writing of the occurrence of any [***].

ARTICLE X.

CONDITIONS PRECEDENT

SECTION 10.1. Conditions to Each Party's Obligations

The obligation of Buyer to purchase the Transferred Assets from Seller and assume the Assumed Liabilities and the obligations of Seller to sell, assign, convey and deliver the Transferred Assets to Buyer will be subject to the satisfaction (or waiver by each of Buyer and Seller, as applicable, to the extent permitted by applicable Law) on or prior to the Closing of the following conditions:

(a) No Litigation, Injunctions, or Restraints. No temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement will be threatened or in effect.

(b) FTC Preliminary Approval. The FTC shall have preliminarily approved the Buyer as the purchaser of the Transferred Assets hereunder.

(c) Allergan Closing. The Allergan Closing shall have occurred.

(d) Related Transactions. Prior to or concurrently with the Closing, the transactions contemplated by the Other Acquisition Agreement shall have been consummated.

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SECTION 10.2. Conditions to Obligations of Buyer

The obligation of Buyer to purchase the Transferred Assets from Seller and to assume the Assumed Liabilities is subject to the satisfaction on and as of the Closing of each of the following additional conditions (any or all of which may be waived in whole or in part by Buyer):

(a) Representations and Warranties. The representations and warranties of Seller set forth in this Agreement will be true and correct (without giving effect to any materiality or Material Adverse Effect qualifications set forth therein) in all respects as of the Closing as though made on and as of the Closing, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct as of such earlier date), and except in each case for breaches of such representations and warranties that would not, individually or in the aggregate, have a Material Adverse Effect.

(b) Performance of Obligations of Seller. Seller will have performed or complied in all material respects with the obligations, conditions and covenants required to be performed by it under this Agreement at or prior to the Closing.

(c) No Material Adverse Effect. There shall not have been a Material Adverse Effect.

(d) Deliveries. Seller will have duly executed and delivered to Buyer, dated as of the Closing Date, the (i) Ancillary Agreements, and (ii) Seller Officer's Certificate.

SECTION 10.3. Conditions to the Obligations of Seller

The obligations of Seller to sell, assign, convey, and deliver the Transferred Assets, or to cause the Transferred Assets to be sold, assigned, conveyed or delivered, as applicable, to Buyer are subject to the satisfaction on and as of the Closing of each of the following additional conditions (any or all of which may be waived in whole or in part by Seller):

(a) Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement will be true and correct (without giving effect to any materiality or similar qualifications set forth therein) in all respects as of the Closing as though made on and as of the Closing, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct as of such earlier date), and except in each case for breaches of such representations and warranties that would not, individually or in the aggregate, have a Material Adverse Effect.

(b) Performance of Obligations of Buyer. Buyer will have performed in all material respects the obligations required to be performed by it under this Agreement at or prior to the Closing.

(c) Purchase Price. Buyer will have paid the Purchase Price.

(d) Deliveries. Buyer will have duly executed and delivered to Seller, dated as of the Closing Date, the (i) Ancillary Agreements (other than the Bill of Sale), and (ii) the Buyer Officer's Certificate.

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ARTICLE XI.

TERMINATION, AMENDMENT AND WAIVER

SECTION 11.1. Termination

(a) Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

- (i) by mutual written consent of Seller and Buyer;
- (ii) by Seller if any of the conditions set forth in Sections 10.1 or 10.3 will have become incapable of fulfillment and will not have been waived by Seller;
- (iii) by Buyer if any of the conditions set forth in Sections 10.1 or 10.2 will have become incapable of fulfillment and will not have been waived by Buyer;
- (iv) by Seller or Buyer if the Closing does not occur on or prior to October 26, 2016 (the “Long-Stop Date”); provided, however, that Seller may, from time to time, upon provision to Buyer of evidence reasonably satisfactory to Buyer of the extension of any long-stop, termination or similar date in any Contractual Consent (each a “Contractual Consent Long-Stop Date”), extend the Long-Stop Date to the date that is the earlier of (x) one year from the Effective Date, and (y) the earliest Contractual Consent Long-Stop Date; provided, further, that the right to terminate this Agreement pursuant to this clause (iv) shall not be available to any party hereto whose action or failure to fulfill any obligation under this Agreement has been the primary cause of the failure of the Closing to have occurred on or prior to one year from the Effective Date;
- (v) by Seller, if Buyer is not preliminarily approved by the FTC or other necessary Governmental Entity as a purchaser of the Transferred Assets hereunder (“Failure to Approve”);
- (vi) by Seller, if the staff of the FTC informs Seller in writing that the staff will not recommend approval of Buyer as purchaser of the Transferred Assets hereunder (“Staff Rejection”); or
- (vii) by Seller or Buyer if the Allergan Agreement is terminated prior to the consummation of the transactions contemplated by the Allergan Agreement,

