

**Building  
a winning  
future**

Annual Report 2018-19



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# Building a winning future

## OUR PROMISES

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

Bringing  
expensive  
medicines  
within reach

Addressing  
unmet patient  
needs

Helping patients  
manage disease  
better

Working with  
partners to  
help them  
succeed

Enabling and  
helping our  
partners ensure  
that our medicines  
are available where  
needed

## LETTER FROM THE CHAIRMAN AND CO-CHAIRMAN



**K SATISH REDDY**  
Chairman



**G V PRASAD**  
Co-Chairman, Managing Director and CEO

### Dear Shareholder,

Though one needs to be circumspect in making definitive statements in an annual report, it is fair to say that there are clear indicators of your company's operational and financial turnaround.

On the revenue side, your company witnessed impressive growth in branded generics markets, especially in India, Russia, China, Brazil and CIS countries. Other than improving the base business across these markets, we launched several new products and scaled up in new geographies like Brazil and Colombia.

However, strong pricing pressures continued unabated in the US — your company's key generics market. This was true for all generic companies, and Dr. Reddy's was no exception. Thankfully, strong revenue growth in branded generics outweighed the negative pull in the US. Consequently, your company's global generics revenue increased by 8% over the previous year.

In response to the changing conditions in this key market, we are building a differentiated pipeline for the US.

In FY2019 alone, we filed 20 new Abbreviated New Drug Applications (ANDAs) with the USFDA. As on 31 March 2019, your company had 110 generic filings pending approval from the USFDA — comprising 107 ANDAs and three New Drug Applications (NDAs). Of the 107 ANDAs, 60 are Para IV applications, of which we believe 34 have 'First-to-File' status.

The company's pharmaceutical services and active ingredient (PSAI) business has seen a turnaround. In FY2019, revenues from PSAI grew by 10% over FY2018. In the course of the year, your company filed 82 Drug Master Files (DMFs) across the globe, including nine in the US. The strategy of building sustainable and growing PSAI revenues involves deeper customer

relationships, new product portfolio and ramping up of base businesses in key geographies.

You will recall that in our letter to you last year, we had written: "From the beginning of FY2018 there has been a totally focused drive on eliminating needless layers and unnecessary costs." With changing dynamics of the generics markets, we believe that cost competitiveness will continue to be a key driver. Hence, we aim to continue creating a leaner and more efficient organization.

In FY2019, our cost optimization initiatives enabled us to improve profitability. Multi-year initiatives are now in place to drive cost and procurement efficiencies; to optimize R&D spends and productivity; and to improve manpower throughput by delaying and eliminating needless overlaps.

Your company has also focused on constructing a leaner business model so as to create profitable growth for each of its businesses. As a part of the strategy, FY2019 saw the company selling its antibiotic formulations manufacturing facility in Bristol, US; its API manufacturing business unit at Jeedimetla, Hyderabad; and the rights to distribute and market the specialty derma brands portfolio.

We can also share some good news regarding the USFDA warning letters that had affected three of your company's manufacturing facilities: API manufacturing at Miryalaguda (Telangana) and Srikakulam (Andhra Pradesh), and the oncology formulations facility at Duvvada, near Visakhapatnam (Andhra Pradesh).

Regarding the API plant at Miryalaguda, the USFDA issued an Establishment Inspection Report (EIR) in June 2017, indicating successful closure of its audit of this facility. This facility was reinspected in January 2019, for which the USFDA issued an EIR

in May, 2019. Similarly, in February 2019, the USFDA issued an EIR for the oncology formulations facility at Duvvada and has determined the inspection classification of this facility as Voluntary Action Initiated (VAI). In March 2019, we responded to the follow-up questions from USFDA regarding the API facility in Srikakulam. Based on the subsequent discussion with USFDA, we expect a reinspection will be conducted for the site.

### WHAT IS OUR VIEW OF THE NEAR FUTURE?

We believe that pricing pressures will continue to affect all players in generics in the US.

Overcoming this necessitates a robust pipeline of complex formulations with limited competition — a pipeline that allows your company to introduce several value-added products each year, and thus make up for price erosions on the earlier launched products.

As touched upon earlier in this letter, we have such a pipeline — of 110 generic filings awaiting approval from the USFDA. We have to leverage this and ensure that we succeed in delivering these products, molecule by molecule, to the US on the due dates. As we wrote last year, "We have to do this without fail, and with best-in-class cost. That is the way out."

Given the challenges in the US market, we will continue our efforts to diversify our market presence. We will leverage our global portfolio of products in markets outside the US to drive growth. We will also refocus some of our R&D resources to service the high potential branded generics markets such as China, Russia and other Emerging Markets. This is an important element of our geographical diversification and new market entry strategy — to lead with high value products and go-to-market partnerships.

India will continue to be important. We have seen a 12% growth in revenues in FY2019 and improved our market ranking by three places.

We shall propel further growth in our PSAI business. These moves should reduce our dependence on the US and also help us generate sustained growth and profitability to counter-balance volatility of the unbranded generics markets.

We remain focused on improving quality across all aspects of our operations, with initiatives for continuous improvement, reducing manual interventions through digitization and shop floor training programs to constantly upgrade the culture of quality. We intend to continue this journey and meet the highest regulatory standards across markets.

Given your company's significantly improved performance in FY2019, the success in improving operational efficiencies and our determination to drive growth, we are reasonably optimistic of the prospects for FY2020.

Our thanks to the management team, all employees and partners for coming together to deliver better results. And our thanks to you for your support.

With best regards,



**K SATISH REDDY**  
Chairman



**G V PRASAD**  
Co-Chairman,  
Managing Director and  
CEO

### CONSOLIDATED FINANCIAL RESULTS FOR FY2019 UNDER IFRS

#### Revenues

₹ 154 billion ↑8%

#### Gross profit

₹ 83 billion ↑9%

#### Gross profit margin

54.2% ↑0.5%

#### EBITDA

₹ 34.2 billion ↑42%

#### Operating profit

₹ 20.9 billion ↑75%

#### Profit before tax (PBT)

₹ 22.4 billion ↑56%

#### Profit after tax (PAT)

₹ 18.8 billion ↑92%

#### Diluted earning per share (EPS)

₹ 113.09 ↑92%

These are commendable results — the more so after our lower than expected performance in FY2018 and FY2017

# OUR BUSINESSES

## GLOBAL GENERICS (GG)



### REVENUE

₹ 123 billion ↑ 8%

### Geography

North America

India

₹ 60 billion ↔

₹ 26.2 billion ↑ 12%

### Emerging Markets

₹ 28.9 billion ↑ 28%

### GLOBAL GENERICS

Global generics is our biggest business driver. We offer more than 350 high-quality generic drugs, keeping costs reasonable by leveraging our integrated operations. Our expertise in active ingredients, product development skills, a keen understanding of regulations and intellectual property rights, as well as our streamlined supply chain, makes us leaders in this segment.

### BIOLOGICS

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

## PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS (PSAI)



### REVENUE

₹ 24 billion ↑ 10%

### ACTIVE PHARMACEUTICALS INGREDIENTS

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

### CUSTOM PHARMACEUTICAL SERVICES

We have one of the largest custom pharmaceutical services businesses in India. We offer end-to-end product development and manufacturing services and solutions to innovator companies. Further, our rich and extensive knowledge repository of various types of formulations helps shorten time to market and support lifecycle management.

## PROPRIETARY PRODUCTS & OTHERS



### REVENUE

₹ 7 billion ↑ 13%

### PROPRIETARY PRODUCTS

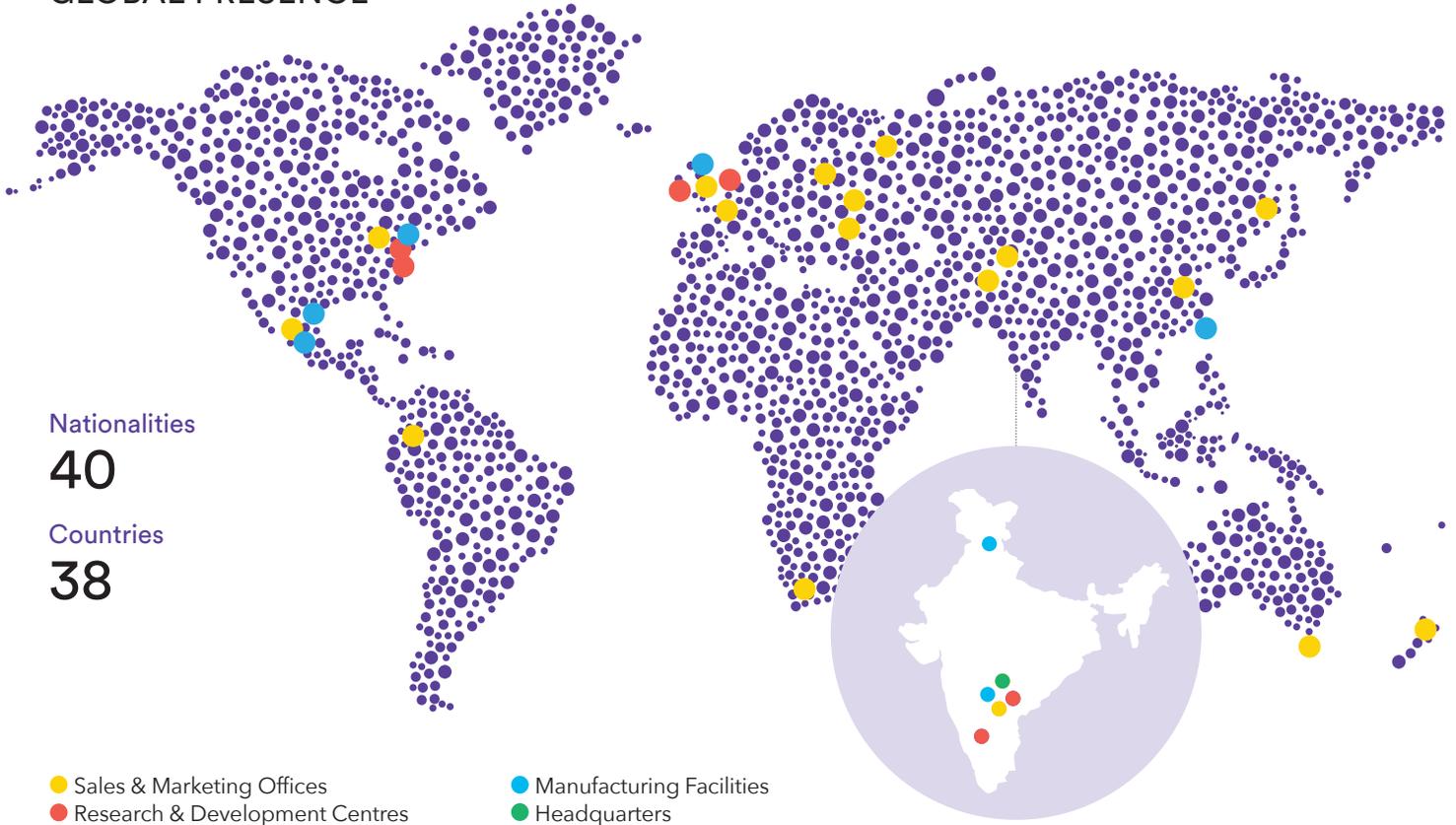
Our Proprietary Products business focuses on developing differentiated formulations that present significantly enhanced benefits in terms of efficacy, ease of use, and the resolution of unmet and under-met patient needs. The aim is to improve the patient's holistic experience with our medicines, so as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

More than 350 high-quality generic drugs

Differentiated formulations that present enhanced benefits

One of the world's largest manufacturers of APIs

## GLOBAL PRESENCE



Nationalities

**40**

Countries

**38**

## FY2019

### HIGHLIGHTS

Revenues  
**₹ 154 billion**

EBITDA  
**₹ 34.2 billion**

Profit after tax  
**₹ 18.8 billion**

Diluted EPS  
**₹ 113.09**

### FILINGS

Generic filings  
**20 ANDA filings**

As on 31 March 2019, 110 generic filings are pending for approval (107 ANDAs and three NDAs). Of these, 107 ANDAs, 60 are Para IV filings of which we believe 34 to have 'First-to-File' status.

DMF filings  
**Nine DMFs filed in the US.**

### LAUNCHES

New products  
**140**

NAG  
**24**

Europe  
**35**

Emerging Markets  
**66**

India  
**15**

# KEY PERFORMANCE INDICATORS

## Revenue

(₹ million)

FY2019	<b>153,851</b>
FY2018	142,028
FY2017	140,809
FY2016	154,708
FY2015	148,189

## PBT

(₹ million)

FY2019	<b>22,443</b>
FY2018	14,341
FY2017	14,653
FY2016	27,140
FY2015	28,163

## ROCE

(%)

FY2019	<b>14.7</b>
FY2018	8.2
FY2017	10.3
FY2016	22.4
FY2015	26.1

## Gross Profit

(₹ million)

FY2019	<b>83,430</b>
FY2018	76,304
FY2017	78,356
FY2016	92,281
FY2015	85,403

## PAT

(₹ million)

FY2019	<b>18,795</b>
FY2018	9,806
FY2017	12,039
FY2016	20,013
FY2015	22,179

## EPS (Diluted)

(₹)

FY2019	<b>113.1</b>
FY2018	59.0
FY2017	72.1
FY2016	117.0
FY2015	129.7

## EBITDA

(₹ million)

FY2019	<b>34,189</b>
FY2018	24,081
FY2017	25,495
FY2016	36,252
FY2015	36,168

## Net Worth

(₹ million)

FY2019	<b>140,197</b>
FY2018	126,460
FY2017	124,044
FY2016	128,336
FY2015	111,302

## Net Debt to Equity Ratio

FY2019	<b>0.09</b>
FY2018	0.24
FY2017	0.25
FY2016	(0.05)
FY2015	0.03

# BUILDING A WINNING FUTURE

We are proud of what we do. We are committed to helping our partners on their mission to bring medicines to patients faster and to patients on their journey to good health by accelerating access to affordable and innovative medicines.

Good health also starts within. We took some meaningful steps this year to optimize our global cost structures and strengthen our foundations. We focused on creating a leaner and sustainable model across our businesses to prepare ourselves for the future.

With a focus on portfolio, patient centricity, people and quality, we realigned our strategy towards six chosen segments to drive future growth. We put in place a strong team for each of the strategic segments. Together, these steps will add substantially to our competitive muscle and make us a globally sustainable organization and go a long way in building a winning future.



**Addressing  
unmet patient  
needs**



## Hervycta® – accelerating access to innovative and affordable medicines

Cancer is one of the leading causes of death globally. Breast cancer is the most common cancer amongst Indian women<sup>1</sup>. Although significant strides have been taken in developing anti-cancer medication, a majority of cancer patients cannot afford its treatment costs and do not have access to the most advanced drugs.

The biologic drug, trastuzumab, is one of the few approved and effective treatment options for HER2+ breast cancer, but the cost of treatment is high and drug accessibility is low in India. Our Biologics team took up this challenge of bringing the much-needed treatment within the reach of Indian breast cancer patients. We launched the trastuzumab biosimilar, Hervycta®, in 2018.

The story, however, didn't end at developing the drug. We also wanted to understand and address little known unmet needs which can make a huge difference in treatment outcomes. Before launching Hervycta®, we engaged with multiple stakeholders to gain insights into their beliefs towards the disease, so we could take cancer care beyond the drug.

We realized that a key reason for the low rate of diagnosis and high mortality in breast cancer is the lack of awareness and availability of authentic information about the disease

and its treatment. This leads to denial first, followed by a reluctance to accept, and then a tendency to postpone, which affects treatment outcomes eventually.

The Hervycta® website was launched to provide comprehensive information on the symptoms, risk factors, diagnosis, treatment and answers to questions that patients and caregivers frequently have. The website uses infographics for clarity and is easy to navigate.

Hervycta® Pluspack, a unique user centric packaging was launched to facilitate proper storage, drug protection and communicate proper handling instructions for the drug. It's a compact carton divided into two compartments with an inbuilt tray to store the drug and the diluent vials separately and safely. The compartments are easy to tear off, making it convenient to retain and store any unused reconstituted drug solution safely.

As Hervycta® continues to enable thousands of women fight HER2+ breast cancer, we remain committed to using science to address unmet needs of patients.



**Hervycta® Pluspack was launched to facilitate proper storage, drug protection and communicate proper handling instructions for the drug.**

<sup>1</sup> Cancer Statistics, Retrieved from <http://cancerindia.org.in>

HER2+ Human epidermal growth factor receptor 2

A photograph of a female doctor in a white lab coat holding a tablet and talking to a female patient. The doctor is standing and looking at the tablet, while the patient is sitting and looking at the doctor. A large blue circle is overlaid on the right side of the image, containing the text 'Bringing expensive medicines within reach'.

**Bringing  
expensive  
medicines  
within  
reach**



## Accelerating access to generics to treat opioid addiction

Opioid addiction can disrupt normal, healthy functioning of the brain. This brain disruption can be long-lasting, and can lead to potentially harmful behavior, irrespective of age, sex, or socio-economic status. If left untreated, it may cause severe consequences. According to the US Centers for Disease Control and Prevention, the total national economic burden of prescription opioid misuse alone is nearly US\$ 80 billion a year. Doctors can medically treat opioid addiction with buprenorphine and naloxone.

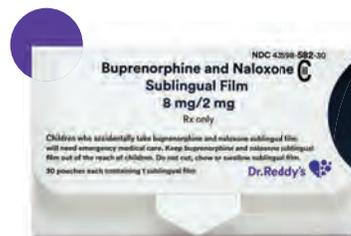
In June 2018, we received FDA's approval to market a generic version of Suboxone® (buprenorphine and naloxone) sublingual film. This approval came after the conclusion of litigation in the US District Court for the District of Delaware, where the Court concluded that the patents asserted against us covering Suboxone® sublingual film would not be infringed by our generic sublingual film product.

On 14 June 2018, we became the first company to launch a generic buprenorphine and naloxone sublingual film product in the US and it demonstrated our ability to successfully manufacture complex generics. Following this launch, Indivior PLC ("Indivior"), the owner of the Suboxone® NDA product, filed for an injunction to ban further manufacturing and

sales of our buprenorphine and naloxone generic in the Trial Court of US District Court for the District of New Jersey. Pending a full hearing and decision on the injunction application, the said Court issued a Temporary Restraining Order (TRO), effective the day after commencement of shipping in the US market. The TRO halted further sales and shipments, but not manufacturing. On 13 July 2018, the Trial Court converted the TRO into a preliminary injunction on commercialization activities. We then immediately appealed the preliminary injunction decision to the Court of Appeals for the Federal Circuit, which agreed to expedite the appeal.

On 20 November 2018, the Court of Appeals vacated the preliminary injunction. Subsequently, Indivior filed a further petition for rehearing which was denied. This required another three months to navigate through the appeals process. Finally, we resumed shipping and sales of the product on 20 February 2019.

This long and successful fight for the right to launch this product has been an important milestone for us. It strengthens our commitment to provide affordable treatment for opioid addiction and other medical conditions plaguing patients and communities worldwide.



A generic version of Suboxone® was relaunched by us on 20 February, 2019 to fight opioid addiction

A man with a beard and a woman with curly hair are smiling and looking at a tablet together in an office setting. The man is pointing at the screen. The woman is holding the tablet. They are both dressed in business casual attire. The background shows a modern office with large windows and other people working.

**Working  
with  
partners to  
help them  
succeed**



## XCEED – enhancing engagement with customers and prospects

Our partners are on a mission to bring medicines to patients faster. Accessing real time information about products and their business with us is key to improving their operational efficiency.

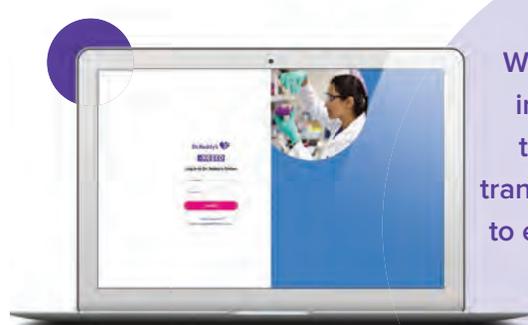
To help customers make better business decision, our Pharmaceutical Services and Active Ingredients (PSAI) division embarked on a digital transformation initiative with primary objectives – to create an exemplary service experience for our customers, increase engagement, acquire new customers and generate leads.

We started by carrying out an end-to-end evaluation of a customer's journey with us – from enquiring and ordering to payment. We identified the areas that needed improvement in internal processes, designed new and more efficient process flows, and set targets for service turnaround time based on past performance, aspirations, and customer expectations.

We first launched the easy-to-navigate API and CPS websites, which were designed to help customers understand our business and offerings better. The websites also opened a new channel for lead generation.

Our customer service platform, XCEED was launched in April 2019, which was a huge step up towards improving customer experience and facilitating collaboration. Customers across the globe are now able to manage the whole business process in real time – from ordering samples to submitting and tracking orders – providing convenience and transparency.

The platform also allows customers to closely interact with our interdisciplinary support team. Customer service and XCEED as a platform would be one of the biggest differentiators in PSAI's aspiration to be numero uno. We will continue to build on the foundation of our websites and customer service platform to help our customers further improve their operational efficiency and deeply engage with prospects.



**We are excited about and intrigued with the steps taken by Dr. Reddy's to transform their B2B business to emulate the convenience and transparency of a B2C business.**

Procurement Head, a leading European Pharmaceutical Company



**Helping patients  
manage disease  
better**



## Briviact® – Ensuring epilepsy drug availability in India

There are more than 12 million epilepsy patients in India. Although they lead a fairly normal life, the threat of recurrent seizures imposes a lot of restrictions on their daily activities – from being dissuaded from driving a vehicle to participating in sports. At times, seizures leave them with a sense of embarrassment, especially in the public place.

Epilepsy, being a chronic condition, can only be managed using anti-epileptic drugs (AEDs). Poorly controlled seizures can be detrimental and have significant impact on daily activities for people affected. As many as one third of people with epilepsy are currently uncontrolled on their existing medicines. These patients can require multiple drugs which increases pill burden and chances of adverse events.

We are always looking for opportunities to bring medicines within the reach of patients. Here was another opportunity.

UCB, the Belgium based biopharmaceutical company, whom we have been partnering with since 2015, developed the Brivaracetam (branded as Briviact®) drug with anticonvulsant properties. In phase 3 trial, patients treated with Brivaracetam as an adjunctive medication had better seizure control than the placebo control group. Moreover, Briviact® has potential to provide additional value for patients - both today and in future.

We collaborated with UCB to market Briviact® in India and launched the drug in July 2018. Since the launch, we have seen excellent responses with 500 healthcare practitioners and 5000 patients benefiting from the therapy so far. We still hear heartwarming stories of the impact Briviact® has had on patients' lives, almost every day.



Patients treated with Brivaracetam as an adjunctive medication had better seizure control than the placebo control group.

# BOARD OF DIRECTORS



**K SATISH REDDY**  
Chairman



**G V PRASAD**  
Co-Chairman, Managing Director  
and Chief Executive Officer



**ANUPAM PURI**  
Independent Director



**BHARAT N DOSHI**  
Independent Director



**DR. BRUCE L A CARTER**  
Independent Director



**KALPANA MORPARIA**  
Independent Director



## OUR BOARD LEVEL COMMITTEES

- Committee membership
- Committee chairmanship

1. Audit committee
2. Nomination, governance and compensation committee
3. Science, technology and operations committee
4. Risk management committee
5. Stakeholders' relationship committee
6. Corporate social responsibility committee
7. Banking and authorisations committee



**DR. OMKAR GOSWAMI**  
Independent Director



**PRASAD R MENON**  
Independent Director



**SRIDAR IYENGAR**  
Independent Director



**LEO PURI**  
Independent Director



**SHIKHA SHARMA**  
Independent Director



**ALLAN OBERMAN**  
Independent Director



## Board of Directors (Continued)

### **K SATISH REDDY**

Chairman

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

### **G V PRASAD**

Co-Chairman, Managing Director and Chief Executive Officer

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

### **ANUPAM PURI**

Independent Director

Mr. Anupam Puri was associated with McKinsey & Company before joining us. He spearheaded the development of McKinsey's India practice, oversaw the Asian and Latin American offices, and was an elected member of the Board. He 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 is currently a management consultant. Mr. Puri holds directorship in Mahindra & Mahindra Limited, Tech Mahindra Limited, and the company's wholly-owned subsidiary, Dr. Reddy's Laboratories Inc., USA. Mr. Puri holds an M.Phil. in Economics from Nuffield College, Oxford University, UK, an M.A. in Economics from Balliol College, Oxford University, UK and a B.A. in Economics from Delhi University, India.