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provided, however, that the party seeking termination pursuant to clause (ii), (iii) or (iv) is not in breach of any of its representations, warranties, covenants or agreements contained in this Agreement.

(b) In the event of termination of this Agreement pursuant to this Section 11.1, written notice thereof will forthwith be given to the other party and the transactions contemplated by this Agreement will be terminated, without further action by any party. If the transactions contemplated by this Agreement are terminated as provided herein:

- (i) each party will return all documents and other material received from the other party relating to the Products, the Transferred Assets, the Product Technology, or the transactions contemplated hereby, whether so obtained before or after the execution hereof, to such party and, if applicable, Seller shall return any delivered portions of the Purchase Price to Buyer; and
- (ii) all confidential information received by a party with respect to the other party, the Products, the Transferred Assets, the Product Technology or the transactions contemplated hereby will be treated in accordance with Section 8.3, which will remain in full force and effect notwithstanding the termination of this Agreement.

(c) If this Agreement is terminated, no party hereto and none of their respective directors, officers, stockholders, Affiliates or controlling Persons shall have any further liability or obligation under this Agreement, except as set forth in paragraphs (a) and (b) of this Section, except that (i) nothing in this Section 11.1 will be deemed to release any party from any liability for any willful and material breach by such party of the terms and provisions of this Agreement, and (ii) the provisions of Sections 8.3 (*Confidentiality*), 11.5 (*Termination Expenses*), 13.1 (*Expenses*), 13.3 (*Notices*), 13.8 (*Governing Law*) and 13.9 (*Jurisdiction, Venue, Service of Process, WAIVER OF JURY TRIAL*) shall survive termination of this Agreement.

SECTION 11.2. Amendments and Waivers

This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. By an instrument in writing, Buyer, on the one hand, or Seller, on the other hand, may waive compliance by the other party with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

SECTION 11.3. Rescission

If at the time the FTC determines to make final and effective its Order concerning the Proposed Allergan Transaction, the FTC notifies Seller that Buyer is not an acceptable purchaser of the Transferred Assets, then each of Seller and Buyer shall have the right immediately to rescind this Agreement, and the provisions of Sections 11.1(b) and 11.1(c) shall be applicable as if a termination of this Agreement had occurred.

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SECTION 11.4. Modification

If at the time the FTC determines to make final and effective its Order concerning the Proposed Allergan Transaction, the FTC notifies Seller that this Agreement is not an acceptable manner of divestiture, Seller and Buyer shall reasonably seek to modify this Agreement as may be necessary to satisfy the FTC.

SECTION 11.5. Termination Expenses

(a) Seller shall reimburse Buyer for any reasonable and documented out-of-pocket expenses relating to the performance of Buyer's obligations under Section 9.4 including attorneys' fees, accountants' fees and expert witnesses' fees and expenses following the Failure to Approve Termination Period or the Staff Rejection Termination Period, as applicable, and prior to such termination if:

- (i) Seller is entitled to terminate this Agreement pursuant to Section 11.1(a)(v) or Section 11.1(a)(vi) and Seller does not terminate this Agreement pursuant to Section 11.1(a)(v) or Section 11.1(a)(vi) within the Failure to Approve Termination Period or Staff Rejection Termination Period, respectively, and
- (ii) following the termination of the Failure to Approve Termination Period or the Staff Rejection Termination Period, as applicable, this Agreement is terminated pursuant to Section 11.1, other than pursuant to Section 11.1(a)(ii) or Section 11.1(a)(iv) in each case where the failure to satisfy any condition to Closing is due to any breach by Buyer of the covenants contained in this Agreement.

ARTICLE XII.

INDEMNIFICATION

SECTION 12.1. Survival

All representations and warranties of Seller and Buyer contained herein or made pursuant hereto shall survive the Closing Date and shall remain operative and in full force and effect for a period of twelve (12) months following the Closing Date (the "Expiration Date"). Notwithstanding anything herein to the contrary, any breach of a representation or warranty that is the subject of a claim that is asserted in writing prior to the Expiration Date shall survive with respect to such claim or any dispute with respect thereto until the final resolution thereof. All covenants contained herein shall survive the Closing in accordance with their respective terms or, if not specified, indefinitely.

SECTION 12.2. Indemnification by Seller

(a) Subject to Section 12.4, Seller hereby agrees that from and after the Closing Date, Seller shall indemnify Buyer and its Affiliates and their respective officers, directors and employees (the "Buyer Indemnified Parties") against, and hold them harmless from, and pay and reimburse such Buyer Indemnified Parties for, any Losses to the extent such Losses arise from the following:

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- (i) any breach by Seller of any representation or warranty made by it contained in this Agreement;
- (ii) any breach by Seller of any of its covenants, agreements or obligations contained in this Agreement; and
- (iii) any and all Excluded Assets and/or Excluded Liabilities.

SECTION 12.3. Indemnification by Buyer

(a) Subject to Section 12.4 hereof, Buyer hereby agrees that from and after the Closing Date, Buyer shall indemnify Seller and its Affiliates and their respective officers, directors and employees (the “Seller Indemnified Parties”) against, and hold them harmless from, and pay and reimburse such Seller Indemnified Parties for, any Losses to the extent such Losses arise from the following:

- (i) any breach by Buyer of any representation or warranty made by it contained in this Agreement;
- (ii) any breach by Buyer of any of its covenants, agreements or obligations contained in this Agreement; and
- (iii) any and all Assumed Liabilities.

Buyer Indemnified Parties and Seller Indemnified Parties are sometimes referred to herein as “Indemnified Parties”.

SECTION 12.4. Limitations

(a) The amount of any Losses for which either Seller or Buyer, as the case may be, is liable shall be reduced by (i) the amount of any insurance proceeds actually paid to the Buyer Indemnified Party and the Seller Indemnified Party, as applicable, and (ii) the aggregate amount actually recovered under any Assigned Contract (if applicable) or any other indemnity agreement, contribution agreement, or other Contract between any of the Indemnified Parties, on the one hand, and any third Person, on the other hand, with respect to such Losses.

(b) Notwithstanding the other provisions of this Article XII, Seller shall not have any indemnification obligations for any individual Losses arising from or in connection with Section 12.2(a)(i) unless and until the aggregate amount of all such Losses exceed \$75,000 together with the amount of all such Losses under the Other Acquisition Agreement (the “Deductible”), in which event Seller shall be required to pay the full amount of such Losses to the extent exceeding the Deductible, but only up to a maximum aggregate amount with respect to this Agreement of \$1,500,000 together with the Other Acquisition Agreement (the “Cap”); provided, that with respect to any claim to which any Buyer Indemnified Party may be entitled to indemnification under Section 12.2, Seller shall not be liable for any individual or series of related Losses which do not exceed \$50,000 and any Losses with respect thereto shall not be included in Losses for purposes of determining the Deductible or the Cap.

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(c) In no event shall either party or any of its Affiliates be liable by reason of any breach of any representation, warranty, condition or other term of this Agreement or any duty of common law, for any punitive loss or damage and each party hereto agrees that it shall not make any such claim; provided that the foregoing does not limit any of the obligations or liability of either party or its Affiliates under Sections 12.2 and 12.3 with respect to claims of unrelated third parties.