### **BHARAT N DOSHI**

Independent Director

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

### **DR. BRUCE L A CARTER**

Independent Director

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

### **KALPANA MORPARIA**

Independent Director

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

**DR. OMKAR GOSWAMI**

Independent Director

Dr. Omkar Goswami is the Founder and Chairman of CERG Advisory Private Limited, a corporate advisory and economic research and consulting company. He was the Chief Economist at the Confederation of Indian Industry for six years. He also served as editor of Business India, Associate Professor at the Indian Statistical Institute, Delhi, and as an advisor to the Ministry of Finance. Dr. Goswami holds directorship in CG Power and Industrial Solutions Limited, Ambuja Cements Limited, Godrej Consumer Products Limited, Bajaj Finance Limited, Hindustan Construction Company Limited, Bajaj Auto Limited and CERG Advisory Private Limited. He holds a Bachelor of Economics degree from Calcutta University, India and did his Masters in Economics from the Delhi School of Economics, India and his D. Phil. (Ph. D.) from Oxford University, UK.

**PRASAD R MENON**

Independent Director

Mr. Prasad R Menon is a former Managing Director of Tata Chemicals Limited and Tata Power Company Limited. Prior to joining Tata, he was Director Technical of Nagarjuna Fertilisers and Chemicals Limited. He has over 40 years of diverse experience in some of the premier multinational and Indian companies in the chemical and power industry. Mr. Menon holds directorship in Singapore Tourism Board and Sanmar Group Advisory Board. Mr. Menon holds a chemical engineering degree from the Indian Institute of Technology (IIT), Kharagpur, India.

**SRIDAR IYENGAR**

Independent Director

Mr. Sridar Iyengar is an independent mentor investor in early stage start-ups and companies. Earlier, he was a senior partner with KPMG in the US and UK and also served as the Chairman & CEO of KPMG's operations in India. For more than 35 years, he has worked with a large number of companies, advising them on strategy and other issues. Mr. Iyengar holds directorship in Mahindra Holidays and Resorts India Limited, ICICI Venture Funds Management Company Limited, Cleartrip Private Limited in India; AverQ Inc. in the US; Cleartrip Inc. in Cayman Islands; Holiday Club Resorts OY in Finland and our wholly-owned subsidiary, Dr. Reddy's Laboratories S.A., in Switzerland. He holds a Bachelor of Commerce (Hons.) degree from Calcutta University, India and is a Fellow of the Institute of Chartered Accountants in England and Wales.

**LEO PURI**

Independent Director

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

**SHIKHA SHARMA**

Independent Director

Ms. Shikha Sharma was the Managing Director & CEO of Axis Bank, India's third largest private sector bank from June 2009 upto December 2018. As a leader adept at managing change, she led the Bank on a transformation journey from being primarily a corporate lender to a bank with a strong retail deposit franchise and a balanced lending book. Ms. Sharma has more than three decades of experience in the financial sector, having begun her career with ICICI Bank Limited in 1980. During her tenure with the ICICI Group, she was instrumental in setting up ICICI Securities. As Managing Director & CEO of ICICI Prudential Life Insurance Company Limited, she led the company to become the No. 1 private sector life insurance company in India. Ms. Sharma holds directorships in Ambuja Cements Limited and Tata Global Beverages Limited. Ms. Sharma has an MBA from the Indian Institute of Management, Ahmedabad, India, B.A. (Hons.) in Economics and PGD in Software Technology from National Centre for Software Technology (NCST), Mumbai, India.

**ALLAN OBERMAN**

Independent Director

Mr. Allan Oberman served as the Chief Executive Officer of Concordia International Corp. from November 2016 until May 2018. In his career of more than 35 years he also served as CEO of Sagent Pharmaceuticals Inc., and President and CEO of Teva Americas Generics, a subsidiary of Teva Pharmaceutical Industries Limited. Prior to that, Mr. Oberman served as President of Teva EMIA, where from 2010 to 2012 he was responsible for Eastern Europe, Middle East, Israel and Africa. From 2008 to 2010, he served as the Chief Operating Officer of the Teva International Group, and from 2000 to 2008, he served as the President and CEO of Teva Canada (formerly Novopharm Limited). From 1996 to 2000, Mr. Oberman was the President of Best Foods Canada Inc. He holds directorship in Planet Shrimp Inc. and Jay Pharma Inc., both in Canada. He has an MBA from the Schulich School of Business, York University, Toronto and a BA from Western University, London.

# MANAGEMENT COUNCIL



Standing (Left to Right)

**First row**

Sanjay Sharma | Ganadhish Kamat |  
Sauri Gudlavalleti

**Second Row**

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

Sitting (Left to Right)

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

**K SATISH REDDY**

Chairman

Age 51 | B.Tech., M.S. (Medicinal Chemistry)  
Joined the company on 18 January 1993

**G V PRASAD**

Co-Chairman, Managing Director and CEO

Age 58 | B.E. (Chem. Eng.), M.S. (Indl. Admn.)  
Joined the company on 30 June 1990

**ARCHANA BHASKAR**

Chief Human Resource Officer

Age 52 | MBA  
Joined the company on 15 June 2017

**DR. ANIL NAMBOODIRIPAD**

Global Head of Proprietary Products

Age 53 | Ph.D. Physiology and Molecular Biophysics  
Joined the company on 17 September 2007

**DR. RAYMOND DE VRÉ**

Global Head of Biologics

Age 51 | Ph.D. in Applied Physics  
Joined the company on 30 July 2012

**DEEPAK SAPRA**

Global Head of PSAI

Age 44 | B.E., PGDM, MBA  
Joined the company on 23 January 2003

**EREZ ISRAELI**

Chief Operating Officer

Age 52 | MBA  
Joined the company on 2 April 2018

**GANADHISH KAMAT**

Global Head of Quality

Age 57 | M.Pharm., Diploma in Business Management  
Joined the company on 18 April 2016

**MARC KIKUCHI**

Chief Executive Officer, North America Generics

Age 50 | MBA, BA (Molecular and Cell Biology)  
Joined the company on 1 February 2019

**M V RAMANA**

Chief Executive Officer, Branded Markets (India and Emerging Markets)

Age 51 | MBA  
Joined the company on 15 October 1992

**SANJAY SHARMA**

Global Head of Manufacturing

Age 51 | B. Tech. (Chem. Eng.)  
Joined the company on 1 August 2017

**SAUMEN CHAKRABORTY**

Chief Financial Officer and Global Head of ITBPE, Legal &amp; Compliance and FMCRE

Age 58 | B.Sc.(H), MBA  
Joined the company on 2 July 2001

**SAURI GUDLAVALLETI**

Global Head of Integrated Product Development Organization (IPDO)

Age 41 | B. Tech. (Mech. Eng.), Masters in Mechanics and MBA  
Joined the company on 16 March 2015

**YUGANDHAR PUVVALA**

Global Head of Supply Chain

Age 48 | MBA  
Joined the company on 21 February 2001

## **BUSINESS RESPONSIBILITY REPORT**



**We remain cognizant of the needs of patients while creating healthy ecosystems and strong communities.**

## Disclosures on the nine principles as charted by the Ministry of Corporate Affairs in the 'National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business'

### PRINCIPLE 1



#### ETHICS, TRANSPARENCY & ACCOUNTABILITY

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

### PRINCIPLE 2



#### PRODUCT LIFE CYCLE SUSTAINABILITY

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

### PRINCIPLE 3



#### EMPLOYEE WELLBEING

Businesses should promote the wellbeing of all employees.

### PRINCIPLE 4



#### STAKEHOLDER ENGAGEMENT

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

### PRINCIPLE 5



#### HUMAN RIGHTS

Businesses should respect and promote human rights.

### PRINCIPLE 6



#### ENVIRONMENT

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

### PRINCIPLE 7



#### POLICY ADVOCACY

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

### PRINCIPLE 8



#### EQUITABLE DEVELOPMENT

Businesses should support inclusive growth and equitable development.

### PRINCIPLE 9



#### CUSTOMER VALUE

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

## SECTION A GENERAL INFORMATION ABOUT THE COMPANY

### CORPORATE IDENTITY NUMBER (CIN) OF THE COMPANY

L85195TG1984PLC004507

### NAME OF THE COMPANY

Dr. Reddy's Laboratories Limited

### REGISTERED ADDRESS

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

### WEBSITE

www.drreddys.com

### E-MAIL ID

shares@drreddys.com

### FINANCIAL YEAR REPORTED

April 2018 to March 2019

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

Pharmaceuticals (210)

### LIST THREE KEY PRODUCTS/ SERVICES THAT THE COMPANY MANUFACTURES/PROVIDES

Omeprazole, OTC Habitrol and  
Liposomal Doxorubicin

### TOTAL NUMBER OF LOCATIONS WHERE BUSINESS ACTIVITY IS UNDERTAKEN BY THE COMPANY

Our sales and marketing operations span  
over 38 countries. We also serve API  
customers globally.

#### (A) Number of international locations (Provide details of major 5):

We have manufacturing facilities  
in Louisiana (USA), Mirfield (UK),  
Mexico and two development centres  
in Cambridge (UK) and Leiden  
(The Netherlands).  
Refer page no. 79

#### (B) Number of national locations

We have 17 manufacturing  
units, four R&D units, two technology  
development centres in India.  
Refer page no. 78

### MARKETS SERVED BY THE COMPANY - LOCAL/STATE/NATIONAL/ INTERNATIONAL

Our major markets include United States  
of America (USA), India, Russia, CIS regions  
and Europe.

We also reach out to patients in  
various other markets such as  
Canada, South Africa, Australia, Brazil,  
China and others.

## SECTION B FINANCIAL DETAILS OF THE COMPANY (AS ON 31 MARCH 2019) PAID-UP CAPITAL (₹)

₹ 830 million

### TOTAL TURNOVER FROM OPERATIONS (STANDALONE) (₹)

₹ 106,255 million

### TOTAL PROFIT AFTER TAX (₹)

₹ 12,773 million

### TOTAL SPENDING ON CORPORATE SOCIAL RESPONSIBILITY (CSR) AS PERCENTAGE OF PROFIT AFTER TAX (%)

2.05%

### LIST OF ACTIVITIES IN WHICH EXPENDITURE ABOVE HAS BEEN INCURRED

Refer to Principle 8 on page no. 31

## SECTION C OTHER DETAILS

### DOES THE COMPANY HAVE ANY SUBSIDIARY COMPANY/COMPANIES?

Yes

### DO THE SUBSIDIARY COMPANY/ COMPANIES PARTICIPATE IN THE BR INITIATIVES OF THE PARENT COMPANY? IF YES, THEN INDICATE THE NUMBER OF SUCH SUBSIDIARY COMPANY(S).

Our subsidiary companies are closely  
integrated with our corporate BR initiatives.

### DO ANY OTHER ENTITY/ENTITIES (E.G. SUPPLIERS, DISTRIBUTORS ETC.) THAT THE COMPANY DOES BUSINESS WITH, PARTICIPATE IN THE BR INITIATIVES OF THE COMPANY? IF YES, THEN INDICATE THE PERCENTAGE OF SUCH ENTITY/ENTITIES?

Yes. We have a code of conduct for  
partners, which we expect them to  
follow. For more details, please refer  
to: [https://www.drreddys.com/media/  
720559/supplier-code-of-conduct.pdf](https://www.drreddys.com/media/720559/supplier-code-of-conduct.pdf)

## SECTION D BR INFORMATION

### (A) Details of the director responsible for implementation of the BR policy/policies

Mr. K Satish Reddy  
Chairman  
DIN: 00129701

### (B) Details of the BR Head

Mr. Thakur Pherwani  
Head, Environment, Health, Safety,  
Sustainability and Operations Excellence  
Tel: +91-40-4900-2339  
E-mail ID: tpherwani@drreddys.com  
DIN: Not applicable

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

### (D) Does the company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes, the company publishes both  
a BR and a sustainability report.  
The sustainability report can be viewed  
at: [www.drreddys.com/our-citizenship/  
sustainability.aspx](http://www.drreddys.com/our-citizenship/sustainability.aspx)

The BR can be viewed as part  
of the annual report. They are  
published annually.

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

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

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

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

## SECTION E PRINCIPLE-WISE PERFORMANCE

### PRINCIPLE 1

#### ETHICS, TRANSPARENCY AND ACCOUNTABILITY

**1. Does the policy relating to ethics, bribery and corruption cover only the company? Does it extend to the group/joint ventures/suppliers/contractors/ NGOs/others?**

Yes. The policy relating to ethics, bribery and corruption extends beyond our employees, both whole-time and independent directors and covers our wholly owned subsidiaries.

While contracts with our suppliers, contractors and business partners include adherence to our principles concerning ethics, there is a separate code of conduct required to be adhered to by our suppliers and service providers.

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

We have a hotline for whistle-blowers and receiving concerns. The concerns received are dealt with according to our Ombudsperson policy. During the year ended 31 March 2019, we have received and resolved 176 complaints after due investigation.

### PRINCIPLE 2 PRODUCTS LIFE CYCLE SUSTAINABILITY

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

- i. ROXADUSTAT
- ii. Continuous Manufacturing – API-1 (Atorvastatin Calcium)
- iii. Continuous Manufacturing – API-2 (Flozins Intermediate)

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

- i. Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain.



- ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year.

(i) ROXADUSTAT

We have continued to apply and embed 12 principles of green chemistry in our research and development pursuits. We identified a synthesis of ROXADUSTAT in which a regioselective opening of anhydride ring and Pd metal free C-C bond formation aiming to develop an innovative, greener and cost effective route [relatively less Raw Material Cost (RMC)] to meet the business needs without compromising on the environmental considerations. In this endeavour, we have reduced the Process Mass Intensity (PMI) substantially close to 90% of innovator's route.

(ii) Continuous Manufacturing – API-1

The pharmaceutical industry has so far relied on batch processes for manufacturing drug substance as well as drug products. However, longer campaign times, labour intensive nature of batch manufacturing (which has a significant impact on production cost), and batch rejections/batch to batch variations in the product quality (which leads to wastage/regulatory concerns)

are huge drawbacks of batch processing. In addition, an increasing pressure on quality and costs has all led the pharma industry towards gradually embracing the concept of continuous manufacturing.

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

Our API team has embarked upon this journey & significant progress is done.

An existing batch process of high volume API (Atorvastatin Calcium) consisting of multiple chemical conversions and unit operations is being redeveloped to generate a completely integrated system starting from raw materials to dried API via flow processing. In current process, there are three chemical conversions followed by unit operations of crystallization, filtration, drying & powder processing. There is isolation and quality testing of compounds at each of these steps.

A lean continuous manufacturing process is developed using flow chemistry principles wherein:



Number of organic solvents is reduced and overall solvent consumption/kg. of API is reduced by ~50%

- Isolations at all intermittent steps are eliminated.
- Flow approach has enabled to explore design space that would be impractical (even impossible) in batch mode. This has led to significant reduction in reaction time from hours to minutes for all chemical conversions.
- Number of organic solvents is reduced and overall solvent consumption/kg. of API is reduced by ~50%.
- Overall cycle time of manufacturing API is reduced from days to few hours.

This process has been successfully tested at pilot scale. Benefits of this approach, when implemented at commercial level, are smaller footprint, reduction in manual intervention, reduction in overhead costs etc.

(iii) Continuous Manufacturing – API-2  
In this product, a highly exothermic & hazardous reaction involving use of n-Butyllithium has been designed & optimised in flow using Vapourtec flow reactor at lab. Rig, which is designed for scale up to plant, is installed at CTO-SEZ and few trials have been taken to establish flow process at plant scale. Better control on reaction and inherent safety is achieved by changing this reaction from batch to flow.

**3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?**

Yes, we have well defined and documented 'Supplier Code of Conduct' addressing all sustainable sourcing elements like ethics, labor & human rights, wages & benefits, health and

safety, promote diversity, quality education, environment, process simplification, management systems including bribery and corruption.

Dedicated resources are involved in sustainable sourcing activities including capacity building, developing long-term supplier partnerships, vendor development and performance management, and sharing best practices among all strategic business partners. We have a dedicated team for supply risk mitigation program to develop alternate vendors, wherever single vendors are considered critical for business continuity.

We have undertaken several simplification projects to improve our logistics in recent years. Few such initiatives are:

- Indigenization of supplies: Localization has led to lowering of procurement costs and improvement in overall quality of the products, and when the materials are delivered with shorter lead-times, with complete compliance control (especially temperature sensitive RMS) and lower logistics costs. This substitution generates a range of environmental benefits including social-economic factors, better carbon footprint with reduced consumption of non-renewable energy sources.
- Transportation Load Builder (TLB): To support finished goods distribution in India, a TLB application has been designed which tracks the stock status of materials at warehouses vis-à-vis the desired target stock levels and automatically prompts for stock transfer to replenish the deficits at the sales warehouse. It minimizes the transportation costs by creating transfer proposals using the truck sizes defined for each transportation lane and optimizing the Full Truck Load (FTL). With this project, we are also:
  1. Identifying SKU sales warehouse combinations where business is at risk of losing sales due to stock outs or low coverage;
  2. Ensuring product availability;
  3. Reducing manual intervention in the process; and
  4. Maximizing truck loads reducing overall cost.

- **Air vs Sea shipment:-** We have a process in place to monitor the overall air vs sea shipments to maximize the export shipments by sea, and yearly plans are laid-down (market specific targets are assigned) for the finished goods movement from air to sea and to effectively reduce carbon footprint in our supply chain. In the reporting period, we have avoided 42,165 tons of carbon emission with this program in place.

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

Yes, we have procedures in place to procure goods and services from local producers.

Presently ~70% of our procurements are from domestic producers and ~30% from international producers.

Dedicated resources are assigned the job of improving capacity and capabilities of local producers. The following are some of the initiatives:

- Encouraging local manufacturers to develop and manufacture such materials where the import dependency is 100%.
- Providing long-term commitments on business continuity.
- Few packaging material suppliers were encouraged to set-up unit close to our manufacturing site at Baddi, Himachal Pradesh.
- Sharing good practices via audits and workshops.
- Mandatory supplier trainings for new vendors.
- Ensuring that the supplier payment terms for small producers is not more than 45 days.
- Inculcating culture of resource conservations among local producers with regard to improved solvent recovery efficiencies and eliminating usage of hazardous solvents.
- Nurtured small entrepreneurs with both financial and technical support in order to raise their competency to meet our and current market expectations.



**5. Does the company have a mechanism to recycle products and wastes? If yes, what is the percentage of recycled products and wastes.**

We have taken a target to go for zero solid waste to landfill by the end of 2020. For the same we have taken a few initiatives to reuse/recycle the waste.

Total 17,678\* tons of hazardous waste was generated during the reporting period. Out of the total hazardous waste generated, 94.6% of the waste was sent to cement industries for co-processing thereby eliminating offsite incineration. Almost 4.6% waste was sent for recycling.

Thus, 99.2% of hazardous waste was co-processed or recycled. Our API facilities have already achieved zero solid waste to landfill. We have strengthened our efforts to be 100% zero waste to landfill by 2020.

**PRINCIPLE 3  
EMPLOYEE WELLBEING**

**1. Please indicate the total number of employees.**

21,966

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

877

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

3,977

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

51 in India

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

Yes

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

4.4%

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

Table 2 provides the details.

**8. What percentage of your employees were given safety & skill up-gradation training in the last year?**

We have trained 4,139 employees for skill up-gradation. 10,020 employees underwent safety refresher training program.

**PRINCIPLE 4  
STAKEHOLDER ENGAGEMENT**

**1. Has the company mapped its internal and external stakeholders?**

Yes, we have mapped our internal and external stakeholders.

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

Yes, we have identified disadvantaged, vulnerable and marginalized stakeholders.

**3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders?**

We believe businesses must strengthen capabilities to fulfil stakeholder aspirations through greater engagement. We build lasting bonds with all our stakeholders, internal and external, through meaningful deliberations. This process helps us review our actions, rethink our roadmap, redress grievances and recognize new avenues of growth.

**TABLE 2**

SL. NO.	CATEGORY	NO. OF COMPLAINTS FILED DURING THE FINANCIAL YEAR	NO. OF COMPLAINTS PENDING AS ON END OF THE FINANCIAL YEAR
1	Child labor/forced labor/involuntary labor	0	0
2	Sexual harassment <sup>#</sup>	16	1 <sup>@</sup>
3	Discriminatory employment	0	0

<sup>#</sup> 16 complaints received during the year.

<sup>@</sup> Since addressed.

\* Data pertains to India Operations.

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



have achieved “B” score band. We are also participating on behalf of our key customers in the CDP-SC (Supply chain) disclosure and we have achieved “A-” band for the same in CDP 2018. The CDP 2018 report can be accessed at <https://bit.ly/2lpm5pk>.

We are also disclosing our water footprint through CDP’s water disclosure. In CDP 2018, we have achieved “B-” score band in it.

We publicly report on our environmental performance through our Sustainability Report. Please refer to page no: 15 to 17 of our Sustainability Report 2017-18 for details regarding the environmental initiatives taken at our units.

Our sustainability report for 2017-18 can be accessed at: [www.drreddys.com/our-citizenship/sustainability/](http://www.drreddys.com/our-citizenship/sustainability/)

**PRINCIPLE 5  
HUMAN RIGHTS**

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

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

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

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

motivate our employees to minimise our environmental impact. The policy and principles are also communicated to all our wholly owned subsidiaries and ensure that they are in compliance with the policy.

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

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

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

Through Carbon Disclosure Project (CDP), we are publicly disclosing our carbon foot print to all stakeholders at regular intervals. In CDP 2018, we

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

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

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

**PRINCIPLE 6  
ENVIRONMENT**

**1. Does the policy related to principle 6 cover only the company or extends to the group/joint ventures/suppliers/contractor/NGO/others.**

We have a well defined Safety, Health and Environmental policy in place to

**TABLE 3**

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

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

No, we have not filed any project under clean development mechanism. However, we have implemented 188 energy conservation projects across various business units in FY2019 and accrued savings of ₹ 233.7 million, thus eliminating green house gases (GHG) emission.

**5. Has the company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc.?**

Yes, we as responsible corporate, have undertaken many energy conservation initiatives. In FY2019, we have implemented 188 energy conservations projects across various business units and accrued savings of ₹ 233.7 million.

The share of renewable energy in our total energy consumption has also increased; solar energy consumption for FY2019 is around 49.4 million kwh, thereby we have avoided carbon emission by 46,473 tons of CO<sub>2</sub>e. We have also generated 179.26 TJ of energy using biomass/rice husk briquettes, thus eliminating GHG emission by 18,323 tons of CO<sub>2</sub>e.

**6. Are the emissions/waste generated by the company with in the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes, Air emissions and waste generated by us are within the permissible limits prescribed by environmental regulators.

**7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.**

Only one notice received from CPCB is pending as on end of FY2019.

**PRINCIPLE 7  
POLICY ADVOCACY**

**1. Is your company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:**

- The Confederation of Indian Industry (CII)

- Indian Pharmaceutical Alliance (IPA)
- Indian Drug Manufacturers' Association (IDMA)
- India – Russia CEO Council of CII
- India-Spain CEO Forum for Economic Expansion
- India-Indonesia CEO Forum

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

We have advocated for economic reforms through these associations.

**PRINCIPLE 8  
EQUITABLE DEVELOPMENT**

**1. Does the company have specified programs/initiatives/projects in pursuit of the policy related to Principle 8?**

We are focusing on specific CSR initiatives that support social development. The implementation of these programs is carried out through various partner organizations. We work primarily in the areas of education,



**49.4 mn  
kwh**

Solar energy consumption  
in FY2019

livelihood and health. The key programs are described below:

**Education**

Our education initiatives focus on enhancing the quality of education.

- Pudami neighborhood schools and English primaries aim to provide quality English medium education to children from underprivileged sections. 15 Pudami schools are educating over 7,199 students. Kallam Anji Reddy Vidyalyaya (KARV), a model Pudami school caters to 2,300 students.





- Kallam Anji Reddy Vocational Junior College (KAR-VJR) was established in 2003, trains tenth class passed students in two-year vocational courses. The college offers courses such as Computer Science, Computer Graphics Animation, Accounting and Taxation and Medical Lab Technician. The total strength of students in the college for FY2019 was 733.
- School Improvement Program (SIP) is implemented in 129 government schools covering 59,000 students, across seven districts of Andhra Pradesh and Telangana. Through SIP, we provide remedial learning, computer skills, science education via mobile science labs and basic amenities such as safe water and sanitation. SIP also provides scholarships for meritorious students to pursue their higher education.
- Project Prerna, implemented in partnership with Agastya International Foundation, focuses particularly on science education. A mobile lab reaches out to schools to impart science education through science labs/fairs and reading clubs in schools. In FY2019, 3,366 students in 14 schools were covered through 191 mobile science

lab visits. Additionally, the mobile science lab conducted 71 community visits covering both the children and the adults in the community.