(d) Neither Seller nor Buyer shall have any Liability under this Agreement in respect of any Loss if such Loss would not have arisen but for (i) a change in legislation or accounting policies after the Closing or (ii) a change in any Law after the Closing or a change in the interpretation of any Law after the Closing as determined by a Governmental Entity.

(e) For purposes of determining whether a breach of a representation or warranty has occurred for which indemnification is provided under this Article XII and for calculating the amount of Losses indemnifiable hereunder, any materiality, Material Adverse Effect or similar qualifications in such representation or warranty shall be disregarded.

(f) Except for claims based on fraud, the right of the Buyer Indemnified Parties and the Seller Indemnified Parties under this Article XII shall be the sole and exclusive monetary remedy of the Buyer Indemnified Parties and the Seller Indemnified Parties, as the case may be, with respect to matters covered hereunder, including, but not limited to, claims relating to the Products, the Transferred Assets or Product Technology, Assumed Liabilities or Excluded Liabilities and no Indemnified Party shall have any other cause of action or remedy at Law in equity for breach of contract, rescission, tort, or otherwise against the other party arising under or in connection with this Agreement and the matters and transactions contemplated hereby. Without limiting the generality of the preceding sentence, except in the case of specific performance and for claims based on fraud, no legal action sounding in contribution, tort, or strict liability (in each case, other than claims made or contemplated by this Article XII) may be maintained by an Indemnified Party, or any of its officers, directors, other governing bodies, employees, equityholders, owners, Affiliates, representatives, agents, successors, or assigns, against the Seller or Buyer or any of their Affiliates with respect to any matter that is the subject of this Article XII, and Buyer and Seller, for themselves and the other Indemnified Parties and each of their respective officers, directors, other governing bodies, employees, equityholders, owners, Affiliates, representatives, agents, successors, and assigns, hereby waive any and all statutory rights of contribution or indemnification (other than rights of indemnification hereunder) that any of them might otherwise be entitled to under any Law with respect to any matter that is the subject of this Article XII.

SECTION 12.5. Procedure

(a) In order for an Indemnified Party to be entitled to any indemnification provided for under this Agreement, such Indemnified Party will, within a reasonable period of time following the discovery of the matters giving rise to any Losses, notify the indemnifying party under this Article XII (the "Indemnifying Party") in writing of its claim for indemnification for

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such Losses, specifying in reasonable detail the nature of such Losses and the amount of the liability estimated to accrue therefrom; provided, however, that failure to give such notification will not affect the indemnification provided hereunder, except to the extent the Indemnifying Party will have been actually prejudiced as a result of such failure. Thereafter, the Indemnified Party will deliver to the Indemnifying Party, within a reasonable period of time after the Indemnified Party's receipt of such request, all information and documentation reasonably requested by the Indemnifying Party with respect to such Losses.

(b) If the indemnification sought pursuant hereto involves a claim made by a third party against the Indemnified Party (a "Third Party Claim"), the Indemnifying Party will be entitled to assume the defense of such Third Party Claim at its own expense with counsel selected by the Indemnifying Party. Should the Indemnifying Party so elect to assume the defense of a Third Party Claim, the Indemnifying Party will not be liable to the Indemnified Party for any legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. If the Indemnifying Party assumes such defense, the Indemnified Party will have the right to participate in the defense thereof and to employ counsel, at its own expense (which expense shall not constitute a Loss), separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party will control such defense (provided, that, if in the reasonable opinion of counsel of the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party, or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party). The Indemnifying Party will be liable for the reasonable and documented fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party has not assumed the defense thereof (other than during any period in which the Indemnified Party will have failed to give notice of the Third Party Claim as provided above). If the Indemnifying Party chooses to defend or prosecute a Third Party Claim, all of the parties hereto will cooperate in the defense or prosecution thereof. Such cooperation will include the retention and (upon the Indemnifying Party's request) the provision to the Indemnifying Party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. If the Indemnifying Party chooses to defend or prosecute any Third Party Claim, it will defend or prosecute it diligently and the Indemnifying Party will obtain the prior written consent of the Indemnified Party (not to be unreasonably withheld) before entering into any settlement, compromise or discharge of such Third Party Claim if (i) such settlement, compromise or discharge does not relate solely to monetary damages, (ii) such settlement, compromise or discharge does not expressly, unconditionally and completely release the Indemnified Party from all Losses and liabilities with respect to such Third Party Claim and (iii) the Indemnifying Party is not directly paying the full amount of the Losses in connection with such Third Party Claim. Whether or not the Indemnifying Party will have assumed the defense of a Third Party Claim, the Indemnified Party will not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent (not to be unreasonably withheld).

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(c) If an indemnification payment is received by Buyer Indemnified Party or Seller Indemnified Party, as applicable, and such Indemnified Party later receives insurance proceeds in respect of the related Losses or other recoveries under Section 12.4(a)(ii) above that were not previously credited against such indemnification payment when made, such Indemnified Party shall promptly pay to the Indemnifying Party, an amount equal to the lesser of (A) such insurance proceeds or other recoveries, with respect to such Losses and (B) the net indemnification payment previously paid by such Indemnifying Party with respect to such Losses. Each Indemnified Party shall use commercially reasonable efforts to collect amounts available under available insurance coverage and promptly and diligently pursue such claims relating to any Losses for which it is seeking indemnification.

(d) Each Indemnified Party shall take, and shall cause its Affiliates to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would reasonably be expected to, or such Indemnified Party believes does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Loss; provided, that such failure to use such efforts in accordance with the foregoing shall not relieve the Indemnifying Party of its indemnification obligations under this Article XII except and only to the extent that the Indemnifying Party is actually prejudiced thereby.

ARTICLE XIII.

GENERAL PROVISIONS

SECTION 13.1. Expenses

Except as otherwise specified in this Agreement and the Ancillary Agreements, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses, whether or not the Closing will have occurred.

SECTION 13.2. Further Assurances and Actions

Each of the parties hereto, upon the request of the other party hereto, whether before or after the Closing and without further consideration, will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary to effect complete consummation of the transactions contemplated by this Agreement. Seller and Buyer agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary in order to consummate or implement expeditiously the transactions contemplated by this Agreement. From and after the Closing, each of the parties shall cooperate and use their respective commercially reasonable efforts to take, or cause to be taken, all appropriate action, and do, or cause to be done, and assist and cooperate with the other parties in doing, all things reasonably requested by the other party hereto with respect to the transactions contemplated hereby.

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SECTION 13.3. Notices

All notices and other communications required or permitted to be given or made pursuant to this Agreement shall be in writing signed by the sender and shall be deemed duly given (a) on the date delivered, if personally delivered, (b) on the date sent by telecopier with automatic confirmation by the transmitting machine showing the proper number of pages were transmitted without error, (c) on the Business Day after being sent by Federal Express or another recognized overnight mail service which utilizes a written form of receipt for next day or next Business Day delivery or (d) two (2) Business Days after mailing, if mailed by U.S. postage-prepaid certified or registered mail, return receipt requested, in each case addressed to the applicable party at the address set forth below; provided that a party may change its address for receiving notice by the proper giving of notice hereunder:

if to Seller prior to Closing, to:

Allergan plc
Morris Corporate Center III
400 Interpace Parkway
Parsippany, New Jersey 07054
Attention: Chief Legal Officer and Secretary
Facsimile: [***]

and

Latham & Watkins LLP
885 Third Avenue
New York, NY 10022-4834
Attn: Charles K. Ruck
R. Scott Shean
Facsimile: +1 (212) 751-4864

With a copy (which shall not constitute notice) to:

Teva Pharmaceutical Industries Ltd.
5 Basel Street
P.O.B. 3190
Petach Tikvah, Israel
Attention: [***]
Email: [***]

and

Teva Pharmaceuticals USA, Inc.
425 Privet Road
PO Box 1005
Horsham, PA 19044 U.S.A.
Attention: General Counsel
Fax: [***]

and

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Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Daniel E. Wolf
Facsimile: (212) 446-6460

and

Kirkland & Ellis LLP
655 Fifteenth Street, N.W.
Washington, D.C. 20005
Attention: Mark Kovner
Facsimile: (202) 654-9402

if to Seller following Closing, to:

Teva Pharmaceutical Industries Ltd.
5 Basel Street
P.O.B. 3190
Petach Tikvah, Israel
Attention: [***]
Email: [***]

and

Teva Pharmaceuticals USA, Inc.
425 Privet Road
PO Box 1005
Horsham, PA 19044 U.S.A.
Attention: General Counsel
Fax: [***]

With a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Daniel E. Wolf
Facsimile: (212) 446-6460

and

Kirkland & Ellis LLP
655 Fifteenth Street, N.W.
Washington, D.C. 20005
Attention: Mark Kovner
Facsimile: (202) 654-9402

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if to Buyer, to:

Dr. Reddy's Laboratories S.A.
Elisabethenanlage 11
4051 Basel, Switzerland
Attention: [***]
Facsimile: [***]

With a copy (which shall not constitute notice) to:

Linklaters LLP
1345 Avenue of the Americas
New York, NY 10105
Attention: Peter Cohen-Millstein
Facsimile: (212) 903-9100

SECTION 13.4. Headings

The table of contents and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

SECTION 13.5. Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

SECTION 13.6. Counterparts

This Agreement may be executed in one or more counterparts, all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto, in person or by facsimile or electronic image scan, receipt acknowledged in each case, it being understood that all parties hereto need not sign the same counterpart.

SECTION 13.7. Entire Agreement; No Third-Party Beneficiaries

This Agreement and the Exhibits and Schedules hereto constitute the entire agreement and supersede all prior agreements and understandings, both written and oral (including any letter of intent, memorandum of understanding or term sheet), between or among the parties hereto with respect to the subject matter hereof. Except as specifically provided herein, this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

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SECTION 13.8. Governing Law

This Agreement and any and all matters arising directly or indirectly herefrom shall be governed by and construed and enforced in accordance with the Laws of the State of New York, U.S.A. applicable to agreements made and to be performed entirely in such State.

SECTION 13.9. Jurisdiction, Venue, Service of Process, WAIVER OF JURY TRIAL

(a) Buyer and Seller agree to irrevocably submit to the exclusive jurisdiction of (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, U.S.A., for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each party agrees to commence any such action, suit or proceeding either in the United States District Court for the Southern District of New York, U.S.A. or, if such suit, action or other proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. Each party further agrees that service of any process, summons, notice or document by U.S. registered mail or recognized international courier service to such party's respective address set forth in Section 13.3 shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Agreement. Each party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, U.S.A.

(b) THE BUYER AND THE SELLER HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (I) ARISING UNDER THIS AGREEMENT OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. THE PARTIES TO THIS AGREEMENT EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

SECTION 13.10. Specific Performance

The parties hereto agree that irreparable damage may occur in the event any provision of this Agreement were not performed in accordance with its terms and that the parties hereto will be entitled to seek specific performance of such terms, in addition to any other remedy at Law or in equity, without the necessity of demonstrating the inadequacy of monetary damages and without the posting of a bond.

[*] INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE RULES APPLICABLE TO SUCH CONFIDENTIAL TREATMENT REQUEST.**

SECTION 13.11. Allergan

Notwithstanding anything to the contrary contained herein, Buyer, on behalf of itself and its Affiliates acknowledges that neither Allergan nor any of its Affiliates (other than the Seller) shall have any Liability under this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby, including, but not limited to, any dispute related to, or arising from, the Transferred Assets.

SECTION 13.12. Publicity

Neither party will make any public announcement concerning, or otherwise publicly disclose, any information with respect to the transactions contemplated by this Agreement or any of the terms and conditions hereof without the prior written consent of the other parties hereto, which consent will not be unreasonably withheld. Notwithstanding the foregoing, either party may make any public disclosure concerning the transactions contemplated hereby that in the view of such party's counsel may be required by Law or the rules of any stock exchange on which such party's or its Affiliates' securities trade; provided, however, the party making such disclosure will provide the non-disclosing party with a copy of the intended disclosure reasonably, and to the extent practicable, prior to public dissemination, and the parties hereto will coordinate with one another regarding the timing, form and content of such disclosure.