**Health initiatives**

The Community Health Intervention Program (CHIP), which covers 145 villages in Srikakulam, Nalgonda and Vizianagaram districts. This project was started in partnership with the NICE foundation to provide primary and preventive care at the doorstep, to a large segment of rural population that do not have access to safe and reliable healthcare in the region. In FY2019, we reached out to a population of 2.15 lakhs.

**Livelihood**

Our livelihood programs, implemented through:

- Dr. Reddy's Foundation (DRF), focus on making the Indian youth employable and enhance their earning potential. Grow: The program particularly aims at delivering high quality skill training to youth. It particularly focuses on improving 'Core Employability' skills to ensure that the youth is equipped with appropriate knowledge and skills for

his/her profession-of-choice and help pursue their career. In FY2019, we impacted 1,791 youth.

- Grow PwD: Grow People with Disability (PwD), a skill development program, where differently abled youth are given training in market driven skills which enables them to gain a suitable employment opportunity. In FY2019, 13 'Diversity and Inclusion' workshops for corporates were conducted in partnership with Skill Council for Persons with Disability (SCPwD). 254 employers participated in these workshops.



7,199

Students educated through 15 Pudami schools

- Marking Integrated Transformation for Resourceful Agriculture (MITRA): This program assists farmers on technology and methodology in farming. This program helps them enhance their income by increasing productivity. In FY2019, we reached out to 1,640 lead farmers and 20,000 fellow farmers through this program.

- Developing change makers: We trained 51 budding social change agents on entrepreneurial and leadership skills through Centre for Social Initiatives and Management (CSIM) – Hyderabad.

**2. Are the programmes/projects undertaken through in-house team/ own foundation/external NGO/ government structures/any other organization?**

We engage with the community through our partners such as Dr. Reddy's Foundation, Naandi Foundation, NICE Foundation, Agastya International Foundation and other similar organizations.

**3. Have you done any impact assessment of your initiative?**

We review our internal assessment systems and projects from time to time. Each project has specific deliverables against which it is measured.

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

We contributed ₹ 262 million for community development.

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

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

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

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

**PRINCIPLE 9  
CUSTOMER VALUE**

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

During the year ended 31 March 2019, there are 87 consumer complaints which are pending for investigations.

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

Yes, we have complied with the labelling requirements.

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

On 18 December 2016, the Attorneys General for 19 states in the United States of America filed claims in the United States District Court for the District of Connecticut against a number of pharmaceutical companies alleging conspiracies to fix prices and to

allocate bids and customers from 2013 through at least 2016, with respect to two generic drugs. Initially, our U.S. subsidiaries were not named as defendants. However, in April 2017, a total of 45 states, plus the District of Columbia and the Commonwealth of Puerto Rico, joined as plaintiffs in this case (the "State AG Action") which in August 2017, were consolidated with the private plaintiff class actions pending in the multi-district litigation ("MDL-2724") in the United States District Court for the Eastern District of Pennsylvania.

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

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

No

# MANAGEMENT DISCUSSION AND ANALYSIS

**With the credo of 'Good Health Can't Wait', we are committed to providing affordable and innovative medicines for healthier lives.**

1. FY2019 represents fiscal year 2018-19, from 1 April 2018 to 31 March 2019, and analogously for FY2018 and previously such labelled years.
2. Unless otherwise stated, financial data given in this Management Discussion and Analysis is based on the company's consolidated results prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

## As an integrated global pharmaceutical enterprise, we operate through three key core business segments:



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



Pharmaceutical Services & Active Ingredients (PSAI), which accounts for Active Pharmaceutical Ingredients (APIs) and Custom Pharmaceutical Services (CPS).



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

Through our portfolio of products and services, we operate in multiple therapeutic areas — the major ones being gastrointestinal, oncology, cardiovascular, pain management, central nervous system (CNS), anti-infective, respiratory and dermatology.

We are present in several countries across the world, with the key geographies being the US, Europe, India and Russia.

After the last couple of years, when we had to deal with extremely difficult market conditions on account of intense price competition, channel consolidation

in the US, regulatory hurdles and consequential delays in launches of new products, FY2019 witnessed much better performance for us. Though challenges continued in terms of pricing pressure in the US as well as in Europe, we were able to grow significantly in the branded markets - India, Russia and several other emerging markets.

In addition, continued focus on cost control and creating a leaner and more de-layered business model helped to improve profits. The financial performance also benefited due to depreciation of rupee against the US dollar.

### CONSOLIDATED FINANCIAL RESULTS FOR FY2019

#### Revenues

₹ 154 billion ↑ 8%

#### Gross profit

₹ 83 billion ↑ 9%

#### Gross profit margin

54.2% ↑ 0.5%

#### EBITDA

₹ 34.2 billion ↑ 42%

#### Operating profit

₹ 20.9 billion ↑ 75%

#### Profit Before Tax (PBT)

₹ 22.4 billion ↑ 56%

#### Profit After Tax (PAT)

₹ 18.8 billion ↑ 92%

#### Diluted Earnings Per Share (EPS)

₹ 113.09 ↑ 92%

↑ growth over previous year

### 'Good Health Can't Wait' translates to meeting our five promises.

Bringing expensive medicines within reach

Working with partners to help them succeed

Addressing unmet patient needs

Helping patients manage disease better

Enabling and helping our partners ensure that our medicines are available where needed



Improved financial performance in FY2019 were on account of the following factors:

- 1. Growth in the branded generics markets:** we saw good growth across key branded markets, namely India, Russia, Brazil, CIS countries and some other regions. We improved our base business across these markets, launched new products and scaled up in new geographies like Brazil and Colombia. The initial hiccups faced during the GST transition in India in FY2018 were settled, and the business was back to normal in FY2019.
- 2. Executing measures for prudent cost control:** We embarked on a journey to prune our cost structures to be more productive and eliminate waste across the businesses. Robust initiatives were put in place to drive cost efficiencies in manufacturing; to improve procurement efficiencies; to optimize on research and development expenditure and productivity; and to apply productivity metrics on marketing spends. In addition, several measures were undertaken to improve manpower productivity, such as restructuring the levels of hierarchy, delayering and eliminating overlaps.
- 3. Creating a leaner business model:** Our renewal strategy includes achieving self-sustainability, streamlining and optimizing global cost structures to create profitable growth for each of its businesses. During FY2019, as part of this strategy, we sold (a) the antibiotic formulations manufacturing facility and related assets in Bristol, (b) the API manufacturing business

unit at Jeedimetla, Hyderabad, and (c) the rights to distribute and market the specialty derma brands portfolio. These, and other such initiatives, should significantly contribute in focusing each business to drive future growth.

### A SNAPSHOT OF PERFORMANCE GLOBAL GENERICS (GG)

- **Revenue from GG in FY2019 was ₹ 122.9 billion**, which represented an increase of 8% compared to the previous year. This growth was largely attributable to impressive performances witnessed in the Emerging Markets and in India.
- **Revenue from North America Generics (NAG) was ₹ 60 billion**, which remained more or less flat compared to FY2018. There was a growth in volumes for certain base products, coupled with the full year benefits of products launched during the second half of previous year. Growth was further supported by 24 new products which were launched during the year - the major ones being Buprenorphine and Naloxone sublingual films, Levetiracetam bags, Colesevelam, Hydroxychloroquine and Thiotepe injection. However, due to an increase in competitive intensity, there were significant price erosions for some key products such as Sevelamer, Decitabine Injection, Metoprolol and Valgancyclovir.
- **In FY2019, we filed 20 new Abbreviated New Drug Applications (ANDAs) with the USFDA.** As on 31 March 2019 we had 110 generic filings pending approval from the USFDA - comprising 107 ANDAs and three New Drug Applications (NDAs) filed under the Section 505(b)(2) route of the US Federal Food, Drug and Cosmetic Act. Of the 107 ANDAs, 60 are Para IV applications, of which we believe 34 have 'First to File' status.
- **Revenue from Europe was ₹ 7.9 billion**, representing a decline of 4% versus FY2018. This was primarily on account of lower sales revenue in the United Kingdom, largely due to high price erosion on some of our products

- which was partially offset by an increase in revenue from Germany.

- **Revenue from Emerging Markets was ₹ 28.9 billion**, a growth of 28% compared to FY2018. This expansion was largely on account of increased revenues from our base business, new product launches and relatively rapid scaling up of business in some of the new markets.
  - **Revenue from Russia was ₹ 15.3 billion**, representing a year-on-year growth of 21%.
  - **Revenue from other CIS countries and Romania was ₹ 5.2 billion**, an annual growth of 34%.
  - **Revenue from Rest of the World (RoW) territories was ₹ 8.4 billion**, a year-on-year growth of 36%.
- **Revenue from India was ₹ 26.2 billion**, which represented a growth of 12% compared to FY2018. This revenue growth was largely attributable to an increase in both sales volume and price of our existing products, as well as additional revenue from the launch of new products. During FY2019, we launched 15 new brands in India.

### PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS (PSAI)

Revenues from PSAI stood at ₹ 24.1 billion, or a growth of 10% versus FY2018. During the year, we filed 82 Drug Master Files (DMFs) worldwide including nine filings in the US.

### PROPRIETARY PRODUCTS (PP)

Revenues from PP was ₹ 4.7 billion, this translated to a growth of 12% versus FY2018 and was largely due to sale and assignment of the US rights relating to the dermatology brands.



## GLOBAL PHARMACEUTICAL MARKET OUTLOOK<sup>1</sup>

Across the world, the global pharmaceutical industry had to deal with political uncertainty, increased pricing pressures, consolidation in general and channel consolidation in particular, higher pressure on payors to reduce healthcare costs, increased patient empowerment, more stringent regulatory environment, and lower number of approvals by the USFDA.

Though not new to the industry, these challenges had to be dealt with increased intensity and rigor. To do so, the industry had to focus on structural changes. Some of these were: (i) newer business models, (ii) increased focus on productivity using leaner and more integrated models, (iii) targeting of new markets, (iv) inorganic capability building, (v) higher adoption and leveraging of new technologies, (vi) increased emphasis on differentiation, (vii) focusing on unmet patient needs, and (viii) even foraying into new and advanced fields of science.

Such a transitional journey is inevitable. The challenge, however, lies in arriving at the desired mix of the key essentials - including, but not necessarily limited to, patient centricity, differentiation, technology adoption, preferred level of scientific innovation and portfolio choices.

Thus, the industry is at a juncture where seismic shifts and structural challenges are rampant. Yet, at the same time, the outlook is quite positive.

According to IQVIA (formerly Quintiles and IMS Health Inc.) in its January 2019 report, the global pharmaceutical industry is expected to exceed US\$ 1.5 trillion by 2023 growing at a compounded annual growth rate (CAGR) of anywhere between 3% and 6%. Some of the report's major conclusions are given below.

- The key drivers of growth will continue to be the US and the 'Pharmerging' markets with the former expected to show a CAGR of 4-7% and the latter of 5-8%.
- Prescription drug sales are expected to grow at a CAGR exceeding 6.4% for

2018-24 and reach US\$ 1.2 trillion - a significant increase in the annual growth rate compared to around 1.2% for period 2011-17.

- This growth will be augmented by a continued uptick and anticipated launch of novel therapies addressing key unmet needs, faster approvals, favorable demographics as well as increasing access to medicines globally.
- However, more active payor scrutiny, sales losses from genericization and biosimilar competition will act as brakes on this growth.

Some key trends which are expected to define the pharmaceutical space in the near future are worth noting. These are:

- A range of novel technologies, such as induced pluripotent stem cells (iPSC) and CRISPR/Cas9, and others involving modified cells or gene-modification tools are under development. These technologies are expected to treat limited patient populations and raise important questions for healthcare stakeholders around cost and accessibility.
- Mobile apps are being increasingly submitted to the USFDA for clearance and approval. These prescription digital therapeutics (DTx) are becoming a new treatment modality with indications and disease-specific treatment effectiveness claims in their prescribing labels.
- Over the next five years, life sciences companies will continue to develop and invest in artificial intelligence, machine learning and deep learning programs leading to breakthroughs impacting the discovery and development of medicines.
- Manufacturers of new medicines where safety has been well demonstrated, but where additional or alternative uses of drugs have not yet been approved, will incorporate real-world evidence to support approval for novel indications.
- Pharmaceutical companies will continue hiring specialists in patient care and patient advocacy, with most of the top 20 pharma companies



A range of novel technologies, such as induced pluripotent stem cells (iPSC) and CRISPR/Cas9, and others involving modified cells or gene-modification tools are under development.

having a senior level patient advocacy role by 2019.

- In response to stakeholder perceptions in the US that they are paying inappropriately high costs for medicines, the federal government has proposed a sweeping set of pricing reforms for government programs - each with varying levels of impact and probability of being enacted.
- There will be more emerging biopharma (EBP) companies launching new medicines in the next five years. It is estimated that over one-third of drugs launched in the next five years will be brought to market by these EBP enterprises.
- The next five years will pose a number of challenges to biopharmaceutical companies, especially with payor actions on prices. It remains to be seen whether these companies can repeat their past successes in terms of cost management.
- Existing policies and new legislations will affect opioid prescribing and use right up to 2023. The dynamics around prescription opioids, plus the issues around illicit drug use and overdoses, will remain complex and challenging to address.

To assess the market potential and outlook, it is useful to dwell upon the opportunities



US\$1.5 tn

Global pharmaceutical industry by 2023

<sup>1</sup> The outlook and the key themes discussed in this section are primarily from 'The Global Use of Medicine in 2019 and Outlook to 2023' by IQVIA Institute; 'Pharma Outlook 2030 – Evolution to Revolution' by KPMG; 'Pharma Outlook: 12 Trends to Watch in 2019' by CPhI Worldwide. Information has also been gathered from various other publicly available sources.



## 66 innovator biologics

Due to come off-patent in the US between 2020 and 2025

and challenges. Given below are a few notable opportunities for the global pharmaceutical industry:

**Orphan Drugs:** The orphan drugs sector is expected to continue outperforming the market almost doubling during 2018-2024 to reach US\$ 262 billion, and accounting for approximately 20% of prescription sales in 2024. This highlights the industry's continued move to address small groups of neglected patients with high unmet need and to benefit from regulatory and financial incentives.

- Orphan drugs are expected to represent 45% of new active substances - provided the level of USFDA orphan designations for in-process and break-through research produce the anticipated results, in line with current and historic trends.
- Though the patient population will be limited, the price per patient shall be increasingly higher. Average median prices are expected to be above US\$ 100,000 per year by 2023.
- However, new launch prices may increase at a slower rate thanks to a combination of factors such as price competition with other innovative molecules and independent review of pricing by regulatory bodies like the Institute for Clinical and Economic Review (ICER). Having said so, once these hurdles are overcome, the prices will continue to rise incrementally.

**Gene and Cell Therapies:** Gene and cell therapy is no longer a distant possibility but a reality. Building on the approval and launch of CAR-T therapies in 2017 and the launch of Luxturna (Spark Therapeutics), the first USFDA approved gene therapy for vision loss in 2018, these treatments are expected to gain momentum and should increasingly contribute to growth. This space though is not devoid of various challenges including commercialization,

market access, patient and physician adoption, cost/benefit discussions, reimbursement and manufacturing scale-up. Despite these challenges, the area is generating enormous interest. There has been a surge in activity, and new therapeutic areas are being targeted which are being augmented with a healthy pipeline.

- According to December 2018 report on 'Medicines in Development', five diseases are being currently targeted with cell and gene therapies. Over 100 diseases are being explored for potential treatment, and nearly 300 cell and gene therapies are in development - either in clinical trials or awaiting review with the USFDA.

**Biologics and Biosimilar:** One should expect to see a greater number of USFDA biosimilar approvals in 2019, as more innovator biologics reach their market exclusivity expiration.

- Although the US still lags behind the EU - with only a third of the number of biosimilar approvals - this is set to change.
- The latest biosimilar report from PharmSource, a GlobalData product, shows that we are entering the third wave of opportunity for biosimilar makers, with 66 innovator biologics due to come off-patent in the US between 2020 and 2025. Consequently, there should be an increasing number of biosimilar review applications to the USFDA.
- The current volume of clinical development candidates indicate there will be more biosimilar approvals in the future from companies based in Europe and Asia - especially China and India - than those from the US.

**Artificial Intelligence (AI) to improve productivity:** In the pharmaceutical



AI will be critical to the future of pharma as the amount of available data and number of monitoring devices increase.

industry, there is enormous scope for increasing efficiency, particularly in drug development, where it often lacks the necessary capital to run large trials and testing. At the same time, AI is maturing from hype to more tangible use. The predictive and analytic powers of AI should enable companies to make smarter, faster and more strategic decisions. AI will increase drug development efficiency by not wasting research efforts - for example, by creating alternative hypotheses for trials by discovering more data to enable drug repurposing. Additionally, the influx of data from new devices will enable real-time, on-the-go, instant results.

AI will be critical to the future of pharma as the amount of available data and number of monitoring devices increase. In the short term, it will have a real impact through its ability to collect and aggregate disparate data sets and identify patterns which in turn will generate more insights. The real potential of AI and machine learning will be in enabling pharma companies to be smarter, faster, and more cost efficient.

**Industry-Wide Consolidation:** Every segment of the pharmaceutical industry is expected to continue witnessing consolidation throughout 2019.

- In recent past, there were two high profile acquisitions of oncology-focused big pharma companies - of BMS acquiring Celgene, and of Eli Lilly purchasing Loxo.
- Other innovators are expected to follow with transformational or bolt-on deals to secure competitive positions in specialty and rare disease indications. Additional consolidation is also likely in generics, to further stabilize price erosion and add new, high-barrier-to-entry products to portfolios.
- Shifting regulatory demands, particularly in markets like China, may also help to drive consolidation.
- On the contract development and manufacturing side, M&A will continue to be important to compete at scale, offer full lines of complementary or integrated services, and secure the newest technologies, particularly as drug pipelines increasingly fill with cell-based therapies or other highly complex formulations.
- The healthcare industry also saw several big vertical integrations in 2018 - such as Aetna with CVS, and Cigna with Express Scripts.

These deals have been justified as opportunities to gain efficiency and lower cost of care, but it is still too early to determine their long-term impact. The trend will likely continue in 2019 as the industry looks for new ways to control costs and increase margins.

**Outlook for the US Market:** According to a recent IQVIA report, while the invoice spend in the US is expected to grow at a rate of 4% to 7% to US\$ 600 billion by 2023, the net growth in manufacturers' revenue will be a bit lower, at 3% to 6%. Growth is expected to be driven by new products and brand pricing, which shall partially be offset by patent expiries and generic launches after the expiry of market exclusivity.

- With cardiovascular diseases and cancer continuing to remain the leading causes of death in the US, there has been an increased shift in focus towards list prices of recently launched drugs.
- In recent times, there has been a spurt in cases where price increases by manufacturers on established products have come under greater scrutiny by the public and policy makers.
- Cost containment measures such as price and reimbursement cuts are leading to tougher market conditions for drug manufacturers and shrinking profit margins. In response to these pressures, companies are reassessing their strategies and market focus.

**Value Based Pricing (VBP):** Payors, insurers and hospitals are no longer willing to pay simply for a product; but are looking for VBP which is dependent upon success of the products and procedures through measurable outcomes. Although VBP comes with its share of risks and challenges, there is a large potential to



create a win-win situation for multiple healthcare stakeholders if structured and implemented correctly.

**Rise of China:** Despite concerns about a trade war between the US and China, it is not a surprise that China is still viewed as a huge market opportunity for the pharmaceutical industry. With its huge population and growing middle class, it has become a leader in R&D innovation for medicine, particularly regenerative medicine - and perhaps even gene-editing based on the news from late 2018.

- China has expanded to being the second largest pharmaceutical market globally with US\$ 137 billion in total spend in 2018 and a CAGR of 8% during 2013-18.
- Much of the growth has been driven by the Central Government's reforms to increase insurance access to both rural and urban residents; to expand and modernize the hospital system; and to better integrate primary care services. Broader economic growth has enabled more Chinese patients to access and afford medicines; and per capita rates of use and spending have risen significantly.
- Recent regulatory reforms are expected to act as an impetus to the pharmaceutical landscape. These involve realignment of regulatory agencies, including the State Medical Insurance Administration (SMIA) and State Drug Administration (SDA), to drive consistency, speed and efficiency in implementation of policies; hospital reforms to reduce the profit motive; and improved co-ordination with primary care to support the expected expansion of hospitals without major burden on the government.

- To manage affordability for the government programs and the population in general, the Chinese government has focused on managing drug pricing through the use of an Essential Drug List (EDL) and a National Reimbursement Drug List (NRDL). Both require manufacturers to offer substantial discounts. In return, listing on the NRDL offers wider access to the population. The NRDL had been updated periodically: in 2001, 2004, and 2009 with the most recently in 2017 after an eight-year gap. Adoption of newer medicines from this updated reimbursement list will drive significant growth for novel brands, while unbranded generic medicines and locally manufactured non-original brands are expected to grow slowly.
- Though the reforms are encouraging, the big challenge that still remains is how to best navigate the Chinese regulatory and commercial landscape.

**Better life expectancy and lower mortality rates culminating in an aging global population:**

- The United Nations projects that the global life expectancy will reach beyond 75 years by the year 2050. This means that the number of elderly people will see a substantial increase in the years to come. It is projected that this number will globally rise to over 19% in 2050.
- For the developed regions, individuals aged 60 and over will make up one-third of their population, while for developing nations it will consist of one-fifth.
  - With increasing age, disabilities and chronic diseases such as cancer, Alzheimer's, respiratory and heart problems are expected to involve repeated and, hence expensive health treatments. Nations will need to improve their healthcare systems so they can provide better yet more cost-effective treatment for the elderly.



**OUR MARKET PERFORMANCE, FY2019**

**NORTH AMERICA GENERICS (NAG)** NAG is our largest market. In FY2019, it contributed to around 49% of the GG sales, and 39% of our overall sales.

**Revenue from the region for FY2019 was ₹ 60 billion (US\$ 862 million), representing an almost flat growth of 0.2% over the previous year.** As mentioned

earlier, the year was challenging on account of significant price erosion faced due to increased competition across some of the major products. The negative impact was offset by increase in volumes for some of our base products and new product launches - the major ones being Buprenorphine and Naloxone sublingual film, Levetiracetam bags, Colesevelam, Hydroxychloroquine and Thiotepea injection. Some key developments were:

- Launched Buprenorphine and Naloxone sublingual film, a therapeutic equivalent generic version of Suboxone®, a combination medication which is used to treat opioid use disorder.
- Launched Levetiracetam bags, a therapeutic equivalent generic version of HQ Specialty Pharma Corporation's Levetiracetam in Sodium Chloride Injection, which is used as an adjunctive therapy in the treatment of partial onset seizures in adults with epilepsy, when oral administration is temporarily not feasible.
- Launched Colesevelam tablets, a therapeutic equivalent generic version of Welchol® tablets, which is used to reduce the amount of cholesterol and certain fatty substances in the blood.
- Gained significant market share in certain key products such as Liposomal Doxorubicin and Atorvastatin.
- Filed 20 new ANDAs, which comprise some complex products and are across different dosage forms.

Our current priority includes timely new product launches and focus on increasing market share of existing products without destroying the value of these drugs. The strategy is to significantly expand our portfolio and ensure right cost structures for our products to be able to compete in this highly competitive market.

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



₹ 28.9 bn

Revenue from Emerging Markets in FY2019

### EMERGING MARKETS

**Revenue from Emerging Markets for FY2019 was ₹ 28.9 billion**, representing a growth of 28% compared to the previous year. This significant growth has been a result of increased revenues from our base business, new product launches and scale up of business in new markets.

Revenue from Russia for FY2019 was ₹ 15.3 billion, representing a 21% growth over the previous year. The growth was 26% in terms of the local currency (ruble).

- In Russia, we launched OTC Nasivin during Q4 FY2018, an in-licensed product, which gained good traction in volumes in FY2019.
- Our key products - such as Nise, Omez, Ketorol, Cetrine, Ciprolet, Ibuclin, Nise gel, Novigan, Plagril, Razo, Naisivin and Femibion - continue to be brand leaders (each among the top three) in their respective categories, as reported by IMS Health in its report for the 12-month period ended 31 March 2019.