SECTION 13.13. Assignment

Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party; provided, however, that after the Closing Date either party may assign its rights and obligations under this Agreement (including without limitation the Licenses and the covenant not to sue contained in Section 2.5), without the prior written consent of the other party, to an Affiliate or to a successor of the assigning party by reason of merger, sale of all or substantially all of its assets or portion of its business which relates to a Product or any number of the Products, or any similar transaction. Any permitted assignee or successor-in-interest will assume all obligations of its assignor under this Agreement. No assignment will relieve either party of its responsibility for the performance of any obligation, including indemnification obligations. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

[signature page follows]

[*] INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE RULES APPLICABLE TO SUCH CONFIDENTIAL TREATMENT REQUEST.**

IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

WATSON LABORATORIES, INC.

By: /s/ A. Robert D. Bailey

Name: A. Robert D. Bailey

Title: President

[Signature Page to the Allergan Asset Purchase Agreement]

[*] INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE RULES APPLICABLE TO SUCH CONFIDENTIAL TREATMENT REQUEST.**

IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be signed by their respective representatives thereunto duly authorized, all as of the date first written above.

DR. REDDY'S LABORATORIES S.A.

By: /s/ Sameer Natu
Name: Sameer Natu
Title: Sr. Director

By: /s/ Rujul A. Pandya
Name: Rujul Pandya
Title: Director

[Signature page to the Allergan Asset Purchase Agreement]

Dr. Reddy's Laboratories Limited

Dr. Reddy's Laboratories Limited is the parent company. Tabulated below is the list of subsidiaries, associates and joint ventures as of March 31, 2017:

<u>Name of the subsidiaries</u>	<u>Country of Incorporation</u>	<u>Percentage of Direct/Indirect Ownership Interest</u>
Aurigene Discovery Technologies (Malaysia) Sdn. Bhd.	Malaysia	100% ⁽³⁾
Aurigene Discovery Technologies Inc.	U.S.A.	100% ⁽³⁾
Aurigene Discovery Technologies Limited	India	100%
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 footnote 18
Chienna B.V. (merged into Dr. Reddy's Research and Development B.V. effective January 1, 2017)	Netherlands	100% ⁽¹³⁾
Chirotech Technology Limited	United Kingdom	100% ⁽⁵⁾
Dr. Reddy's Research Foundation	India	Refer to footnote 18
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 Inc.	U.S.A.	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories International SA	Switzerland	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Japan KK	Japan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Kazakhstan LLP (from November 30, 2016)	Kazakhstan	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Louisiana LLC	U.S.A.	100% ⁽⁶⁾
Dr. Reddy's Laboratories New York, Inc.	U.S.A.	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories Romania S.R.L.	Romania	100% ⁽¹⁰⁾
Dr. Reddy's Laboratories SA	Switzerland	100%
Dr. Reddy's Laboratories Tennessee, LLC	U.S.A.	100% ⁽⁶⁾
Dr. Reddy's Laboratories, LLC	Ukraine	100% ⁽¹⁰⁾
Dr. Reddy's New Zealand Limited.	New Zealand	100% ⁽¹⁰⁾
Dr. Reddy's Pharma SEZ Limited	India	100%
Dr. Reddy's Singapore PTE Limited	Singapore	100% ⁽¹⁰⁾
Dr. Reddy's Srl	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 SAS	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⁾
DRANU LLC	U.S.A.	50% ⁽¹⁵⁾
DRES Energy Private Limited	India	26% ⁽¹⁶⁾
DRL Impex Limited	India	100% ⁽¹⁷⁾
DRSS Solar Power Private Limited	India	26% ⁽¹⁶⁾ (2)
Eurobridge Consulting B.V.	Netherlands	100% ⁽¹⁾
Idea2Enterprises (India) Pvt. Limited	India	100%
Imperial Credit Private Limited (from February 22, 2017)	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⁾
OctoPlus Development B.V. (merged into Dr. Reddy's Research and Development B.V. effective January 1, 2017)	Netherlands	100% ⁽¹³⁾