Revenue from CIS countries (including Romania) was ₹ 5.2 billion, representing 34% growth over the previous year. The growth was led by Kazakhstan, Romania and Ukraine through the increasing sale of existing products as well as new launches.

During FY2018, we had entered Brazil, Turkey and Algeria. In FY2019, we scaled up our business in these markets. Further we entered in some select ASEAN markets. Our focus is primarily on institution business in most of these countries through biosimilars and oncology products. We have also grown well in China and expect it to be a relatively high growth market in the next few years.

Our strategy for growth in Emerging Markets is to continue improving our market share in our chosen therapy areas, including expansion of biosimilars and the oncology portfolio. We will focus on scaling up in our major markets, which include Russia, China, Brazil, South Africa and Ukraine.

### EUROPE

**Revenue from Europe in FY2019 was ₹ 7.9 billion**, representing a decline of 4% vis-a-vis the previous year. This was on account of lower sales in the UK, which was partly offset by increasing revenues from Germany. Revenue growth was impacted due to price erosion in few of our key products, coupled with temporary supply disruptions, and delays in some of the launches. The supply issues have been largely resolved and we expect this market to register growth in FY2020.

We launched multiple new products in Germany and the UK during the year and also continued making inroads into the newly entered countries of France, Italy, and Spain. Currently, Europe comprises 6% of our global generics sales. In the medium to long-term, we expect to grow this share by leveraging our in-house portfolio, seeking in-licensing opportunities, and scaling up business in the three new countries.

### INDIA

**Revenue from India in FY2019 was ₹ 26.2 billion**, or a growth of 12% compared to previous year. According to the IQVIA in its report for the 12-month period ended 31 March 2019, our growth has been 11.3% versus a market growth of 10.5%. During the year, we improved our market rank by three places - from number 16 as per MAT (March 2018) to number 13 as per MAT (March 2019). This growth has been primarily on account of improvement in the base business



₹ 26.2 bn

Revenue from India in FY2019

performance led by increase in volumes and price in certain products.

- During the year, we launched 15 brands in India, including Hervycta (the fifth biosimilar from our internal pipeline), which aided growth. Eight of our brands (Omez, Omez D, Atarax, Econorm, Razo D, Nise, Stamlo, Razo) are in top 300 brands of the IPM.



₹ 24.1 bn

PSAI business revenue  
in FY2019

- In FY2020, we will continue to drive productivity improvement and focus on our core therapeutic areas and big brands. In the medium-to-long-term, we will focus on ramping up of biosimilars through internal and partnered assets and building differentiated products in relevant therapies, accompanied by a further increase of the base business.

#### PSAI

The PSAI business recorded revenues of ₹ 24.1 billion in FY2019, representing a 10% growth over the previous year. In FY2019, we filed 82 DMFs globally, of which nine were in the US.

- During FY2019, we launched our advanced B2B Customer Service Portal called 'XCEED', which is expected to increase the operational efficiency

of our partners by enabling them to transact online and access real time information about their business and products with us.

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

#### PROPRIETARY PRODUCTS (PP)

The PP business recorded revenue of ₹ 4.7 billion in FY2019, with a growth of 12%. The contribution from our lead in-house commercialized product in the

**TABLE 1 CONSOLIDATED REVENUE MIX BY SEGMENT**

(₹ MILLION)

PARTICULARS	FY2019			FY2018			GROWTH %
	(US\$)	(₹)	%	(US\$)	(₹)	%	
Global Generics	1,777	1,22,903	79.9	1,649	1,14,014	80.3	8
North America		59,957			59,822		0.2
Europe*		7,873			8,217		(4)
India		26,179			23,322		12
Emerging Markets#		28,894			22,653		28
Pharmaceutical Services and Active Ingredients (PSAI)	349	24,140	15.7	318	21,992	15.5	10
Proprietary Products & Others	98	6,808	4.4	87	6,022	4.2	13
<b>Total</b>	<b>2,225</b>	<b>1,53,851</b>	<b>100</b>	<b>2,054</b>	<b>1,42,028</b>	<b>100</b>	<b>8</b>

\* Europe primarily includes Germany, the UK and out-licensing sales business.

# Emerging markets refer to Russia, other CIS countries, Romania and Rest of the World markets.

**TABLE 2 CONSOLIDATED INCOME STATEMENT**

(₹ MILLION)

PARTICULARS	FY2019			FY2018			GROWTH %
	(US\$)	(₹)	%	(US\$)	(₹)	%	
Revenues	2,225	1,53,851	100.0	2,054	1,42,028	100.0	8
Cost of Revenues	1,018	70,421	45.8	950	65,724	46.3	7
<b>Gross Profit</b>	<b>1,206</b>	<b>83,430</b>	<b>54.2</b>	<b>1,103</b>	<b>76,304</b>	<b>53.7</b>	<b>9</b>
<b>Operating Expenses</b>							
Selling, General & Administrative expenses	707	48,890	31.8	678	46,910	33.0	4
Research and Development expenses	226	15,607	10.1	264	18,265	12.9	(15)
Other operating (income)	(28)	(1,955)	(1.3)	(11)	(788)	(0.6)	148
<b>Results from operating activities</b>	<b>302</b>	<b>20,888</b>	<b>13.6</b>	<b>172</b>	<b>11,917</b>	<b>8.4</b>	<b>75</b>
Finance (income), net	(16)	(1,117)	(0.7)	(30)	(2,080)	(1.5)	(46)
Share of (profit) of equity accounted investees, net of income tax	(6)	(438)	(0.3)	(5)	(344)	(0.2)	27
<b>Profit before income tax</b>	<b>325</b>	<b>22,443</b>	<b>14.6</b>	<b>207</b>	<b>14,341</b>	<b>10.1</b>	<b>56</b>
Income tax expense	53	3,648	2.4	66	4,535	3.2	(20)
<b>Profit for the period</b>	<b>272</b>	<b>18,795</b>	<b>12.2</b>	<b>142</b>	<b>9,806</b>	<b>6.9</b>	<b>92</b>
<b>Diluted Earnings Per Share (EPS) (in ₹)</b>		<b>113.09</b>			<b>59.00</b>		<b>92</b>

neuro franchise, i.e. ZEMBRACE® picked up through the year along anticipated lines.

- During the year we received the final approval from the USFDA for our migraine candidate DFN-02 (Sumatriptan intranasal spray). DFN-02 is a novel intranasal formulation for the treatment of acute migraine with or without aura.
- On the R&D front, our focus continues to be on advancing the development of the two in-licensed assets - E7777 and PPC-06 — in addition to the in-house pipeline in a well calibrated manner which strives to achieve an optimal balance between risks and costs.
- Through the year we continued our efforts to selectively divest products. In late September 2018, the rights to Cloderm® Cream, 0.1% and its authorized generic were divested to EPI Health for an upfront

consideration followed by future royalties. Towards the end of the financial year, we divested our derma commercial portfolio comprising SERNIVO® Spray, 0.05%, PROMISEB® Topical Cream and TRIANEX® 0.05% to Encore Dermatology for an upfront consideration followed by future milestones.

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



Renewed strategy to enable us to achieve self-sustainability and profitable growth for each of our businesses.

### USFDA OBSERVATIONS: AN UPDATE

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

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

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

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

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

- *API facility at Miryalaguda:* The USFDA raised three observations in the areas of older methods of validation, improvements in instrument calibrations and adherence to United States Pharmacopeia (USP) test methods.

**TABLE 3 CONSOLIDATED CASH FLOW ACCORDING TO IFRS** (₹ MILLION)

PARTICULARS	FY2019	FY2018
Opening Cash and Cash Equivalents	2,542	3,779
Cash flows from:		
(a) Operating activities	28,704	18,029
(b) Investing activities	(7,727)	(14,883)
(c) Financing activities	(21,326)	(4,440)
Effect of exchange rate changes	35	57
<b>Closing Cash and Cash Equivalents</b>	<b>2,228</b>	<b>2,542</b>

**TABLE 4 CONSOLIDATED WORKING CAPITAL** (₹ MILLION)

PARTICULARS	AS ON 31 MARCH 2019	AS ON 31 MARCH 2018	CHANGE
Trade Receivables (A)	39,869	40,617	(748)
Inventories (B)	33,579	29,089	4,490
Trade Payables (C)	14,553	16,052	(1,499)
<b>Working Capital (A+B-C)</b>	<b>58,895</b>	<b>53,655</b>	<b>5,240</b>
Other Current Assets (D)	41,053	39,939	1,115
<b>Total Current Assets (A+B+D)</b>	<b>114,501</b>	<b>109,645</b>	<b>4,857</b>
Short & Long-term loans and borrowings, current portion (E)	16,381	25,625	(9,244)
Other Current Liabilities (F)	28,766	28,015	751
<b>Total Current Liabilities (C+E+F)</b>	<b>59,700</b>	<b>69,692</b>	<b>(9,992)</b>

**TABLE 5 DEBT AND EQUITY POSITION** (₹ MILLION)

PARTICULARS	AS ON 31 MARCH 2019	AS ON 31 MARCH 2018	CHANGE
<b>Total Shareholder's Equity</b>	<b>140,197</b>	<b>126,460</b>	<b>13,737</b>
Long-term debt (current portion)	4,256	63	4,193
Long-term debt (non-current portion)	22,000	25,089	(3,089)
Short-term borrowings	12,125	25,562	(13,437)
<b>Total Debt</b>	<b>38,381</b>	<b>50,714</b>	<b>(12,333)</b>

- **API facility at Srikakulam:** The USFDA 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 USFDA raised 13 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, were further implemented. In addition, a detailed response was submitted to the USFDA which included root cause, corrective actions and preventive actions and impact assessment.

The current status for these sites is as follows:

- **API facility at Miryalaguda:** In June 2017, the USFDA issued an Establishment Inspection Report (EIR) indicating successful closure of the audit of this facility. In January 2019, USFDA has inspected API facility at Miryalaguda and one observation was noted. We have responded to the observation. In May 2019, we have received an Establishment Inspection Report (EIR) from USFDA indicating successful closure of the audit of this facility.
- **API facility at Srikakulam:** In February 2018, the USFDA issued an EIR for this facility indicating that its inspection status remains unchanged and we were asked to carry out certain detailed investigations and analyses. In response, we submitted the results of such investigations in October 2018. As part of the review of the response by the USFDA, certain additional follow up queries were received by us. We responded to all queries in January 2019, to the USFDA. In February 2019, USFDA requested answers to three follow-up questions to us and we responded in March 2019. Based on the subsequent discussion with USFDA, a reinspection will be conducted for the site.
- **Oncology formulation facility at Duvvada:** In June 2018, we requested the USFDA to schedule a reinspection of the oncology formulation manufacturing facility at Duvvada. In October 2018, the reinspection was

completed and the USFDA issued Form 483 with eight observations. We responded to these observations on 20 November 2018. Subsequently, in February 2019, the USFDA issued an EIR indicating successful closure of audit of this facility.

Thus, there have been satisfactory audit closures in two of the three facilities. At present, we await the reinspection of our API facility at Srikakulam.

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

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

## FINANCIALS

**Table 1** gives the abridged IFRS consolidated segment wise revenue performance for FY2019 compared to FY2018. **Table 2** gives the consolidated income statement.



₹153,851 mn

Revenue in FY2019



We remain fully committed to following high standards of the quality and striving towards further strengthening of our quality management systems and processes.

## REVENUE

The total revenue grew by 8% to ₹153,851 million in FY2019. The growth was primarily aided by increase in volume and new product launches across our businesses and benefits due to depreciation of rupee against the US dollar, partially offset by price erosion in our GG segment's North America (the US and Canada) and the Europe businesses.

## GROSS PROFIT

Gross profit increased by 9.3% to ₹83,430 million in FY2019. This resulted in a gross profit margin of 54.2% in FY2019 - representing an increase of 50 basis points compared to FY2018. The gross profit margin for GG was 58.5%. The GG gross profit margin was largely impacted by price erosion in the US, which was partly offset by benefit from new product launches with higher margins, cost optimization initiatives taken by us, and the benefit from depreciation of rupee against the US dollar. For the PSAI business, the gross profit margin was 25.4%. PSAI's gross profit margin rose on account of an increase in sales of products with higher margins and from depreciation of the rupee against the US dollar.

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

SG&A expenses increased by 4% to ₹48,890 million in FY2019. This was largely attributable to increase in personnel costs, primarily on account of annual increments, freight outward costs due to increase in volumes, and increases pertaining to depreciation of rupee. The increase was offset by significant efforts and continued focus on cost optimization. SG&A accounted for 31.8% of revenue in FY2019 versus 33% in FY2018 - or an improvement of 120 basis points over the previous year.

### R&D EXPENSES

R&D expenses for FY2019 were ₹ 15,607 million, or 10.1% of revenue, versus 12.9% in FY2018. The absolute and proportional decrease in R&D spends were in line with the productivity improvement measures undertaken by us including cost optimization, productivity gains and prioritization of projects, which have been executed in a manner that does not impinge on building the pipeline of complex generics, biosimilars and differentiated products.

### NET FINANCE INCOME

The net finance income was ₹ 1,117 million in FY2019 versus ₹ 2,080 million in FY2018. The reduction is primarily on account of higher realized gains on redemption of mutual funds in FY2018.

### INCOME TAX

For FY2019, income tax expense was ₹ 3,648 million, with an effective tax rate of 16.3%. This tax outgo was 19.6% lower than FY2018 (₹ 4,535 million and an effective tax rate of 31.6%). The FY2018 rate was higher due to a one-time charge taken during transition to a new tax regime in the US (Tax Cuts and Jobs Act of 2017). Adjusted for it, the effective tax rate for FY2018 was 22.5%. In FY2019, the effective tax rate was lower due to allowance of a claim of deduction of an item which was previously disallowed for tax purpose.

### NET PROFIT

Net profit increased by 92% to ₹ 18,795 million in FY2019. This represents a PAT margin of 12.2% of revenues versus 6.9% in FY2018.

### LIQUIDITY AND CAPITAL RESOURCES

The data are given in **Tables 3 and 4**. Cash generated from operating activities in FY2019 was ₹ 28,704 million.



₹ 18,795 mn

Net profit in FY2019

Investing activities net outflow amounting to ₹ 7,727 million in FY2019 includes net investment in property, plant, equipment and intangibles to build capacity and capabilities for future business growth. Cash outflow from financing activities was ₹ 21,326 million. Closing cash and cash equivalents as on 31 March 2019 was ₹ 2,228 million.

### DEBT-EQUITY

In FY2019, short-term and long-term borrowings, including the current and non-current portion, decreased by ₹ 12,333 million. As on 31 March 2019 our debt to equity ratio is 0.27 as against 31 March 2018 of 0.40. The net debt to equity position was at 0.09 versus 0.24 last year. **Table 5** gives the data.

### ENTERPRISE RISK MANAGEMENT (ERM)

Our ERM function operates with the following objectives:

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

The ERM team connects with our business units and functions, which are the primary sources for risk identification. It also monitors external trends on liabilities and risks reported by peers in the industry.

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

The team collaborates with the compliance, internal audit and other assurance teams to identify and mitigate risks of business units, including risk relating to cyber security.

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

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

During FY2019, risk mitigation efforts were focused towards patent infringement risk, quality and regulatory risk, geo-political risk, cyber security risk, assessing and strengthening data privacy related posture, and reviews of other operating and compliance risks.

### HUMAN RESOURCES (HR)

In the previous year, we embarked on an organization transformation journey taking up several new initiatives directed towards execution excellence and growth. This involved bringing in best in class talent in key roles, defining cross functional processes and building the right culture for the growth ahead. As on 31 March 2019, we had 21,966 employees.

We began FY2019 by focusing on redesigning and optimizing our organization structure at senior levels resulting in higher synergy, agility and efficiency in teams. At the same time, we successfully implemented comprehensive intervention in one of our manufacturing units to ensure higher regulatory readiness. This involved building competence in our teams, simplifying work processes and enhancing our quality processes. It is now being extended across all our manufacturing plants.



We began FY2019 by focusing on redesigning and optimizing our organization structure at senior levels resulting in higher synergy, agility and efficiency in teams.



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

In line with creating a high-performance culture, we revamped our performance management process. For senior leaders in the organization, the new system expands the scope of evaluation to include assessment of necessary leadership behaviors based on a 360° feedback. It promotes higher transparency and ownership of shared outcomes. In addition to this, for our manufacturing and quality control frontline employees, the performance process also helps reward team outcomes.

Significant efforts were made to strengthen our leadership and hire benchmark talent. These have helped in bringing in a fresh perspective and renewed energy to the organization. In our commercial businesses of Russia, North America and India, we have strengthened our local leadership presence through these efforts.

We continue to focus on strengthening our talent processes through cadre and capability building interventions. We have completed one year of the Young Leaders Development Program which has already started creating impact. We are now replicating the same model to create cadres in sales and manufacturing.

Diversity and inclusion remain important on the organizational agenda. For the second time, we have been featured in the 2019 Bloomberg Gender Equality Index for our commitment to gender equality. We have also been strengthening our efforts towards actively promoting employment for specially-abled individuals. Dr. Reddy's Foundation was recognized by The National Centre for Promotion of Employment for Disabled People (NCPEDP)-Mindtree Helen Keller National Disability Award.

## OUTLOOK

Despite challenges that are innate to the industry in which we are in, FY2019 has been a satisfactory year in terms of improvement of performance in various domains.

The challenging pricing environment in the US continued in FY2019 which led to significant price erosion; and further delay in some of the key new launches in this market impacted the performance. However, the strong performance by branded markets and the PSAL business have helped to close the year on a satisfactory note.

We were able to address the USFDA concerns on the formulation facility in Duvvada as well as our API facility at Miryalaguda and have been working towards a favorable resolution for our API plant in Srikakulam - which should provide necessary impetus for the next financial year.

During FY2019, we made significant inroads towards a leaner business model and, thus, leveraged higher productivity and efficiencies across several functions. The momentum is expected to continue with increased rigor in FY2020.

We shall attempt to further strengthen our presence in our six chosen spaces (United States, India, Russia, China, Global Hospitals including Biosimilars, and the Global API business) to drive next level of growth for us. Our target is to attain self-sustainability for each of our business.

Despite multiple headwinds being faced by the overall industry, we are cautiously optimistic of improving our performance in FY2020 by calibrating our levers which would suit the business environment better and, thus, guide us to better performance for the year ahead.

## CAUTIONARY STATEMENT

Our management has prepared and is responsible for the financial statements that appear in this report. These are in conformity with International Financial Reporting Standards (IFRS), as issued by

the International Accounting Standards Board, and accounting principles generally accepted in India and therefore, include amounts based on informed judgments and estimates. The management also accepts responsibility for the preparation of other financial information that is included in this report. This write up includes some forward-looking statements, within the meaning of Section 27A of the US Securities Act of 1933, as amended and Section 21E of the US Securities Exchange Act of 1934, as amended.

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



**During FY2019, we made significant inroads towards a leaner business model and, thus, leveraged higher productivity and efficiencies across several functions.**

# FIVE YEARS AT A GLANCE

	(₹ MILLION)				
YEAR ENDING MARCH 31	2019	2018	2017	2016	2015
<b>INCOME STATEMENT DATA</b>					
Revenues	153,851	142,028	140,809	154,708	148,189
Cost of revenues	70,421	65,724	62,453	62,427	62,786
<b>Gross profit</b>	<b>83,430</b>	<b>76,304</b>	<b>78,356</b>	<b>92,281</b>	<b>85,403</b>
as a % of revenues	54.2	53.7	55.6	59.6	57.6
<b>Operating Expenses:</b>					
Selling, general and administrative expenses*	48,890	46,910	46,372	45,702	42,585
Research and development expenses	15,607	18,265	19,551	17,834	17,449
Other Operating (income) / expenses, net	(1,955)	(788)	(1,065)	(874)	(917)
<b>Total operating expenses</b>	<b>62,542</b>	<b>64,387</b>	<b>64,858</b>	<b>62,662</b>	<b>59,117</b>
<b>Operating income</b>	<b>20,888</b>	<b>11,917</b>	<b>13,498</b>	<b>29,619</b>	<b>26,286</b>
as a % of revenues	13.6	8.4	9.6	19.1	17.7
<b>Finance Costs, net:</b>					
Finance income	2,280	2,897	1,587	2,251	2,774
Finance expenses	(1,163)	(817)	(781)	(4,959)	(1,092)
<b>Finance (expense)/income, net</b>	<b>1,117</b>	<b>2,080</b>	<b>806</b>	<b>(2,708)</b>	<b>1,682</b>
Share of profit of equity accounted investees, net of income tax	438	344	349	229	195
<b>Profit before income tax</b>	<b>22,443</b>	<b>14,341</b>	<b>14,653</b>	<b>27,140</b>	<b>28,163</b>
Income tax benefit/(expense)	(3,648)	(4,535)	(2,614)	(7,127)	(5,984)
<b>Profit for the year</b>	<b>18,795</b>	<b>9,806</b>	<b>12,039</b>	<b>20,013</b>	<b>22,179</b>
as a % of revenues	12.2	6.9	8.5	12.9	15.0
Earnings per share (₹)					
Basic	113	59	72	117	130
Diluted	113	59	72	117	130
Dividend declared per share (₹)	20	20	20	20	20
<b>BALANCE SHEET DATA</b>					
Cash and cash equivalents, net of bank overdraft	2,228	2,542	3,779	4,921	5,394
Operating working capital**	58,895	53,655	53,178	58,584	55,624
Total assets	225,427	225,604	219,821	207,650	194,762
Total long-term debt, excluding current portion	22,000	25,089	5,449	10,685	14,307
Total stockholders' equity	140,197	126,460	124,044	128,336	111,302
<b>ADDITIONAL DATA</b>					
Net cash provided by / (used in):					
Operating activities	28,704	18,029	21,513	41,247	25,033
Investing activities	(7,727)	(14,883)	(18,471)	(20,423)	(22,904)
Financing activities	(21,326)	(4,440)	(3,692)	(17,001)	(4,118)
Effect of exchange rate changes on cash	35	57	(492)	(4,296)	(1,068)
Expenditure on property, plant and equipment & Intangibles	(8,376)	(11,043)	(40,984)	(14,875)	(15,327)

\* Includes impairment of goodwill and other intangibles and reversal of impairment. Figures are restated for previous years

\*\* Operating working capital = Trade receivables + inventories - Trade payables

# KEY FINANCIAL RATIOS

YEAR ENDING MARCH 31	2019	2018	2017	2016	2015
<b>PROFITABILITY RATIOS</b>					
EBITDA margin (%)**	22%	17%	18%	23%	24%
Gross Margin (%)	54%	54%	56%	60%	58%
- Global Generics	59%	59%	62%	66%	65%
- PSAI	25%	20%	21%	22%	22%
Adjusted PAT <sup>#</sup> margin (%)	12%	7%	9%	13%	15%
Net Profit Margin (%)**	12.2	6.9	8.5	12.9	15
Return on Net Worth (%)**	13	8	10	16	20
<b>ASSET PRODUCTIVITY RATIOS</b>					
Fixed Asset Turnover	2.7	2.5	2.5	3.0	3.2
Total Assets Turnover	0.7	0.6	0.7	0.8	0.8
<b>WORKING CAPITAL RATIOS</b>					
Working Capital Days	180	194	204	193	198
Inventory Days*	163	154	160	149	145
Debtors Days*	90	102	96	99	95
Creditor Days	73	62	51	55	42
<b>GEARING RATIOS</b>					
Net Debt/Equity**	0.09	0.24	0.25	(0.05)	0.03
Interest Coverage Ratio*	18.3	15	17.7	6	24.3
Current Ratio*	1.9	1.6	1.2	1.9	1.9
<b>VALUATION RATIOS</b>					
Earnings per share (₹)	113.1	59.0	72.1	117.0	129.7
Book Value per share (₹)	844	763	743	750	651
Dividend Payout	18%	34%	28%	17%	15%
Trailing Price/Earnings Ratio	24.6	35.3	36.5	25.9	26.9

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

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

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

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

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

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

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

(8) Dividend Payout: DPS/EPS

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

<sup>#</sup> PAT adjusted for non-cash impairment charge and other non-recurring costs.

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

<sup>®</sup> Profit margins improved significantly over previous year on account of increase in revenues from India and Emerging markets, income from sale of Proprietary Products' Derma brands. Margins were further aided by the cost optimization and productivity improvement measures undertaken by the company.

<sup>®®</sup> The decrease in Net Debt Equity ratio over previous year was primarily due to higher cash inflows from operating activities, resulting in a decrease in borrowings.

# CORPORATE GOVERNANCE

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

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

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

This Chapter, together with the information given in the Chapters on *Management Discussion and Analysis* and *Additional Shareholders' Information*, constitute our report on Corporate Governance for 2018-19 (or FY2019).

## BOARD OF DIRECTORS COMPOSITION

As on 31 March 2019, our board had 12 directors, comprising (i) two executive directors, including the chairman of the board, and (ii) 10 independent directors as defined under the Companies Act, 2013, the Listing Regulations and the Corporate

Governance Guidelines of the NYSE Listed Company Manual. Their detailed profiles are given in this annual report.

The directors have expertise in the fields of strategy, management and governance, finance, operations, science, technology, human resource development and economics, as under.

Mr. K Satish Reddy and Mr. G V Prasad (whole time promoter directors); Dr. Bruce L A Carter and Mr. Allan Oberman (science, technology, operations and industry experts); Mr. Sridar Iyengar, Mr. Bharat N Doshi and Dr. Omkar Goswami (economics and financial experts); Mr. Anupam Puri, Mr. Prasad R Menon and Mr. Leo Puri (strategy, human resources, management and governance); and Ms. Kalpana Morparia and Ms. Shikha Sharma (CEO experience in large Indian public companies). Such expertise enables the board to steer the company in the right direction.

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

Each director informs the company on an annual basis about the board and board committee positions she/he occupies in other companies, and notifies it of any changes regarding their directorships and committee positions. In addition, the independent directors provide an annual confirmation that they meet the criteria of independence as defined under Indian laws. The board after assessment of such disclosures, declarations and confirmations, opines that all the independent directors fulfil the conditions specified under Listing Regulations and are independent of the management.

**Table 1** gives the composition of our board, with all relevant details.

## TERM OF BOARD MEMBERSHIP

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

Section 149(10) of the Companies Act, 2013, provides that an independent director shall hold office up to five consecutive years on the board of a company and shall be eligible for reappointment on passing of a special resolution by the shareholders. Moreover, independent directors cannot retire by rotation. Accordingly, all our independent directors were appointed as such for terms ranging from one to five years at the 30th annual general meeting (AGM) of the company.

The terms of Mr. Sridar Iyengar (DIN: 00278512) and Ms. Kalpana Morparia (DIN: 00046081) independent directors, end at the forthcoming 35th AGM. Considering their performance evaluation reports, the board has recommended the reappointment of Mr. Iyengar and Ms. Morparia, as independent directors under Section 149 of Companies Act, 2013 for a second term of four and five years, respectively.

Further, Mr. Sridar Iyengar (aged 71 years) and Ms. Kalpana Morparia (aged 70 years) will attain the age of seventy five years during their second term of four and five years respectively. Hence in terms of Regulation 17(1A) of the Listing Regulations approval of shareholders is also sought for continuation of Mr. Iyengar and Ms. Morparia's directorship even after attaining such age.

During FY2019, the shareholders of the company approved reappointment of Mr. Anupam Puri (DIN: 00209113) and Dr. Bruce L A Carter (DIN: 02331779), independent directors, for a second term of one and three year(s) respectively, under Section 149(10) of the Companies Act, 2013.

Section 152 of the Companies Act, 2013, states that one-third of the board members other than independent directors who are subject to retire by rotation, shall do so every year and be

eligible for reappointment, if approved by the shareholders. Mr. G V Prasad, (DIN:00057433) retires by rotation at the forthcoming AGM and, being eligible, seeks reappointment.

Additionally, Mr. Leo Puri (DIN: 01764813), Ms. Shikha Sharma (DIN: 00043265) and Mr. Allan Oberman (DIN: 08393837) were appointed as additional directors of the company, categorized as independent with effect from 25 October 2018, 31 January 2019 and 26 March 2019 respectively. Therefore, at the forthcoming AGM, approval of shareholders is being sought for:

- i. Reappointment of Mr. G V Prasad, who retires by rotation and, being eligible, offers himself for the reappointment.
- ii. Reappointment of Mr. Sridar Iyengar as an independent director for a second term of four years and continuation of directorship even after attaining 75 years of age.
- iii. Reappointment of Ms. Kalpana Morparia as an independent director for a second

term of five years and continuation of directorship even after attaining 75 years of age.

- iv. Appointment of Mr. Leo Puri as an independent director for a term of five years with effect from 25 October 2018.
- v. Appointment of Ms. Shikha Sharma as an independent director for a term of five years with effect from 31 January 2019.
- vi. Appointment of Mr. Allan Oberman as an independent director for a term of five years with effect from 26 March 2019.

Mr. Hans Peter Hasler resigned from the board on 14 June 2018 as an independent director. Having served as an independent director on the company's board since June 2016, Mr. Hasler decided to actively engage in a business opportunity which could pose a potential conflict of interest vis-à-vis his position as a director of the company. In order to avoid this, he tendered his resignation. The board noted Mr. Hasler's resignation at its meeting held on 26 July 2018.

Mr. Anupam Puri completes his second term as an independent director. Dr. Omkar Goswami retires from the board of the company as independent director and does not seek reappointment. The board wishes them well, and places on record its appreciation for their work over the long period of time that they have served as directors of the company.

#### SELECTION AND APPOINTMENT OF NEW DIRECTORS

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

**TABLE 1 COMPOSITION OF OUR BOARD AND THEIR OTHER DIRECTORSHIPS AS ON 31 MARCH 2019**

NAME	POSITION	RELATIONSHIP WITH OTHER DIRECTORS	DATE OF JOINING	DIRECTORSHIPS UNDER SECTION 165 OF THE COMPANIES ACT, 2013		OTHER DIRECTORSHIPS <sup>(1)</sup>	COMMITTEE MEMBERSHIPS <sup>(2)</sup>	COMMITTEE CHAIRMANSHIPS <sup>(2)</sup>
				PUBLIC COMPANIES	PRIVATE COMPANIES			
Mr. K Satish Reddy	Chairman	Brother-in-law of Mr. G V Prasad	18 January 1993	9	7	12	1	-
Mr. G V Prasad	Co-Chairman, managing director and CEO	Brother-in-law of Mr. K Satish Reddy	8 April 1986	8	5	4	1	-
Dr. Omkar Goswami	Independent director	None	30 October 2000	8	1	-	7	-
Mr. Anupam Puri	Independent director	None	4 June 2002	3	-	1	1	-
Ms. Kalpana Morparia	Independent director	None	5 June 2007	2	1	1	-	1
Dr. Bruce L A Carter	Independent director	None	21 July 2008	2	-	4	1	-
Mr. Sridar Iyengar	Independent director	None	22 August 2011	3	1	4	1	2
Mr. Bharat N Doshi	Independent director	None	11 May 2016	5	-	3	2	1
Mr. Prasad R Menon	Independent director	None	30 October 2017	2	-	2	-	1
Mr. Leo Puri	Independent director	None	25 October 2018	4	-	-	2	1
Ms. Shikha Sharma	Independent director	None	31 January 2019	1	-	-	1	-
Mr. Allan Oberman	Independent director	None	26 March 2019	1	-	1	-	-

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

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

<sup>(3)</sup> None of the independent directors serves as an independent director in more than seven listed companies.

the board for its consideration. If the board approves, the person is appointed as an additional director, subject to the approval of shareholders at the company's next general meeting.

### FAMILIARIZATION PROCESS FOR INDEPENDENT DIRECTORS

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

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

Details of the familiarization programs for independent directors are available on the company's website [www.drreddys.com/media/904446/familiarization-programs-2019.pdf](http://www.drreddys.com/media/904446/familiarization-programs-2019.pdf)

### LETTER OF APPOINTMENT

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

### BOARD EVALUATION

Since FY2015, the board carried out an annual self-evaluation of its performance,

the working of its committees and peer evaluation of each director internally. Prior to that, on two such occasions, an independent expert was engaged to conduct the evaluation process.

During the year, the NGCC discussed and decided to again engage an independent expert to perform the evaluation and effectiveness process of the board, its committees and individual directors for FY2019.

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

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

### DIRECTORS' SHAREHOLDING IN THE COMPANY

Table 2 gives details of shares/ADRs held by the directors as on 31 March 2019.

**TABLE 2 SHARES/ADRs HELD BY DIRECTORS AS ON 31 MARCH 2019**

NAME	NO. OF SHARES/ADRs HELD
Mr. K Satish Reddy <sup>(i)</sup>	898,432
Mr. G V Prasad <sup>(i)</sup>	1,117,940
Dr. Omkar Goswami	22,800
Mr. Anupam Puri (ADRs)	13,500
Ms. Kalpana Morparia	10,800
Dr. Bruce L A Carter (ADRs)	7,800
Mr. Sridar Iyengar	-
Mr. Bharat N Doshi	1,000
Mr. Prasad R Menon	-
Mr. Leo Puri	-
Ms. Shikha Sharma	-
Mr. Allan Oberman	-

<sup>(i)</sup> APS Trust owns 83.11% of Dr. Reddy's Holdings Limited, which in turn owns 41,325,300 (24.88%) shares of Dr. Reddy's Laboratories Limited. Mr. G V Prasad, Mr. K Satish Reddy, Mrs. G Anuradha, Mrs. Deepti Reddy and their bloodline descendants are the beneficiaries of APS Trust.

### MEETINGS OF THE BOARD

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

Under Indian laws, the board of directors must meet at least four times a year, with a maximum gap of 120 days between two board meetings. Our board met five times during the financial year under review on: 22 May 2018, 26 July 2018, 26 October 2018, 1 February 2019 and 26 March 2019. Details of directors' attendance at board meetings and the AGM are given in **Table 3**.

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

### INFORMATION GIVEN TO THE BOARD

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

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

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

#### POST-MEETING FOLLOW-UP MECHANISM

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

#### MEETINGS OF INDEPENDENT DIRECTORS

During FY2019, our independent directors met five times in executive sessions without the presence of executive directors and other members of management. The company is ready to facilitate more such sessions as and when required by the independent directors. During these meetings, the independent directors reviewed the performance of the company and its senior management, that of the chairman and the board, corporate strategy, risks, competition, succession planning for the board and senior management and the information given to the board.

#### ANNUAL BOARD RETREAT

During FY2019, the annual board retreat was organized at Princeton, USA, on 22-24 August 2018, where the board conducted a detailed strategy review of the company's business segments and discussed various governance related matters.

#### DIRECTORS' REMUNERATION

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

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

Independent directors are entitled to receive sitting fees, commission based on the standalone net profits of the company

**TABLE 3** DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND THE AGM, FY2019

NAME	MEETINGS HELD IN DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS	ATTENDANCE IN LAST AGM ON 27 JULY 2018
Mr. K Satish Reddy	5	5	Present
Mr. G V Prasad	5	5	Present
Dr. Omkar Goswami	5	5	Present
Mr. Anupam Puri	5	4 <sup>(1)</sup>	Present
Ms. Kalpana Morparia <sup>#</sup>	5	5	Absent
Dr. Bruce L A Carter	5	5	Present
Mr. Sridar Iyengar	5	4 <sup>(1)</sup>	Present
Mr. Bharat N Doshi	5	5	Present
Mr. Hans Peter Hasler*	1	0 <sup>(2)</sup>	Not Applicable
Mr. Prasad R Menon	5	5	Present
Mr. Leo Puri**	3	3	Not Applicable
Ms. Shikha Sharma***	2	2	Not Applicable
Mr. Allan Oberman****	1	0 <sup>(1)</sup>	Not Applicable

<sup>(1)</sup> Was given leave of absence on request for one meeting. He participated in such meeting through tele-conference.

<sup>(2)</sup> Was given leave of absence on request for one meeting.

\* Resigned on 14 June 2018 as an independent director.

\*\* Appointed with effect from 25 October 2018 as an independent director.

\*\*\* Appointed with effect from 31 January 2019 as an independent director.

\*\*\*\* Appointed with effect from 26 March 2019 as an independent director.

<sup>#</sup> Was not able to attend the meeting due to personal exigency.

and reimbursement of any expenses for attending meetings of the board and its committees. Such remuneration, including commission payable, is in conformity with the provisions of the Companies Act, 2013, and has been considered and approved by the board and the shareholders. The company, in compliance with Section 197 of the Companies Act, 2013, and the Listing Regulations, has not granted any stock options to independent directors since FY2013. Remuneration paid or payable to the directors for FY2019 is given in **Table 4**.

### INDEPENDENT DIRECTORS

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

- Mr. Anupam Puri: Governance, corporate strategy, lead independent director and nomination, governance and compensation committee;
- Dr. Bruce L A Carter: The science, technology and operations committee;
- Mr. Sridar Iyengar: The audit committee, and all financial and audit matters that fall under the remit of the committee plus being the financial expert and ombudsperson for the company's whistle-blower policy;
- Ms. Kalpana Morparia: The stakeholders' relationship committee;

- Dr. Omkar Goswami: The risk management committee, financial risk management, subsidiary finances and compliance with Section 404 of the US Sarbanes-Oxley Act, 2002; and
- Mr. Bharat N Doshi: The corporate social responsibility committee.

### COMMITTEES OF THE BOARD

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

#### AUDIT COMMITTEE

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

The primary functions of the audit committee are to:

- Supervise the financial reporting process;
- Review the quarterly results and annual financial statements/results before placing them to the board along with

audit/limited review report, related disclosures and filing requirements;

- Review the adequacy of internal controls in the company, including the plan, scope and performance of the internal audit function;
- Discuss with management the company's major policies with respect to risk assessment and risk management;
- Hold discussions with statutory auditors on the nature, scope and process of audits and any views that they have about the financial control and reporting processes;
- Ensure compliance with accounting standards and with listing requirements with respect to the financial statements;
- Recommend the appointment and removal of external auditors and their remuneration;
- Recommend the appointment of cost auditors;
- Review the independence of auditors;
- Ensure that adequate safeguards have been taken for legal compliance for the company and its subsidiaries;
- Review the financial statements, in particular, investments made by all the subsidiary companies;
- Review and approval of related party transactions;
- Review the functioning of whistle-blower mechanism;

**TABLE 4 REMUNERATION PAID OR PAYABLE TO THE DIRECTORS FOR FY2019**

NAME	SALARIES	PERQUISITES <sup>(1)</sup>	COMMISSION <sup>(2)</sup>	TOTAL
Mr. K Satish Reddy	18,348	4,240	63,000	85,588
Mr. G V Prasad	18,348	5,522	100,000	123,870
Dr. Omkar Goswami	-	-	9,682	9,682
Mr. Anupam Puri	-	-	11,481	11,481
Ms. Kalpana Morparia	-	-	9,682	9,682
Dr. Bruce L A Carter	-	-	10,201	10,201
Mr. Sridar Iyengar	-	-	10,443	10,443
Mr. Bharat N Doshi	-	-	11,066	11,066
Mr. Prasad R Menon	-	-	9,337	9,337
Mr. Leo Puri <sup>(3)</sup>	-	-	4,841	4,841
Ms. Shikha Sharma <sup>(4)</sup>	-	-	2,594	2,594
Mr. Allan Oberman <sup>(5)</sup>	-	-	865	865

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

<sup>(2)</sup> Payment of commission is variable, and based on the percentage of net profit calculated according to Section 198 of the Companies Act, 2013. The board of directors recommended for a fixed commission of ₹ 6,224,400 (US\$ 90,000) per independent director; a specific amount of ₹ 1,383,200 (US\$ 20,000) to the chairman of the audit committee; ₹ 1,037,400 (US\$ 15,000) to the chair of science, technology and operations committee; the nomination, governance and compensation committee; the risk management committee; the corporate social responsibility committee; and the stakeholders' relationship committee; ₹ 691,600 (US\$ 10,000) to the other members of the committees; ₹ 1,383,200 (US\$ 20,000) to the lead independent director; ₹ 345,800 (US\$ 5,000) variable fee per meeting based on the attendance at the board meeting to every independent director. Other than the above, a specific amount of ₹ 103,740 (US\$ 1,500) per meeting was paid towards foreign travel of the directors.

<sup>(3)</sup> Remuneration for part of the year, appointed with effect from 25 October 2018 as an independent director.

<sup>(4)</sup> Remuneration for part of the year, appointed with effect from 31 January 2019 as an independent director.

<sup>(5)</sup> Remuneration for part of the year, appointed with effect from 26 March 2019 as an independent director.

<sup>(6)</sup> Apart from receiving the above remuneration, the non-executive directors do not have any pecuniary relationship or transaction with the company.

- Review the implementation of applicable provisions of the Sarbanes-Oxley Act, 2002;
- Scrutinize inter-corporate loans and investments;
- Examine the valuation of undertakings or assets of the company, wherever necessary;
- Evaluate internal financial controls; and
- Review suspected fraud, if any, committed against the company.

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

The audit committee met five times during the year: on 21 May 2018, 26 July 2018, 26 October 2018, 1 February 2019 and 25 March 2019. It also met the key members of the finance team and internal audit team along with the chairman and the CFO to discuss matters relating to audit, assurance and accounting. During the year, the committee also met statutory auditors without the presence of the management. In addition, the chairman of the committee and other members met to review other processes, particularly the internal control mechanisms to prepare for certification under Section 404 of the Sarbanes-Oxley Act, 2002, and subsidiary governance oversight.

The company is in compliance with the provisions of Regulation 18 of the Listing Regulations, as amended, with respect to the time gap between any two successive audit committee meetings. **Table 5** gives the composition and attendance record of the audit committee.

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

Audit committee meetings are preceded by pre-audit committee conference calls with the members, the CFO, the internal audit and compliance teams, external auditors and other key finance personnel of the company. During these calls, major audit

related matters are discussed and items that need further face-to-face discussion at the audit committee meetings are identified.

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

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

The report of the audit committee is enclosed as **Exhibit 1** to this Chapter.

### NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

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

- Examine the structure, composition and functioning of the board, and recommend changes, as necessary, to improve the board's effectiveness;
- Formulate policies on the remuneration of directors, KMP and other senior employees and on board-level diversity;
- Formulate criteria for evaluation of directors and the board;
- Assess the company's policies and processes in key areas of corporate governance, other than those explicitly assigned to other board committees, with a view to ensure that Dr. Reddy's is at the forefront of good governance practices; and
- Regularly examine ways to strengthen organizational health, by improving hiring, retention, motivation,

development, deployment and behavior of management and other employees. In this context, the committee also reviews the framework and processes for motivating and rewarding performance at all levels of the organization, the resulting compensation awards, and makes appropriate proposals for board approval. In particular, it recommends all forms of compensation to be granted to the executive directors, KMP and senior management of the company.

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

The committee met five times during the year: on 21 May 2018, 26 July 2018, 21 September 2018, 25 October 2018 and 31 January 2019. The co-chairman, managing director and CEO is a permanent invitee to all such committee meetings. The head of HR officiates as the secretary of the committee. **Table 6** gives the composition and attendance record of the committee, and the report of the committee is enclosed as **Exhibit 2** to this Chapter.

### SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE

The science, technology and operations committee of the board also entirely comprises independent directors.

Its primary functions are to:

- Advise the board and management on scientific, medical and technical matters and operations involving the company's development and discovery programs (generic and proprietary), including major internal projects, business development opportunities, interaction with academic and other external research organizations;

**TABLE 5 AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2019**

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

<sup>(1)</sup> Was given leave of absence on request for one meeting. He participated in such meeting through tele-conference.

\* Appointed as a member of the committee with effect from 31 January 2019.

- Assist the board and management to stay abreast of novel scientific and technologies developments and innovations; anticipate emerging concepts and trends in therapeutic research and development; and be assured that the company is making well informed choices in committing its resources;
- Assist the board and management in the creation of valuable intellectual property (IP);
- Review the status of non-infringement patent challenges; and
- Assist the board and the management in building and nurturing science in the organization in line with the company's business strategy.

The co-chairman, managing director and CEO and COO are permanent invitees to all committee meetings. Officials heading IPDO, GMO, quality, proprietary products and biologics are secretaries to the committee with regard to their respective businesses.

The committee met four times during the year: on 21 May 2018, 26 July 2018, 26 October 2018 and 1 February 2019.

**Table 7** gives the composition and attendance record of the committee, and report of the committee is enclosed as **Exhibit 3** to this Chapter.

### RISK MANAGEMENT COMMITTEE

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

- Discuss with senior management regarding Enterprise Risk Management (ERM) and provide such oversight as may be needed;
- Ensure that it is apprised of the most significant risks along with mitigating actions; and
- Review risk disclosure statements in any public documents or disclosures, where applicable.

The company has in place an enterprise-wide risk management system.

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

The chairman, COO, CIA and the CCO are permanent invitees to all risk management committee meetings. The CFO officiates as the secretary of the committee.

The committee met thrice during the year: on 21 May 2018, 25 October 2018, and 31 January 2019.

**Table 8** gives the composition and attendance record of the committee, and the committee's report is enclosed as **Exhibit 4** to this Chapter.

### STAKEHOLDERS' RELATIONSHIP COMMITTEE

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

- Investor complaints and their redressal;
- Review of queries received from investors;
- Review of work done by the share transfer agent including their service standards; and
- Review of corporate actions related to security holders.

The committee also periodically reviews the company's plans on stakeholders' engagement.

The committee consists of four directors, including the two executive directors. The chairperson is an independent director. The committee met four times during the year: on 21 May 2018, 26 July 2018, 25 October 2018 and 31 January 2019.

**Table 9** gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 5** to this Chapter.

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

### CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The committee consists of three directors, including the two executive directors. The chairman is an independent director.

**TABLE 6 NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2019**

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Mr. Anupam Puri	Chairman	5	4 <sup>(1)</sup>
Mr. Bharat N Doshi	Member	5	4 <sup>(2)</sup>
Mr. Prasad R Menon	Member	5	5
Mr. Leo Puri*	Member	2	2

<sup>(1)</sup> Was given leave of absence on request for one meeting. He participated in such meeting through tele-conference.

<sup>(2)</sup> Was given leave of absence on request for one meeting.

\* Appointed as a member of the committee with effect from 25 October 2018.

**TABLE 7 SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2019**

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Dr. Bruce L A Carter	Chairman	4	4
Mr. Anupam Puri	Member	4	4
Ms. Kalpana Morparia	Member	4	4
Mr. Hans Peter Hasler*	Member	1	0 <sup>(1)</sup>
Mr. Prasad R Menon	Member	4	4
Mr. Leo Puri**	Member	2	2
Mr. Allan Oberman***	Member	0	0

<sup>(1)</sup> Was given leave of absence on request.

\* Resigned with effect from 14 June 2018 as an independent director.

\*\* Appointed as a member of the committee with effect from 25 October 2018.

\*\*\* Appointed as a member of the committee with effect from 26 March 2019.

The CSR committee's primary functions are to:

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

The CSR committee met four times during the year: on 21 May 2018, 26 July 2018,

25 October 2018 and 1 February 2019.

The head of CSR officiates as the secretary of the committee. **Table 10** gives the composition and attendance record of the committee, and its report is enclosed as **Exhibit 6** to this Chapter.

### BANKING AND AUTHORIZATIONS COMMITTEE

The banking and authorizations committee allows executive directors and selected officers of the company to deal with day-to-day business operations such as banking, treasury, insurance, excise, customs, administration and dealing with other government/non-government authorities.

It consists of two executive directors; and it met six times during the year: on 5 April 2018, 22 May 2018, 26 July 2018, 26 October 2018, 1 February 2019 and 26 March 2019. The company secretary officiates as the secretary of the committee.

### OTHER BOARD MATTERS CAPITAL EXPENDITURES (CAPEX)

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

### COMPLIANCE REVIEWS

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

### COBE AND VIGIL MECHANISM

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

The company has an ombudsperson policy (whistle-blower or vigil mechanism) to report concerns on actual or suspected violations of the code. The audit committee chairperson is the chief ombudsperson. Complaints and reports submitted to the company and their resolution are reported through the chief ombudsperson to the audit committee and, where applicable, to the board. During FY2019, no personnel has been denied access to the audit committee on ombudsperson issues.

**TABLE 8 RISK MANAGEMENT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2019**

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	ATTENDANCE AT THE MEETINGS
Dr. Omkar Goswami	Chairman	3	3
Dr. Bruce L A Carter	Member	3	3
Mr. Sridar Iyengar	Member	3	2 <sup>(1)</sup>
Mr. Hans Peter Hasler*	Member	1	0 <sup>(2)</sup>
Ms. Shikha Sharma**	Member	1	1
Mr. Allan Oberman***	Member	0	0

<sup>(1)</sup> Was given leave of absence on request for one meeting. He participated in such meeting through tele-conference.