<u>Name of the subsidiaries</u>	<u>Country of Incorporation</u>	<u>Percentage of Direct/Indirect Ownership Interest</u>
OctoPlus PolyActive Sciences B.V. (merged into Dr. Reddy's Research and Development B.V. effective January 1, 2017)	Netherlands	100% ⁽¹⁴⁾
OctoPlus Sciences B.V. (merged into Dr. Reddy's Research and Development B.V. effective January 1, 2017)	Netherlands	100% ⁽¹³⁾
OctoPlus Technologies B.V. (merged into Dr. Reddy's Research and Development B.V. effective January 1, 2017)	Netherlands	100% ⁽¹³⁾
OctoShare B.V. (merged into Dr. Reddy's Research and Development B.V. effective January 1, 2017)	Netherlands	100% ⁽¹³⁾
OOO Dr. Reddy's Laboratories Limited	Russia	100% ⁽¹⁰⁾
OOO DRS LLC	Russia	100% ⁽⁹⁾
Promius Pharma LLC	U.S.A.	100% ⁽⁶⁾
Reddy Antilles N.V.	Netherlands	100%
Reddy Cheminor S.A. (until July 20, 2016)	France	100% ⁽²⁾
Reddy Holding GmbH	Germany	100% ⁽¹⁰⁾
Reddy Netherlands B.V.	Netherlands	100% ⁽¹⁰⁾
Reddy Pharma Iberia SA	Spain	100%
Reddy Pharma Italia S.R.L.	Italy	100% ⁽⁷⁾
Reddy Pharma SAS	France	100% ⁽¹⁰⁾

- (1) Indirectly owned through Reddy Antilles N.V.
- (2) Entities liquidated during the year.
- (3) Indirectly owned through Aurigene Discovery Technologies Limited.
- (4) Kunshan Rotam Reddy Pharmaceutical Co. Limited is a subsidiary, 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 Eurobridge Consulting B.V.
- (10) Indirectly owned through Dr. Reddy's Laboratories SA.
- (11) Indirectly owned through Reddy Pharma Italia S.R.L.
- (12) Indirectly owned through Reddy Netherlands B.V.
- (13) Indirectly owned through Dr. Reddy's Research and Development B.V.
- (14) Indirectly owned through OctoPlus Sciences B.V.
- (15) DRANU LLC is consolidated in accordance with guidance available in IFRS 10.
- (16) Accounted in accordance with IFRS 11 'Joint Arrangements'.
- (17) Indirectly owned through Idea2Enterprises (India) Pvt. Limited.
- (18) The Company does not have any equity interests in this entity, but has significant influence or control over it.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Dr. Reddy's Laboratories Limited

We consent to the incorporation by reference in the registration statement (No. 333 101013 and 333-141072) on Form S-8 and (No.333-138608) on Form F-3 of Dr. Reddy's Laboratories Limited ("the Company") of our reports dated June 19, 2017, with respect to the consolidated statements of financial position of the Company as of March 31, 2017and 2016, and the related consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three year period ended March 31, 2017, and the effectiveness of internal control over financial reporting as of March 31, 2017, which reports appear in the March 31, 2017 annual report on Form 20-F of the Company.

KPMG

Hyderabad, India
June 19, 2017

**Certification Pursuant to Section 302 of
the Sarbanes-Oxley Act of 2002**

I, G. V. Prasad, 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

Date: June 19, 2017

/s/ G. V. Prasad

G. V. Prasad

Co-Chairman and Chief Executive Officer

**Certification Pursuant to Section 302 of
the Sarbanes-Oxley Act of 2002**

I, Saumen Chakraborty, 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 19, 2017

/s/ Saumen Chakraborty

Saumen Chakraborty
President and 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, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, G.V. Prasad, Co- Chairman and 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/ G.V. Prasad

G.V. Prasad

Co-Chairman and Chief Executive Officer

Date: June 19, 2017

**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, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Saumen Chakraborty, President and 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/ Saumen Chakraborty

Saumen Chakraborty

President and Chief Financial Officer

Date: June 19, 2017