<sup>(2)</sup> Was given leave of absence on request for one meeting.

\* Resigned with effect from 14 June 2018 as an independent director.

\*\* Appointed as a member of the committee with effect from 31 January 2019.

\*\*\* Appointed as a member of the committee with effect from 26 March 2019.

**TABLE 9 STAKEHOLDERS' RELATIONSHIP COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2019**

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

<sup>(1)</sup> Was given leave of absence on request for one meeting.

**TABLE 10 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2019**

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

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

### RELATED PARTY TRANSACTIONS

We have adequate procedures to identify and monitor related party transactions. All transactions entered into with related parties during the financial year were in the ordinary course of business and on arm's length pricing basis. All related party transactions are placed before the audit committee and the board for review and approval, as appropriate. The details of related party transactions are discussed in detail in note 2.22 to the standalone financial statements. The company's policy on materiality of the related party transactions is available on the company's website: <https://www.drreddys.com/media/764069/policy-materiality-related-party-transactions.pdf>

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

### SUBSIDIARY COMPANIES

The audit committee reviews the financial statements of our subsidiaries. It also reviews the investments made by such subsidiaries, the statement of all significant transactions and arrangements entered into by subsidiaries, and the compliances of each materially significant subsidiary on a periodic basis. The minutes of board meetings of the subsidiary companies are placed before our board for review. The company's policy for determining material subsidiaries is available on the company's website: <https://www.drreddys.com/media/763674/policy-for-determining-material-subsidiaries.pdf>

### DISCLOSURE ON ACCOUNTING TREATMENT

In the preparation of financial statements for FY2019, there is no treatment of any transaction which is different from that prescribed in the Indian Accounting Standards (Ind AS) notified by the Government of India under Section 133 of the Companies Act, 2013 read with Rule 7

of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, the guidelines issued by SEBI and other accounting principles generally accepted in India.

### MANAGEMENT

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

### MANAGEMENT COUNCIL (MC)

Our MC consists of senior management from the business and corporate functions. Page nos. 20-21 of this annual report gives details of the members of the MC. Apart from monthly meetings, the MC meets once a quarter for two-day sessions. Background notes for the monthly and quarterly meetings are circulated in advance. Listed below are some of the key issues that were considered by the MC during the year under review:

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

### MANAGEMENT DISCUSSION AND ANALYSIS

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

### MANAGEMENT DISCLOSURES

Senior management of the company (at the level of senior director and above, as well as certain identified key employees) make annual disclosures to the board on all material, financial and commercial transactions in which they may have personal interest, if any, and which may have a potential conflict with the interest of the company. Transactions with key

managerial personnel are listed in the financial section of this annual report under related party transactions.

### PROHIBITION OF INSIDER TRADING

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

### INTERNAL CONTROL SYSTEMS AND STATUTORY AUDITS

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

### INTERNAL CONTROLS

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

- Effectiveness and efficiency of operations;
- Adequacy of safeguards for assets;
- Reliability of financial and non-financial reporting; and
- Compliance with applicable laws and regulations.

The integrity and reliability of the internal control systems are achieved through clear policies and procedures, process automation, careful selection, training and development of employees and an organization structure that segregates

responsibilities. Our internal audit is an independent, objective assurance and advisory function, responsible for evaluating and improving the effectiveness of risk management, control and governance processes. The internal audit team helps to enhance and protect organizational value by providing risk-based objective assurance, advice, and insight. The internal audit team prepares annual audit plans based on risk assessment and conducts extensive reviews covering financial, operational and compliance controls. Areas requiring specialized knowledge are reviewed in partnership with external experts or by recruiting resources with specialized skills. Suggested improvement in processes are identified during reviews and communicated to the management on an on going basis.

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

### CEO AND CFO CERTIFICATION

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

### STATUTORY AND INDEPENDENT AUDITORS

For FY2019, M/s. S R Batliboi & Associates LLP, chartered accountants (firm registration No. 101049W/E300004), the statutory auditors, audited the financial statements prepared in accordance with the Ind AS. During the year, the company appointed M/s. Ernst & Young Associates LLP as independent registered public accounting firm (independent auditor) to audit the annual consolidated financial statements

(₹ MILLION)

TABLE 11	AUDITORS' FEES	
TYPE OF SERVICE	FY2019	FY2018
Audit fees	68.2	35.2
Tax fees	10.7	14.0
All other fees	2.1	1.5
<b>Total</b>	<b>81.0</b>	<b>50.7</b>

and for issuing an opinion on the financial statements prepared in accordance with IFRS as issued by the International Accounting Standard Board (IASB) for FY2019.

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

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

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

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

### AUDITORS' FEES

During FY2019, the company and its subsidiaries, on a consolidated basis paid the fees mentioned in **Table 11** to M/s. S R Batliboi & Associates LLP, chartered accountants, the statutory auditors, M/s. Ernst & Young Associates LLP, the Independent auditors and other entities within their network.

### AGREEMENTS WITH MEDIA

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

## SHAREHOLDERS MEANS OF COMMUNICATION

### 1. Quarterly and annual results:

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

### 2. News releases, presentations, etc.:

The company has established systems and procedures to disseminate relevant information to its stakeholders, including shareholders, analysts, suppliers, customers, employees and the society at large. It also conducts earning calls with analysts and investors. Details of communications made during the year are produced in **Table 12**.

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

**4. Annual report:** The company's annual report containing, *inter alia*, the board's report, additional shareholders information, the corporate governance report, the business responsibility report, management's discussion and analysis (MD&A), audited standalone and consolidated financial statements, auditors' report and other important information is circulated to shareholders and others so entitled. The annual report is also available on the company's website in a user-friendly and downloadable form.

**5. Chairman's speech:** The speech given at the AGM is made available on the company's website: [www.drreddys.com](http://www.drreddys.com)

- 6. Reminder to investors:** Reminders to collect unclaimed dividend on shares or debenture redemption/interest are sent to the relevant shareholders and debenture holders.
- 7. Compliances with stock exchanges:** National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) maintain separate online portals for electronic submission of information by listed companies. Various communications such as notices, press releases and the regular quarterly, half-yearly and annual compliances and disclosures are filed electronically on these portals. In addition, such disclosures and communications are also sent to the NYSE and filed with SEC.
- 8. Designated exclusive e-mail ID:** We have designated an e-mail ID exclusively for investor services: shares@drreddys.com.
- 9. Register to receive electronic communications:** We provide an option to the shareholders to register their e-mail ID online through the company's website to receive electronic communications. Shareholders who wish to receive electronic communications may register at [www.drreddys.com/investors/investor-services/shareholder-information.aspx](http://www.drreddys.com/investors/investor-services/shareholder-information.aspx)
- 10. Disclosures:** We have a policy on the determination of materiality for disclosure of certain events.

**ADDITIONAL INFORMATION ON DIRECTORS SEEKING REAPPOINTMENT AND APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**  
**MR. G V PRASAD**

Mr. G V Prasad (aged 58 years, DIN: 00057433) has a Bachelor degree in Chemical Engineering from Illinois Institute of Technology, Chicago in the USA, and an M.S. in Industrial Administration from Purdue University, Indiana in the USA.

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

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

Mr. Prasad was listed among the Top 50 CEOs that India ever had by Outlook magazine in 2017 and was recognized as one of the top 5 Most Valuable CEOs of India by Business World in 2016. He was also listed in the prestigious 'Medicine Maker 2018 Power List' of most inspirational professionals shaping the future of drug development, and has been named India Business Leader of the year by CNBC Asia in 2015.

Prior to May 2014, he held titles of chairman and chief executive officer. He was the managing director of Cheminor Drugs Limited, prior to its merger with Dr. Reddy's. He was reappointed as whole-time director designated as co-chairman, managing director and CEO of the company at the 32nd AGM of the members held on 27 July 2016, for a period of five years commencing 30 January 2016 to 29 January 2021, liable to retire by rotation. He retires by rotation at the 35th AGM of the company and, being eligible, offers himself for reappointment.

Mr. Prasad is also a director on the boards of: Green Park Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings Limited, Ruthenika Technologies Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private

Limited, Dr. Reddy's Institute of Life Sciences, International Foundation for Research and Education, Indian School of Business, Andhra Pradesh State Skill Development Corporation and company's wholly owned subsidiaries - Aurigene Discovery Technologies Limited and Idea2Enterprises (India) Private Limited in India; Aurigene Discovery Technologies Inc., Dr. Reddy's Laboratories Inc., Promius Pharma LLC in USA and Kunshan Rotam Reddy Pharmaceuticals Limited in China.

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

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

**MR. SRIDAR IYENGAR**

Mr. Sridar Iyengar (aged 71 years, DIN: 00278512) was appointed as a director on the board of the company in August 2011. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Iyengar was appointed as an independent director for a term of five years at the 30th AGM of the company held on 31 July 2014.

Mr. Sridar Iyengar is an independent mentor investor in early stage start-ups and companies. For more than 35 years, he has worked in the United Kingdom, the USA and India with a large number of companies, advising them on strategy and other issues. Earlier, he was a senior partner with KPMG in the USA and UK and also served as the Chairman and CEO of KPMG's operations in India.

Mr. Iyengar holds a B.Com. (Hons.) Degree from the University of Calcutta and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Iyengar is also a director on the boards of: Mahindra Holidays and Resorts India Limited, ICICI Venture Funds Management Company Limited, Cleartrip Private Limited, in India; AverQ Inc. in the USA.; Cleartrip Inc.

**TABLE 12 DETAILS OF COMMUNICATION MADE DURING FY2019**

MEANS OF COMMUNICATION	FREQUENCY
Press releases/statements	60
Earnings calls	4
Publication of results	4

in Cayman Islands; Holiday Club Resorts OY in Finland and our wholly-owned subsidiary, Dr. Reddy's Laboratories S.A., in Switzerland.

Apart from the committee chairmanship or memberships in Dr. Reddy's, he is also the chairman/member of committees of other companies as given in **Table 13** below:

The board of directors has determined that Mr. 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.

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

#### MS. KALPANA MORPARIA

Ms. Kalpana Morparia (aged 70 years, DIN: 00046081) was appointed as a director on the board of the company in June 2007. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Ms. Morparia was appointed as an independent director for a term of five years at the 30th AGM of the company held on 31 July 2014.

Ms. Morparia is the Chairperson of J.P. Morgan, South and Southeast Asia. Ms. Morparia is a member of J.P. Morgan's Asia Pacific Management Committee. Prior to joining J.P. Morgan, India, Ms. Morparia served as Vice Chair on the boards of ICICI Group Companies and was the joint managing director of

ICICI Group from 2001 to 2007. She has been recognized by several national and international media for her role as one of the leading women professionals.

Ms. Morparia is a graduate in science and law from Mumbai University.

She also holds directorship in Hindustan Unilever Limited and J.P. Morgan Services India Private Limited in India, Philip Morris International Inc. in the USA. Ms. Morparia is also a member of the governing board of Bharti Foundation.

Apart from committee chairpersonship or membership in Dr. Reddy's, she is also a member of corporate social responsibility committee of Hindustan Unilever Limited. She is chairperson of nominating and corporate governance committee, member of finance committee and product innovation and regulatory affairs committee of Philip Morris International Inc.

Except Ms. Morparia and her relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the proposal of Ms. Morparia's reappointment at the ensuing AGM.

#### MR. LEO PURI

Mr. Leo Puri (aged 58 years, DIN: 01764813) was appointed as an additional director categorised as independent by the board for a term of five years with effect from 25 October 2018 up to 24 October 2023 subject to the approval of shareholders of the company at the AGM.

Mr. Leo Puri was the managing director of UTI Asset Management Co. Limited from August 2013 to August 2018. In his career of more than 30 years, Mr. Puri has previously worked as director with McKinsey & Company and as managing director with Warburg Pincus. Mr. Puri has worked in the UK, USA and Asia. Since 1994, he has primarily worked in India. At McKinsey, he has advised leading financial institutions, conglomerates and investment institutions in strategy and operational issues. He has contributed to the development of knowledge and public policy through advice to regulators and government officials. At Warburg Pincus, he was responsible for leading and managing investments across industries in India. He also contributed to financial services investments in the international portfolio as a member of the global partnership.

Mr. Puri has a Master's degree in P.P.E. from the University of Oxford, and a Master's degree in Law from the University of Cambridge.

Mr. Puri is also a director on the board of Hindustan Unilever Limited, Northern Arc Capital Limited and Indiaideas.com Limited (Billdesk).

Apart from committee chairpersonship or memberships in Dr. Reddy's, he is also a member of the audit committee and nomination & remuneration committee of Hindustan Unilever Limited and Northern Arc Capital Limited. He is the chairman of the audit committee and nomination & remuneration committee of India Ideas.com Limited (Billdesk).

**TABLE 13 COMMITTEE CHAIRMANSHIPS/MEMBERSHIPS OF MR. SRIDAR IYENGAR**

COMPANY NAME	COMMITTEE	CHAIRMAN/MEMBER
Mahindra Holidays and Resorts India Limited, India	Audit committee	Chairman
	Remuneration committee	Member
ICICI Venture Funds Management Company Limited, India	Nomination and remuneration committee	Member
	Corporate social responsibility committee	Chairman
	Audit committee	Chairman (with effect from 8 May 2019)
	Employee co-invest committee	Member
	Funds committee	Member
Cleartrip Private Limited, India	Audit committee	Chairman
	Compensation committee	Member
Cleartrip Inc., Cayman Islands	Audit committee	Chairman
	Compensation committee	Member
	Nominating & governance committee	Chairman

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

**MS. SHIKHA SHARMA**

Ms. Shikha Sharma (aged 60 years, DIN: 00043265) was appointed as an additional director categorised as independent by the board for a term of five years with effect from 31 January 2019 up to 30 January 2024 subject to the approval of shareholders of the company at the AGM.

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

company in India. She was a member of RBI's technical advisory committee, panel on financial inclusion, committee on comprehensive financial services for small businesses and low-income household, etc. She has chaired CII's national committee on banking 2015-2017.

Ms. Sharma holds an MBA from the Indian Institute of Management, Ahmedabad, B.A. (Hons.) in Economics and Post Graduate Diploma in Software Technology from National Centre for Software Technology (NCST), Mumbai.

Ms. Sharma is also a director on the board of Ambuja Cements Limited (with effect from 1 April 2019) and Tata Global Beverages Limited (with effect from 7 May 2019). She is also a member of the board of governors of IIM, Lucknow.

Apart from committee chairpersonship or memberships in Dr. Reddy's, she is also a member of the audit committee of Ambuja Cements Limited (with effect from 1 April 2019).

Except Ms. Sharma and her relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the proposal of Ms. Sharma's appointment at the ensuing AGM.

**MR. ALLAN OBERMAN**

Mr. Allan Oberman (aged 61 years, DIN: 08393837) was appointed as an additional director categorised as independent by the board for a term of five years with effect from 26 March 2019 up to 25 March 2024 subject to the approval of shareholders of the company at the AGM.

Mr. Oberman served as the CEO of Concordia International Corp. from November 2016 until May 2018. In his career of more than 35 years, he also served as CEO of Sagent Pharmaceuticals Inc., and president and CEO of Teva Americas Generics, a subsidiary of Teva Pharmaceutical Industries Limited. Prior to that, Mr. Oberman served as president of Teva EMIA, where from 2010 to 2012 he was responsible for Eastern Europe, Middle East, Israel and Africa. From 2008 to 2010, he served as the chief operating officer of the Teva International Group, and from 2000 to 2008, he served as the President and CEO of Teva Canada (formerly Novopharm Limited). From 1996 to 2000, Mr. Oberman was the President of Best Foods Canada Inc. Mr. Oberman was also Vice Chairman of the Association for Accessible Medicines, Chairman of the Canadian Generic Pharmaceutical Association, and served on the Associate Board of the Canadian Association of Chain Drug Stores, and was a member of the

**TABLE 14 LISTED COMPANY DIRECTORSHIPS OF OTHER BOARD MEMBERS AS ON 31 MARCH 2019**

DIRECTOR	COMPANY	LISTED IN	DESIGNATION HELD
Allan Oberman	-	-	-
Anupam Puri	Tech Mahindra Limited Mahindra and Mahindra Limited	India	Independent director
Bharat N Doshi	Godrej Consumer Products Limited	India	Independent director
Dr. Bruce L A Carter	Enanta Pharmaceutical Inc. Mirati Therapeutics Inc.	USA	Chairman Director
Kalpana Morparia	Philip Morris International Inc. Hindustan Unilever Limited	USA India	Director Independent director
Leo Puri	Hindustan Unilever Limited	India	Independent director
Dr. Omkar Goswami	CG Power and Industrial Solutions Limited Ambuja Cements Limited Godrej Consumer Products Limited Bajaj Finance Limited Hindustan Construction Company Limited Bajaj Auto Limited	India	Independent director
Prasad R Menon	SKF India Limited	India	Independent director
Shikha Sharma	-	-	-
Sridar Iyengar	Mahindra Holidays and Resorts India Limited	India	Independent director

board of directors of the Baycrest Centre Foundation, the Electronic Commerce Council, and the Food and Consumer Products Association of Canada.

Mr. Allan Oberman holds an MBA from the Schulich School of Business, York University, Toronto and a BA from Western University, London.

Mr. Oberman is also a director on the board of Planet Shrimp Inc. and Jay Pharma Inc., both in Canada with effect from 4 April 2019.

Apart from committee chairpersonship or memberships in Dr. Reddy's, he is not a member or chairman of any other committees.

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

#### LISTED COMPANY DIRECTORSHIP OF BOARD MEMBERS

Mr. K Satish Reddy and Mr. G V Prasad, executive directors do not hold directorship in any listed company. **Table 14** enumerates directorship of other directors listed entities, other than Dr. Reddy's, as on 31 March 2019.

#### COMPLIANCE REPORT ON THE NYSE CORPORATE GOVERNANCE GUIDELINES

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

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

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

**2. Shareholders' rights:** We did not send half-yearly results to the household of each shareholder(s) in FY2019. However, in addition to displaying our quarterly and half-yearly results on our website: [www.drreddys.com](http://www.drreddys.com) and publishing in widely circulated newspapers, the quarterly financial results were sent, if asked for, to the registered e-mail addresses of shareholders.

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

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

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

#### ADDITIONAL SHAREHOLDERS' INFORMATION

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

#### ANNEXURE A REMUNERATION POLICY

##### I. CONTEXT

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

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

##### II. DEFINITIONS

**"Board"** means board of directors of the company.

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

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

**"Director"** means directors of the company.

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

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

- a) who, in the opinion of the board, is a person of integrity and possesses relevant expertise and experience;
- b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
- (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c) apart from receiving director's remuneration, has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e) who, neither himself nor any of his relatives –
  - (i) holds or has held the position of a key managerial personnel or is or has been employee of the

company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

- (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - (iii) holds together with his relatives two per cent or more of the total voting power of the company; or
  - (iv) is a chief executive or director, by whatever name called, of any non-profit organization that receives twenty five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company; and
  - (v) is a material supplier, service provider or customer or a lessor or lessee of the company.
- f) who is not less than 21 years of age.

**“Key Managerial Personnel”** is as defined under the Companies Act, 2013 and means

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

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

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

### III. APPLICABILITY

This policy is applicable to the following:

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

### IV. EVALUATION OF DIRECTORS

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

1. Executive directors:
  - a) Financial metrics covering growth in return on capital employed (RoCE) and profitability;
  - b) Non-financial metrics covering aspects such as health, brand building, compliance, quality and sustainability of operations of the organization, as may be agreed upon from time to time with the company.
2. Non-executive directors:
  - a) Level of engagement, independence of judgment, etc., and their contribution in enhancing the board's overall effectiveness;
  - b) The non-executive directors remuneration shall be globally benchmarked with similar organizations;
  - c) Participation in the committees (either as chairperson or member) and the board meetings.

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

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

The level and composition of remuneration so determined by the committee shall be reasonable and sufficient required to attract, retain and motivate directors, KMPs and senior management in order to run the

company successfully. There shall be a clear linkage of remuneration to performance and health targets. The remuneration shall be a mix of fixed and variable pay/long-term pay reflecting short and long-term performance objectives appropriate to the working of the company and its strategic goals.

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

1. Executive directors – The executive directors shall be paid remuneration by way of monthly compensation and profit based commission. The total remuneration to be paid to the executive directors shall be within the limits prescribed under the provisions of the Companies Act, 2013 and Rules made thereunder;
2. Non-executive directors – The non-executive directors shall receive remuneration by way of sitting fees and reimbursement of expenses for attending meetings of board or committee thereof. In addition, the non-executive and independent directors shall also be eligible to receive profit related commission, as may be approved by the shareholders of the company. They shall not be entitled to any stock options;

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

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

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

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

## VI. BOARD DIVERSITY

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

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

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

## VII. CONFIDENTIALITY

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

## VIII. REVIEW

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

## EXHIBIT 1 REPORT OF THE AUDIT COMMITTEE

*To the shareholders of  
Dr. Reddy's Laboratories Limited*

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

Dr. Reddy's management has primary responsibility for the financial statements and reporting process, including the systems of internal controls. During FY2019, the audit committee met five times.

It discussed with the company's internal auditors, statutory auditors and independent auditors the scope and plans for their respective audits. It also discussed the results of their examination, their evaluation of the company's internal controls, and overall quality of the company's financial reporting. The audit committee provides at each of its meetings an opportunity for internal and external auditors to meet privately with the members of the committee, without the presence of management.

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

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

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

During the year, the committee also reviewed the following:

- Non-audit services being provided by the statutory and independent auditors and concluded that such services were not in conflict with their independence;
- Structure of the internal audit function and chief internal auditor's remuneration; and
- Related party transactions, as applicable.

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

The audit committee has recommended to the board of directors:

- That the audited standalone and consolidated financial statements of Dr. Reddy's Laboratories Limited for the year ended 31 March 2019 prepared as per Ind AS be approved by the board as a true and fair statement of the financial status of the company; and
- That the financial statements prepared as per IFRS as issued by International Accounting Standards Board for the year ended 31 March 2019 be approved by the board and be included in the company's annual report on Form 20-F, to be filed with the US Securities and Exchange Commission.

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

**Sridar Iyengar**

Chairman, Audit Committee

Place : Hyderabad

Date : 16 May 2019

## EXHIBIT 2 REPORT OF THE NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

To the shareholders of  
Dr. Reddy's Laboratories Limited

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

The committee's primary responsibilities are to:

- Assess the company's policies and processes in key areas of corporate governance and the impact of related significant regulatory and statutory changes, if any, to ensure that the company is at the forefront of good corporate governance;
- Periodically examine the structure, composition and functioning of the board, and recommend changes, as necessary, to improve the board's effectiveness, oversee the evaluation of the board and formulation of criteria for such evaluation;
- Examine major aspects of the company's organizational design, and recommend changes as necessary;
- Formulate policies on the remuneration of directors, KMP and other employees and on board diversity;
- Review and recommend compensation and variable pay for executive directors to the board;
- Establish, in consultation with the management, the compensation program for the company, and recommend it to the board for approval, and in that context:
  - Establish annual key result areas (KRAs) for the executive directors and oversee the status of their achievement;
  - Review, discuss and provide guidance to the management, on the KRAs for members of the MC, KMP and their remuneration; and
  - Review the company's ESOP schemes and oversee its administration.

As on 31 March 2019, the company had 760,956 outstanding stock options, which amounts to 0.46% of total equity capital. These options are held by 332 employees of the company and its subsidiaries under:

- a) 'Dr. Reddy's Employees Stock Options Scheme, 2002';
- b) 'Dr. Reddy's Employees ADR Stock Options Scheme, 2007'; and
- c) 'Dr. Reddy's Employees Stock Option Scheme, 2018'.

385,296 stock options are exercisable at par value i.e. ₹ 5/- and 375,660 stock options are exercisable at fair market value.

The committee met five times during the financial year. In addition to the normal fulfilment of its responsibilities as described above, this year the committee has given special emphasis to board renewal, including inducting new directors, identifying candidates for the board, and modifying committee composition. It has also worked with management to review the organization design, plan for upgrading and retaining talent at all levels, review succession plans for key positions, and support revision of training programs and the performance enablement systems.

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

### Anupam Puri

Chairman, Nomination, Governance and Compensation Committee

Place : Hyderabad  
Date : 16 May 2019

## EXHIBIT 3 REPORT OF THE SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE

To the shareholders of  
Dr. Reddy's Laboratories Limited

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

The committee's primary responsibilities are to:

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

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

### Dr. Bruce L A Carter

Chairman, Science, Technology and Operations Committee

Place : Hyderabad  
Date : 16 May 2019

## EXHIBIT 4 REPORT OF THE RISK MANAGEMENT COMMITTEE

To the shareholders of  
Dr. Reddy's Laboratories Limited

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

The committee's primary responsibilities are to:

- Discuss with senior management the company's enterprise-level risks and provide oversight as may be needed;
- Ensure it is apprised of the most significant risks and emerging issues, along with actions that the management is taking and how it is ensuring effective enterprise risk management (ERM); and

- Review risk disclosure statements in any public documents or disclosures.

The committee met thrice during the financial year to review the status of mitigation of key business and financial risks, cyber security related risks risk management initiatives, evaluate residual risk thereof and recommend interventions from time to time. It also apprised the board on key discussions and recommendations made at such meetings and shared information on enterprise-wide risks.

**Dr. Omkar Goswami**

Chairman, Risk Management Committee

Place : Hyderabad

Date : 16 May 2019

**EXHIBIT 5  
REPORT OF THE STAKEHOLDERS'  
RELATIONSHIP COMMITTEE**

*To the shareholders of  
Dr. Reddy's Laboratories Limited*

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

The committee believes that its primary responsibilities are to:

- Review investor complaints and their redressal;
- Review of queries received from investors;
- Review of work done by the share transfer agent including their service standards; and
- Review corporate actions related to security holders.

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

**Kalpana Morparia**

Chairperson, Stakeholders Relationship Committee

Place : Hyderabad

Date : 16 May 2019

**EXHIBIT 6  
REPORT OF THE CORPORATE SOCIAL  
RESPONSIBILITY COMMITTEE**

*To the shareholders of  
Dr. Reddy's Laboratories Limited*

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

The committee believes that its primary responsibilities are to:

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

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

**Bharat N Doshi**

Chairman, Corporate Social Responsibility Committee

Place : Hyderabad

Date : 16 May 2019

**EXHIBIT 7  
THE CEO'S DECLARATION ON  
COMPLIANCE WITH CODE OF  
BUSINESS CONDUCT AND ETHICS**

Dr. Reddy's Laboratories Limited has adopted a code of business conduct and ethics ('the code') which applies to all

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

I hereby certify that the board members and senior management personnel of Dr. Reddy's have affirmed compliance with the code of the company for the financial year 2018-19.

**G V Prasad**

Co-Chairman, Managing Director and CEO

Place : Hyderabad

Date : 17 May 2019

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

We, G V Prasad, co-chairman, managing director and chief executive officer and Saumen Chakraborty, president and chief financial officer, to the best of our knowledge and belief, hereby certify that:

- We have reviewed the financial statements including the cash flow statement (standalone and consolidated) for the financial year ended 31 March 2019 and that these statements:
  - do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
  - together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are no transactions entered into by the company during the year, which are fraudulent, illegal or violate the company's code of business conduct and ethics.
- We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.

- D. We have disclosed, wherever applicable, to the auditors and the audit committee:
- i. That there were no deficiencies in the design or operations of internal controls that could adversely affect the company's ability to record, process, summarize and report financial data including any corrective actions;
  - ii. that there are no material weaknesses in the internal controls over financial reporting;
  - iii. that there are no significant changes in internal control over financial reporting during the year;
  - iv. all significant changes in the accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - v. that there are no instances of significant fraud of which we have become aware of and involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting.

**G V Prasad**

Co-Chairman, Managing Director & CEO

**Saumen Chakraborty**

President & Chief Financial Officer

Place : Hyderabad

Date : 15 May 2019

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

To the Members of

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

1. The Corporate Governance Report prepared by Dr. Reddy's Laboratories Limited (hereinafter the "Company"), contains details as required in regulation 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D, E of Schedule V of the Securities and Exchange Board of India

(Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('reporting criteria') for the year ended March 31, 2019 as required by the Company for annual submission to the Stock exchange.

**MANAGEMENT'S RESPONSIBILITY**

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

**AUDITOR'S RESPONSIBILITY**

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations.
5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
7. The procedures selected depend on the auditor's judgement, including the

assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:

- i. Reading and understanding of the information prepared by the Company and included in its Corporate Governance Report;
  - ii. Obtained and verified that the composition of the Board of Directors with respect to executive and non-executive directors has been met throughout the reporting period;
  - iii. Obtained and read the Directors Register as on March 31, 2019 and verified that atleast one woman director was on the Board during the year;
  - iv. Obtained and read the minutes of the following committee meetings held from April 01, 2018 to March 31, 2019:
    - (a) Board of Directors meeting;
    - (b) Audit committee;
    - (c) Nomination, Governance and Compensation committee;
    - (d) Stakeholders Relationship committee;
    - (e) Corporate Social Responsibility committee
    - (f) Risk management committee;
    - (g) Independence directors meeting; and
    - (h) Annual General meeting;
  - v. Obtained necessary representations and declarations from directors of the Company including the independent directors; and
  - vi. Performed necessary inquiries with the management and also obtained necessary specific representations from management.
8. The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

**OPINION**

9. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations, as applicable for the year ended March 31, 2019, referred to in paragraph 1 above.

**OTHER MATTERS AND RESTRICTION ON USE**

10. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
11. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

for **S.R. Batliboi & Associates LLP**

Chartered Accountants  
ICAI Firm Registration Number:  
101049W/E300004

Per **S Balasubrahmanyam**

Partner  
Membership Number: 053315

UDIN : 19053315AAAAAH9433

Place : Hyderabad

Date : 17 May 2019

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

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

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

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Dr. Reddy's Laboratories Limited having CIN (Corporate Identification Number) L85195TG1984PLC004507 and having registered office at 8-2-337, Road No.3, Banjara Hills, Hyderabad - 500 034, Telangana (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub clause (10)(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the

verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2019 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

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

For **R & A Associates****(G Raghu Babu)**

Partner  
FCS. No.# 4448, C.P. # 2820

Place : Hyderabad

Date : 13 May 2019

SL NO	NAME OF DIRECTOR	DIN	DATE OF APPOINTMENT IN COMPANY
1.	Satish Reddy Kallam	00129701	18th January, 1993
2.	Venkateswara Prasad Gunupati	00057433	8th April, 1986
3.	Anupam Pradip Puri	00209113	4th June, 2002
4.	Bruce Leonard Andrews Carter	02331774	21st July, 2008
5.	Kalpana Jaisingh Morparia	00046081	5th June, 2007
6.	Omkar Goswami	00004258	30th October, 2000
7.	Sridar Arvamudhan Iyengar	00278512	22nd August, 2011
8.	Bharat Narotam Doshi	00012541	11th May, 2016
9.	Prasad Raghava Menon	00005078	30th October, 2017
10.	Leo Puri	01764813	25th October, 2018
11.	Shikha Sanjaya Sharma	00043265	31st January, 2019
12.	Allan Grant Oberman	08393837	26th March, 2019

# ADDITIONAL SHAREHOLDERS' INFORMATION

## CONTACT INFORMATION

### REGISTERED AND CORPORATE OFFICE

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

## REPRESENTING OFFICERS

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

## COMPLIANCE OFFICER UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

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

## ADR INVESTORS/INSTITUTIONAL INVESTORS/FINANCIAL ANALYSTS

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

## MEDIA

Mitali Sarkar  
Corporate Communications  
Tel: +91-40-4900 2121  
Fax: +91-40-4900 2999  
E-mail ID: mitali.sarkar@drreddys.com

## INDIAN RETAIL INVESTORS

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

## ANNUAL GENERAL MEETING

Date Tuesday, 30 July 2019  
Time 9.30 am  
Venue The Ballroom  
Hotel Park Hyatt  
Road No. 2, Banjara Hills  
Hyderabad 500 034

Last date for receipt of proxy forms:  
Sunday, 28 July 2019 before 9.30 am.

## DIVIDEND

The board of directors of the company has proposed a dividend of ₹ 20/- on equity share of ₹ 5/-. The dividend, if declared by the shareholders at the 35th annual general meeting (AGM) scheduled to be held on 30 July 2019, will be paid on or after 5 August 2019.

## BOOK CLOSURE DATE

The dates of book closure are from Wednesday, 17 July 2019 to Friday, 19 July 2019 (both days inclusive) for the purpose of payment of dividend.

## E-VOTING DATES

The cut-off date for the purpose of determining the shareholders eligible for e-voting is Tuesday, 23 July 2019.

The e-voting commences on Friday, 26 July 2019 at 9.00 am IST and ends on Monday, 29 July 2019 at 5.00 pm IST.

## INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

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

## CUSIP NUMBER FOR ADRS

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

## DESCRIPTION OF VOTING RIGHTS

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

## DEPOSITORIES

### OVERSEAS DEPOSITORY OF ADRS

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

### INDIAN CUSTODIAN OF ADRS

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

## FINANCIAL CALENDAR

### TENTATIVE CALENDAR FOR DECLARATION OF FINANCIAL RESULTS IN FY2020

For the quarter ending 30 June 2019	Last week of July 2019
For the quarter and half-year ending 30 September 2019	Last week of October 2019
For the quarter and nine months ending 31 December 2019	Last week of January 2020
For the year ending 31 March 2020	Third week of May 2020
AGM for the year ending 31 March 2020	Last week of July 2020

*FY2019 represents fiscal year 2018-19, from 1 April 2018 to 31 March 2019, and analogously for FY2018 and other such labeled years.*

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

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

### PERSONS HOLDING OVER 1% OF THE SHARES

Table 1 gives the names of the persons who hold more than 1% of equity shares of the company as on 31 March 2019.

### EQUITY HISTORY OF THE COMPANY

Table 2 lists equity history of the company since incorporation of the company up to 31 March 2019.

### STOCK DATA

Table 3 gives the monthly high/low and the total number of shares/ADRs traded per month on the BSE, NSE and the NYSE during FY2019.

Chart 1 on page 71 gives the movement of our share price on NSE vis-à-vis NIFTY 50 Index during FY2019.

Chart 2 on page 71 gives the movement of our ADR price on NYSE vis-à-vis S&P ADR Index during FY2019.

Chart 3 on page 71 gives premium in percent on our ADR traded on NYSE compared to the share price quoted at NSE during FY2019.

### SHAREHOLDING PATTERN AS ON 31 MARCH 2019

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

### DIVIDEND HISTORY

Chart 4 on page 73 shows the dividend history of the company from the FY2009 to FY2019.

### NOMINATION FACILITY

Shareholders holding physical shares may, if they so desire, send their nominations in form SH-13 of the Companies (Share Capital and Debentures) Rules, 2015, as

amended, to the RTA of the company. Further, shareholders may cancel/vary their nomination already made, in form SH-14 by sending it to the RTA. Those holding shares in dematerialized form may contact their respective depository participant (DP) to avail the nomination facility.

### EXCHANGE OF SHARE CERTIFICATES

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

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

### LISTING ON STOCK EXCHANGES AND STOCK CODES

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

#### Notes:

- Listing fees to the Indian stock exchanges for listing of equity shares have been paid for the FY2020.
- Listing fees to the NYSE for listing of ADRs has been paid for the CY2019.
- The stock code on Reuters is REDY.NS and on Bloomberg is DRRD:IN.

### TABLE 1 PERSONS HOLDING 1% OR MORE OF THE EQUITY SHARES IN THE COMPANY AS ON 31 MARCH 2019<sup>(1)</sup>

SL. NO.	NAME	NO. OF SHARES	%
1	Dr. Reddy's Holdings Limited	41,325,300	24.88
2	First State Investments, Stewart Investors and their associates	11,838,598	7.13
3	Life Insurance Corporation of India and their associates	6,486,864	3.91
4	Blackrock Institutional Trust Company and their associates	6,063,519	3.65
5	Aditya Birla Sun Life Trustee Private Limited and their associates	3,418,357	2.06
6	Franklin Templeton Mutual Fund and their associates	2,193,760	1.32

<sup>(1)</sup> Does not include ADR holding.

**TABLE 2 EQUITY HISTORY OF THE COMPANY SINCE INCORPORATION OF THE COMPANY UP TO 31 MARCH 2019**

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

**SHARE TRANSFER SYSTEM**

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

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

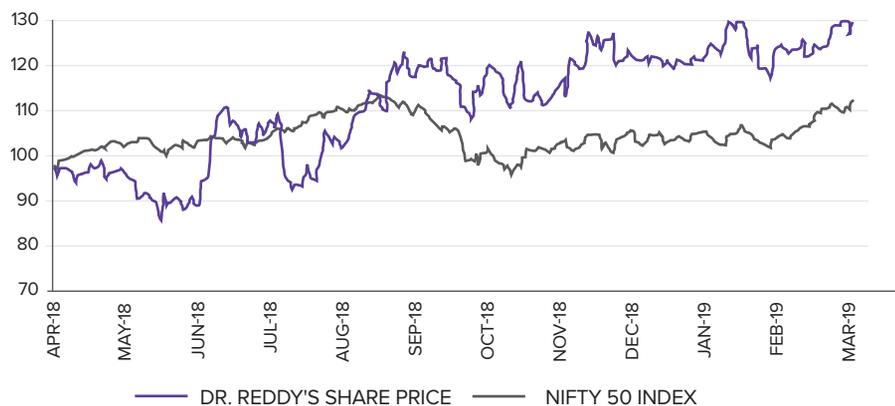
Pursuant to the provisions of Section 46 of the Companies Act, 2013 read with Rule

6(2)(a) of the Companies (Share Capital and Debentures) Rules, 2014, duplicate share certificates, in lieu of those that are lost or destroyed, should only be issued with the prior consent of the board. However, the Ministry of Corporate Affairs vide its general circular no. 19/2014, dated 12 June 2014, has clarified that the powers of the board with regard to the issue of duplicate share certificates can be exercised by a committee of directors. Therefore, the board of directors, at its meeting held on

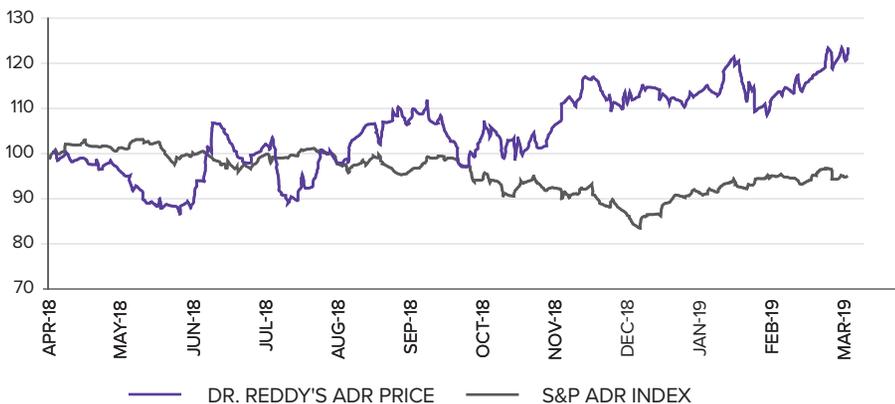
12 May 2015, delegated the power to issue duplicate share certificates, to the stakeholders' relationship committee.

The stakeholders' relationship committee attends to such requests at regular intervals.

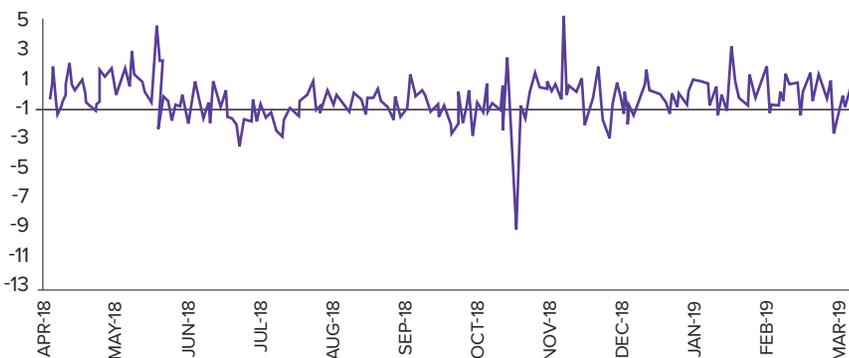
We periodically review the operations of our RTA. The number of shares transferred/transmitted in physical form during the last two financial years are given in **Table 6**.

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

1. All values are indexed to 100 as on 1 April 2018.
2. Nifty 50 is a diversified 50 stock index accounting for 12 sectors of the Indian economy. Nifty 50 is owned and managed by India Index Services and Products Ltd. (IISL), India's specialized company focused upon the index as a core product.

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

1. All values are indexed to 100 as on 1 April 2018.
2. The S&P ADR Index is based on the non-US stocks comprising the S&P Global 1200 traded in the US exchanges. For details of the methodology used to compute this index please visit [www.adr.com](http://www.adr.com).

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

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

Pursuant to SEBI Notification No. SEBI/LAD/NRO/GN/2018/24 dated 8 June 2018 and Press Release No: 49/2018 dated 3 December 2018, members may please note that, with effect from 1 April 2019, transfer of shares (except transmission and transposition of shares) will be in dematerialised form only. Although, the shareholders can continue to hold shares in physical form, they are requested to consider dematerializing their shares.

**DEMATERIALIZATION OF SHARES**

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

Chart 5 on page 73 gives the breakup of dematerialized shares and shares in physical form as on 31 March 2019 compared with 31 March 2018. Dematerialization of shares is done through RTA and the dematerialization process is generally completed within 10 days from the date of receipt of a valid dematerialization request along with the relevant documents.

**SECRETARIAL AUDIT**

Pursuant to Section 204 of the Companies Act, 2013 and corresponding Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a secretarial audit for FY2019 was carried out by Dr. K R Chandratre, a practicing company secretary having more than three decades of experience (membership no. FCS 1370 and certificate of practice no. 5144). The secretarial audit report forms a part of this annual report. Further, we comply with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

In addition to the above, for each quarter of FY2019, a qualified practicing company secretary carried out the reconciliation of share capital audit to reconcile the total admitted share capital held with NSDL and CDSL and the total issued and listed share capital. The reports confirm that the total

issued/paid-up share capital is in agreement with total number of shares in physical form and dematerialized form held with NSDL and CDSL.

### OUTSTANDING ADRS AND THEIR IMPACT ON EQUITY SHARES

Our ADRs are traded in the US on New York Stock Exchange Inc. (NYSE) under the ticker symbol 'RDY'. Each ADR is represented by one equity share. As on 31 March 2019, there were approximately 59 registered holders and 15,966 beneficial shareholders of ADRs evidencing 23,437,729 ADRs.

### QUERIES AND REQUESTS RECEIVED FROM SHAREHOLDERS IN FY2019

Table 7 gives details of the nature of shareholder queries received and replied to during FY2019. Pending queries and requests were either received during the last week of March 2019 or were pending due to non-receipt of information/documents from the shareholders.

### DATE AND VENUE OF LAST THREE ANNUAL GENERAL MEETINGS

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

### POSTAL BALLOT DETAILS

Table 9 gives voting details of special resolution passed through postal ballot during FY2019.

### PERSON WHO CONDUCTED THE POSTAL BALLOT PROCESS

Mr. G Raghu Babu, company secretary in practice and partner of M/s. R & A Associates, company secretaries, Hyderabad (membership no. FCS 4448 and certificate of practice no. 2820) was appointed as the scrutinizer for carrying out the postal ballot process in a fair and transparent manner.

**TABLE 3 HIGH, LOW AND NUMBER OF SHARES/ADRS TRADED PER MONTH ON BSE, NSE AND NYSE DURING FY2019**

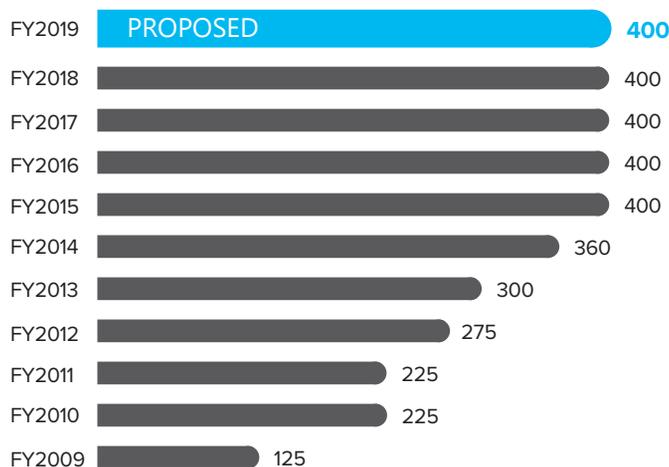
MONTH	BSE			NSE			NYSE		
	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH(₹)	LOW(₹)	NO. OF SHARES	HIGH (US\$)	LOW (US\$)	NO. OF ADRs <sup>(1)</sup>
Apr-18	2,179.75	2,053.50	2,318,008	2,180.00	2,054.30	8,703,302	33.39	31.39	5,421,356
May-18	2,142.30	1,888.00	938,772	2,145.00	1,887.00	12,438,593	32.27	28.13	15,781,687
Jun-18	2,428.95	1,934.35	4,158,884	2,429.60	1,932.35	30,023,604	35.33	28.69	11,875,360
Jul-18	2,398.00	2,017.20	2,295,915	2,387.65	2,020.00	23,357,303	33.95	29.00	7,172,127
Aug-18	2,518.50	2,130.10	1,421,287	2,520.00	2,130.00	16,002,824	35.16	31.32	6,167,338
Sep-18	2,687.45	2,439.30	1,822,130	2,670.80	2,441.10	20,840,012	36.81	34.48	4,802,674
Oct-18	2,610.45	2,332.10	1,416,425	2,610.00	2,332.00	18,605,271	35.25	31.58	7,595,069
Nov-18	2,725.00	2,392.45	1,182,381	2,734.55	2,389.00	18,897,763	39.04	32.39	5,852,409
Dec-18	2,745.00	2,535.60	1,008,739	2,749.95	2,534.10	17,809,011	38.75	35.55	4,126,020
Jan-19	2,727.90	2,539.00	543,892	2,728.55	2,537.30	13,781,049	38.86	36.30	5,117,254
Feb-19	2,875.00	2,065.30	1,713,727	2,878.00	1,872.95	32,760,531	40.20	35.50	4,849,818
Mar-19	2,812.00	2,582.70	630,419	2,814.00	2,580.05	14,873,762	40.84	36.18	3,431,978

<sup>(1)</sup> One ADR is equal to one equity share.

**TABLE 4 DISTRIBUTION OF SHAREHOLDING ON THE BASIS OF CATEGORY**

CATEGORY	AS ON 31 MARCH 2019		AS ON 31 MARCH 2018		% CHANGE
	NO. OF SHARES	% OF TOTAL	NO. OF SHARES	% OF TOTAL	
<b>Promoters' Holding<sup>(1)</sup></b>					
- Individuals	3,133,228	1.89	3,315,328	2.00	(0.11)
- Companies	41,325,300	24.88	41,083,500	24.76	0.12
<b>Sub-total</b>	<b>44,458,528</b>	<b>26.77</b>	<b>44,398,828</b>	<b>26.76</b>	<b>0.01</b>
Indian financial institutions	8,200,552	4.94	9,322,776	5.62	(0.68)
Banks	314,614	0.19	355,985	0.21	(0.02)
Mutual funds/UTI	15,132,031	9.11	14,767,937	8.90	0.21
<b>Foreign holdings</b>					
- Foreign institutional investors/foreign portfolio investors	51,371,769	30.94	50,189,829	30.25	0.69
- Non resident indians	1,751,508	1.05	1,819,954	1.10	(0.05)
- ADRs	23,437,729	14.11	22,076,602	13.31	0.80
- Foreign nationals	11,821	0.01	11,040	0.01	-
<b>Sub-total</b>	<b>100,220,024</b>	<b>60.35</b>	<b>98,544,123</b>	<b>59.40</b>	<b>0.95</b>
Indian public and corporates	21,387,396	12.88	22,967,956	13.84	(0.96)
<b>Total</b>	<b>166,065,948</b>	<b>100.00</b>	<b>165,910,907</b>	<b>100.00</b>	

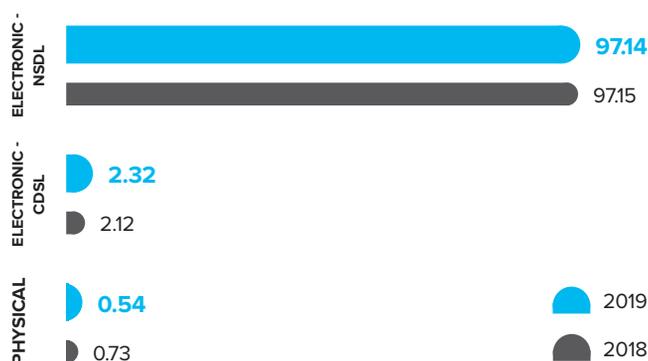
<sup>(1)</sup> Change in percentage due to inter se transfer within promoter group, secondary market purchase by promoter and ESOP allotment.

**CHART 4 DIVIDEND HISTORY FY2009-19 (%)****PROPOSAL TO CONDUCT POSTAL BALLOT FOR ANY MATTER IN THE ENSUING ANNUAL GENERAL MEETING**

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

**PROCEDURE FOR POSTAL BALLOT**

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

**CHART 5 BREAK UP OF SHARES IN ELECTRONIC AND PHYSICAL FORM AS ON 31 MARCH 2019 AND 31 MARCH 2018 (%)**

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

Voting rights are reckoned on the paid-up value of the shares registered in the names of the shareholders as on the cut-off date. Shareholders desiring to exercise their votes by physical postal ballot forms are requested to return the forms duly completed and signed, to the scrutinizer on or before the closing of the voting period. Shareholders desiring to exercise their votes by electronic mode are requested

**TABLE 5 DISTRIBUTION OF EQUITY SHAREHOLDING ACCORDING TO OWNERSHIP AS ON 31 MARCH 2019**

SHARES HELD	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHAREHOLDING
1 – 5,000	117,132	99.08	11,328,622	6.82
5,001 – 10,000	410	0.35	2,849,986	1.72
10,001 – 20,000	260	0.22	3,679,195	2.22
20,001 – 30,000	104	0.09	2,583,559	1.56
30,001 – 40,000	40	0.03	1,402,412	0.84
40,001 – 50,000	28	0.02	1,312,361	0.79
50,001 – 100,000	92	0.08	6,591,884	3.97
100,001 & above	152	0.13	112,880,200	67.97
<b>Total (excluding ADRs)</b>	<b>118,218</b>	<b>100.00</b>	<b>142,628,219</b>	<b>85.89</b>
Equity shares underlying ADRs <sup>(1)</sup>	1	0.00	23,437,729	14.11
<b>Total</b>	<b>118,219</b>	<b>100.00</b>	<b>166,065,948</b>	<b>100.00</b>

<sup>(1)</sup> Held by beneficial owners outside India.

to vote before close of business hours on the last day of e-voting. The last date specified by the company for receipt of duly completed postal ballot forms or e-voting is deemed to be the date of passing of the resolution.

The scrutinizer submits his report to the chairman of the board of directors or

any person authorized by him, after the completion of scrutiny, and the consolidated results of the voting by postal ballot are then announced. The results are also displayed on the company's website [www.drreddys.com](http://www.drreddys.com), besides being communicated to the stock exchanges, depository and RTA.

## DISCLOSURE ON LEGAL PROCEEDINGS PERTAINING TO SHARES

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

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

	FY2019	FY2018
Number of transfers/transmissions*	96	58
Number of shares	39,925	18,857

\* Does not include 7,616 equity shares (103 folios) transferred to Investor Education and Protection Fund due to their dividend remaining unclaimed for FY2011-17.

**TABLE 7 SHAREHOLDER QUERIES AND REQUESTS RECEIVED AND REPLIED TO IN FY2019**

SL. NO.	NATURE	OPENING BALANCE	RECEIVED	REPLIED	CLOSING BALANCE*
1	Change of address	-	21	21	-
2	Request for revalidation and issue of duplicate dividend warrants	1	232	233	-
3	Request for sub-division of shares (exchange)	-	63	63	-
4	Share transfers	-	135	123	12
5	Transmission of shares	-	26	26	-
6	Split/consolidation of shares	-	4	4	-
7	Stop transfer	-	52	52	-
8	Power of attorney registration	-	-	-	-
9	Change of bank mandate	-	808	808	-
10	Correction of name	-	9	8	1
11	Dematerialization of shares	-	792	792	-
12	Rematerialization of shares	-	4	4	-
13	Issue of duplicate share certificates of Dr. Reddy's	6	87	83	10
14	Requests received from shareholders	-	668	668	-
15	Complaints received through stock exchanges/SEBI etc.	-	12	12	-
16	Claim of unclaimed share certificates	-	40	40	-

\* The company has since attended all the shareholders' requests and queries which were pending as on 31 March 2019. The above table does not include shareholders' disputes, which are pending in various courts.

**TABLE 8 LAST THREE ANNUAL GENERAL MEETINGS**

YEAR	DATE AND TIME	LOCATION	SPECIAL RESOLUTION(S) PASSED
2015-16	27 July 2016 at 9.30 AM	Kaveri Ball Room, Hotel Trident, HITEC City, Madhapur, Hyderabad 500 081	No special resolution proposed and passed
2016-17	28 July 2017 at 9.30 AM	Kaveri Ball Room, Hotel Trident, HITEC City, Madhapur, Hyderabad 500 081	No special resolution proposed and passed
2017-18	27 July 2018 at 9.30 AM	The Ballroom, Hotel Park Hyatt, Road No.2, Banjara Hills, Hyderabad 500 034	<ul style="list-style-type: none"> <li>Approval for reappointment of Mr. Anupam Puri (DIN: 00209113) as an independent director for a second term of one year;</li> <li>Approval for Dr. Reddy's Employees Stock Option Scheme, 2018 (2018 ESOS);</li> <li>Grant of stock options to the employees of the subsidiary companies under 2018 ESOS;</li> <li>Implementation of 2018 ESOS through Dr. Reddy's Employees ESOS Trust (Trust); and</li> <li>Authorisation to the Trust for secondary acquisition of equity shares for the purpose of stock options.</li> </ul>

## UNCLAIMED DIVIDENDS/ INTEREST

Pursuant to Section 125 of the Companies Act, 2013, unclaimed dividend amounts for the FY2011 of ₹ 7,030,361/- and debenture interest for the FY2012 ₹ 1,729,247/- has been transferred to the general revenue account of the Central Government/Investor Education and Protection Fund (IEPF).

The dividends for the FY2012 and interest on debentures for the FY2013 which are unclaimed for seven years will be transferred to IEPF established by the Central Government under Section 125 of the Companies Act, 2013. **Table 10** gives the transfer dates in this regard.

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

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

The shareholders/debenture holders who have not cashed their dividend/interest warrants nor claimed the redemption amount on matured debentures are requested to immediately approach Bigshare Services Private Limited, for making payment through electronic bank transfer. In cases, where bank details for making electronic payment are not available, or electronic payment instructions have failed, or rejected by the bank, duplicate warrant(s)/demand draft(s) may be issued in lieu of the original warrant(s)/demand draft(s).

The information on unclaimed dividend/interest is available on the company's website [www.drreddys.com](http://www.drreddys.com)

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

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

years or more shall be transferred by the company in the name of IEPF.

During the year, company has transferred (transmitted) 7,616 equity shares held under 103 folios on which dividend has not been paid or claimed for seven consecutive years since FY2011 to the IEPF.

The company has sent individual notices to the latest available addresses of the shareholders, whose dividends are lying unpaid/unclaimed for FY2012 along with subsequent seven consecutive years', dividend, advising them to claim the dividends on or before 14 August 2019. It has also published a notice in newspapers inviting the shareholders' attention.

Shareholders who have not claimed their dividends since 2011-12 can write to the company's RTA or at the registered office of the company on or before 14 August 2019 for making a valid claim for the unclaimed dividends. If the shareholders do not claim the unpaid or unclaimed dividends and provide the requisite documents on or before 14 August 2019, the shares held by them are liable to be transferred to IEPF.

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

Details of equity shares liable to be transferred to IEPF are available on the company's website: [www.drreddys.com](http://www.drreddys.com)

## DEALING WITH SECURITIES WHICH HAVE REMAINED UNCLAIMED

Pursuant to Regulation 39(4) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 read with schedule VI of the said Regulations, the company has dematerialized shares which have been returned undelivered by postal authorities and shares lying unclaimed after sub-division. The dematerialized shares are held in an 'unclaimed suspense account' opened with a depository participant associated with NSDL.

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

**Table 11** gives the details of the unclaimed shares as on 31 March 2019 held by the company.

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

## NON-COMPLIANCE ON MATTERS RELATING TO CAPITAL MARKETS

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

## FINANCIAL RESULTS ON THE COMPANY'S WEBSITE

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

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

## INFORMATION ON DIRECTOR(S) PROPOSED FOR REAPPOINTMENT/ APPOINTMENT

The information is given in the Chapter on *Corporate Governance* and *Notice of 35th AGM*.

## QUERIES AT ANNUAL GENERAL MEETING

Shareholders desiring any information with regard to the accounts are requested to write to the company at an early date so as to enable the management to keep the information ready. The queries relating to operational and financial performance may be raised at the AGM.

The company provides the facility of an investor-helpdesk at the AGM. Shareholders may post their queries relating to shares, dividends etc., at the investor-helpdesk.

### PROCEDURE FOR CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to the provisions of Section 100 of the Companies Act, 2013, Companies (Management and Administration) Rules,

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

Shareholders entitled to make requisition for an EGM regarding any matter, shall be those who hold not less than one-tenth of the paid-up share capital of the company on the date of receipt of the requisition.

### PROCEDURE FOR NOMINATING A DIRECTOR ON THE BOARD

Pursuant to Section 160 of the Companies Act, 2013, any person, or some shareholders intending to propose such

**TABLE 9** POSTAL BALLOT DETAILS

SPECIAL RESOLUTION PASSED	VOTING DETAILS							DATE OF DECLARATION OF RESULTS
	NO. OF SHARES	NO. OF VOTES POLLED	% OF VOTES POLLED ON OUTSTANDING SHARES	VOTES CAST IN FAVOUR		VOTES CAST AGAINST		
				NO. OF VOTES	%	NO. OF VOTES	%	
Continuation of directorship of Dr. Bruce L A Carter (DIN: 02331774) and further re-appoint him as a non-executive independent director for the second term of 3 (three) consecutive years.	166,060,861	126,540,262	76.20	123,253,522	97.40	3,286,740	2.60	24 March 2019

Note: Postal ballot forms for 57 shares were considered as invalid due to incompleteness and/or signature mismatch.

**TABLE 10** DATES OF TRANSFER OF UNCLAIMED DIVIDEND ON SHARES/INTEREST AND REDEMPTION AMOUNT ON BONUS DEBENTURES

FINANCIAL YEAR	TYPE OF PAYMENT	DATE OF DECLARATION/PAYMENT	AMOUNT OUTSTANDING AS ON 31 MARCH 2019	DUE FOR TRANSFER ON
2011-12	1 <sup>st</sup> year debenture interest*	24-Mar-12	1,729,247.14	23-Mar-19
2011-12	Final dividend	20-Jul-12	7,675,298.75	26-Aug-19
2012-13	2 <sup>nd</sup> year debenture interest	23-Mar-13	1,563,812.31	22-Mar-20
2012-13	Final dividend	31-Jul-13	8,487,795.00	30-Aug-20
2013-14	Debenture redemption and 3 <sup>rd</sup> & final year interest	24-Mar-14	23,836,097.83	23-Mar-21
2013-14	Final dividend	31-Jul-14	9,946,152.00	30-Aug-21
2014-15	Final dividend	31-Jul-15	10,452,080.00	30-Aug-22
2015-16	Final dividend	27-Jul-16	11,608,100.00	30-Aug-23
2016-17	Final dividend	28-Jul-17	18,737,300.00	31-Aug-24
2017-18	Final dividend	27-Jul-18	17,281,980.00	30-Aug-25

\* The unpaid 1<sup>st</sup> year debenture interest was transferred on 16 April 2019 to IEPF within a period of 30 days from the due date.

**TABLE 11** UNCLAIMED SHARES AS ON 31 MARCH 2019

SL. NO.	PARTICULARS	NO. OF FOLIOS	NO. OF SHARES
i.	No. of shareholders and the outstanding no. of unclaimed shares at the beginning of the year	2,101	417,932
ii.	No. of shareholders who approached to claim the unclaimed shares during the year	124	51,175
iii.	No. of shareholders who claimed and were given the unclaimed shares during the year	83	36,663
iv.	Aggregate no. of shareholders and the outstanding no. of unclaimed shares at the end of the year	2,018	381,269

Note: The company has also dematerialized 32,574 shares under 318 folios in April 2019 in unclaimed suspense account. These shares were earlier claimed by the shareholders and the additional documents were not submitted by them.

person for appointment as a director of the company, shall deposit a signed notice signifying his/her candidature to the office of a director, at the registered office of the company, not less than 14 days before the shareholders' meeting.

All directors' nominations are considered by the nomination, governance and compensation committee of the company's board of directors, which entirely consists of independent directors.

### INFORMATION ON MEMORANDUM AND ARTICLES OF ASSOCIATION

The company's memorandum and articles of association is available on its website: [www.drreddys.com](http://www.drreddys.com)

### INVESTOR HANDBOOK/ SHAREHOLDER SERVICES

Please refer to the Investor Handbook on the company's website: [www.drreddys.com](http://www.drreddys.com), for rights of shareholders, procedures related to transfer/dematerialization/rematerialisation/transmission of shares, nomination in respect of shareholding, change of address, unclaimed/unpaid dividend, shares underlying unpaid/unclaimed dividend, refund from IEPF, loss/misplacement of certificate(s), sub-division of shares, share certificates of amalgamated companies, power of attorney, registration of e-mail ID and registration of PAN/Bank details.

### COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK

Appropriate disclosure on commodity price or foreign exchange risk and hedging activities is given in note 2.29 of the notes to the standalone financial statement.

### CERTIFICATE FROM THE COMPANY SECRETARY

I, Sandeep Poddar, company secretary of Dr. Reddy's Laboratories Limited, hereby confirm that as on date of this certificate, the company has:

- a) Complied with the provisions of applicable rules and regulations framed by the Securities and Exchange Board of India and the Companies Act, 2013, as amended, effective as on date, and applicable to the company;
- b) Maintained all books of accounts and statutory registers prescribed under the Companies Act, 2013;
- c) Filed all forms and returns and furnished all necessary particulars to the Registrar of Companies and/ or authorities as required under the Companies Act, 2013;
- d) Conducted the board meetings, annual general meeting and postal ballot as per the Companies Act, 2013 and the minutes thereof were properly recorded in the minutes books;
- e) Effected share transfers and dispatched the certificates within the time limit prescribed by various authorities;

- f) Not exceeded the borrowing or investment limits; and
- g) Paid dividend to the shareholders, transferred the unpaid dividends and the underlying shares in respect of which dividend has remained unpaid or unclaimed for seven consecutive years to the Investor Education and Protection Fund (IEPF) within the time limit and has also complied with the provisions of the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended.

The certificate is given by the undersigned according to the best of his knowledge and belief and based on the available information and records, knowing that on the faith and strength of what is stated above, full reliance will be placed on it by the shareholders of the company.

**Sandeep Poddar**  
Company Secretary

Place : Hyderabad  
Date : 17 May 2019

## PLANT FACILITY LOCATIONS IN INDIA

### ACTIVE PHARMACEUTICAL INGREDIENTS (API) FACILITIES

#### API HYDERABAD PLANT 1

Plot No. 137, 138 & 146,  
IDA Bollaram, Jinnaram Mandal,  
Sangareddy District, Telangana,  
Pin: 502 325

#### API HYDERABAD PLANT 2

Plot No. 75B, 105, 110, 111, 112 &  
121/3, IDA Bollaram, Jinnaram Mandal,  
Sangareddy District, Telangana,  
Pin: 502 325

#### API HYDERABAD PLANT 3

Plot No. 116,  
IDA Bollaram, Jinnaram Mandal,  
Sangareddy District, Telangana,  
Pin: 502 325

#### API NALGONDA PLANT

Peddadevulapally, Tripuraram Mandal,  
Nalgonda District, Telangana,  
Pin: 508 207

#### API SRIKAKULAM PLANT

Sy No. 5 to 9  
Plot Nos. 5/1, 5/2, 5/3 & 5/4, APIIC,  
IDA Pydibheemavaram, Ransthalam Mandal,  
Srikakulam District, Andhra Pradesh,  
Pin: 532 409

#### API SRIKAKULAM PLANT (SEZ)

PU1 & Developer  
Sector No. 28 & 34, Devunipalavalasa  
Village, Ranastalam Mandal,  
Srikakulam District, Andhra Pradesh,  
Pin: 532 409

### FORMULATIONS MANUFACTURING FACILITIES

#### FORMULATIONS HYDERABAD PLANT 1

Plot No. 137, 138 145 & 146,  
IDA Bollaram, Jinnaram Mandal,  
Sangareddy District, Telangana,  
Pin: 502 320

#### FORMULATIONS HYDERABAD PLANT 2

SY No. 42, 45, 46 & 54,  
Bachupally Mandal,  
Medchal-Malkajgiri District, Telangana,  
Pin: 500 090

#### FORMULATIONS HYDERABAD PLANT 3

SY No. 41,  
Bachupally Mandal,  
Medchal-Malkajgiri District, Telangana,  
Pin: 500 090

#### FORMULATIONS BADDI PLANT 1

Khol, Nalagarh, Nalagarh Road,  
Solan District, Baddi, Himachal Pradesh,  
Pin: 173 205

#### FORMULATIONS BADDI PLANT 2

Village Mauja Thana, Nalagarh Baddi Road,  
Solan District, Baddi, Himachal Pradesh,  
Pin: 173 205

#### FORMULATIONS VIZAG SEZ PLANT 1

Plot No. P1-P9, Phase III, Duvvada, VSEZ,  
Visakapatanam, Andhra Pradesh,  
Pin: 530 046

#### FORMULATIONS VIZAG SEZ PLANT 2

Plot No. Q1 to Q5, Phase III, Duvvada, VSEZ,  
Visakhapatnam, Andhra Pradesh,  
Pin: 530 046

#### FORMULATIONS SRIKAKULAM PLANT (SEZ)

Sector No. 9-14 & 17-20, Devunipalavalasa  
Village, Ranastalam Mandal,  
Srikakulam District, Andhra Pradesh,  
Pin: 532 409

#### FORMULATIONS SRIKAKULAM PLANT (SEZ) UNIT II

Sector No. 70, 71 & 73,  
Devunipalavalasa Village,  
Ranastalam Mandal,  
Srikakulam District, Andhra Pradesh,  
Pin: 532 409

#### FORMULATIONS INJECTABLES PLANT

APIIC Industrial Estate, Pydibheemavaram  
Village, Ranastalam Mandal,  
Srikakulam District, Andhra Pradesh,  
Pin: 532 409

#### BIOLOGICS

Survey No. 47, Bachupally Mandal,  
Medchal-Malkajgiri District, Telangana,  
Pin: 500 090

### RESEARCH AND DEVELOPMENT FACILITIES IN INDIA

#### INTEGRATED PRODUCT DEVELOPMENT ORGANISATION (IPDO)

SY No. 42, 45, 46 & 54  
Bachupally Mandal,  
Medchal-Malkajgiri District, Telangana,  
Pin: 500 090

#### IPDO, BENGALURU

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

#### AURIGENE DISCOVERY TECHNOLOGIES LIMITED (ADTL), BENGALURU

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

#### ADTL, HYDERABAD

Bollaram Road, Miyapur, Hyderabad,  
Telangana,  
Pin: 500 049

#### TECHNOLOGY DEVELOPMENT CENTRE 1

Bollaram Road, Miyapur, Hyderabad,  
Telangana,  
Pin: 500 049

#### TECHNOLOGY DEVELOPMENT CENTRE 2

Plot 31A, IDA,  
Jeedimetla, Hyderabad, Telangana,  
Pin: 500 050

## PLANT FACILITY LOCATIONS OUTSIDE INDIA

### ACTIVE PHARMACEUTICAL INGREDIENTS (API) FACILITIES

#### API CUERNAVACA PLANT

Industrias Quimicas Falcon De Mexico  
S.A. de C.V.,  
Carretera Federal Cuernavaca-Cuautla KM  
4.5 CIVAC, Jiutepec Morelos, Mexico 62578

#### API MIRFIELD PLANT

Dr. Reddy's Laboratories (EU) Ltd.  
Steanard Lane,  
Mirfield, West Yorkshire, WF 14, 8HZ,  
United Kingdom

#### API MIDDLEBURGH PLANT

Dr. Reddy's Laboratories New York Inc.  
1974 Route 145, P.O. Box 500,  
Middleburgh,  
New York 12122, USA

### FORMULATIONS MANUFACTURING FACILITIES

#### DR. REDDY'S LABORATORIES (UK) LIMITED

6, Riverview Road, Beverly, East Yorkshire,  
HU 17 OLD, United Kingdom

#### FORMULATIONS SHREVEPORT PLANT

Dr. Reddy's Laboratories Louisiana LLC  
8800 Line Avenue,  
Shreveport, Louisiana 7110-6717, USA

### KUNSHAN ROTAM REDDY PHARMACEUTICAL CO. LIMITED

No.258, Huang Pu Jiang (M) Road, Kunshan  
Development Zone, Jiangsu Province,  
P. R. China 215 300

### RESEARCH AND DEVELOPMENT FACILITIES

#### TECHNOLOGY DEVELOPMENT CENTRE, CAMBRIDGE

Chirotech Technology Limited  
410, Cambridge Science Park,  
Milton Road, Cambridge  
CB4 0PE, United Kingdom

#### TECHNOLOGY DEVELOPMENT CENTRE, LEIDEN

Dr. Reddy's Research and Development B V,  
Zernikedreef 12, 2333 CL Leiden,  
The Netherlands

#### AURIGENE DISCOVERY TECHNOLOGIES, (MALAYSIA) SDN BHD

Level 2, Research Management &  
Innovation Complex,  
University of Malaya, Lembah Pantai 50603  
Kuala Lumpur, Malaysia

# BOARD'S REPORT

Dear Members,

Your directors are pleased to present the 35th annual report for the year ended 31 March 2019.

## FINANCIAL HIGHLIGHTS

**Table 1** gives the consolidated and standalone financial highlights of the company based on Indian Accounting Standards (Ind AS) for FY2019 (i.e. from 1 April 2018 to 31 March 2019) compared to the previous financial year.

## COMPANY AFFAIRS\*

The company's consolidated total income for the year was ₹ 157.86 billion, which was up by 9% over the previous year. In US\$ terms, this amounted to US\$ 2.28 billion. Profit before taxes (PBT) was ₹ 22.9 billion, representing a growth of 70% over the previous year. In US\$ terms, this translated to US\$ 331 million.

The company's standalone total income for the year was ₹ 108.64 billion, which was up by 14% over the previous year. In US\$, this amounted to US\$ 1.57 billion. PBT was ₹ 17 billion, which was up by 144% over the previous year. In US\$ terms, this translated to US\$ 246 million.

Revenues from Global Generics up by 8% and stood at ₹ 123 billion. There was growth across Emerging Markets and India, revenues from North America Generics remained flat on a year-on-year basis.

Revenues from North America stood at ₹ 60 billion, and remained flat on a year-on-year basis. This was largely on account of revenue contribution from new products launched, market share gains for existing products, and favorable foreign exchange movement offset by higher price erosions in some of our key pharmaceutical products.

During the year, the company launched several new products. These included gSuboxone, gTepadina, gGleevec, gDiprivan etc. The company filed 20 abbreviated new drug applications (ANDAs) in the USA. As of 31 March 2019, there were 110 generic filings awaiting approval with the US Food and Drug Administration (USFDA), comprising 107 ANDAs and three NDAs filed under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act (FD&C Act) in the USA. Of these 107 ANDAs, 60 are Para IVs, out of which 34 are believed to have 'First to File' status.

Revenues from Emerging Markets was ₹ 28.9 billion, registering a year-on-year growth of 28%. Revenues from India stood at ₹ 26.2 billion, registering a year-on-year growth of 12%.

Revenues from PSAI stood at ₹ 24.1 billion, registering a year-on-year growth of 10%. During the year, the company filed nine drug master files (DMFs) in the US.

The above revenues are after excluding 'other operating income'.

## DIVIDEND

Your directors are pleased to recommend a dividend of ₹ 20 (400%) for FY2019, on every equity share of ₹ 5/-. The recommended dividend is in line with the dividend distribution policy of the company. The dividend, if approved at the 35th annual general meeting (AGM), will be paid to those shareholders whose names appear on the register of members of the company as of end of the day on 16 July 2019.

In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the company's dividend

**Table 1** Financial Highlights

	CONSOLIDATED		STANDALONE	
	FY2019	FY2018	FY2019	FY2018
Total income	157,857	144,362	108,639	95,633
Profit before depreciation, amortization and tax	34,268	24,276	24,813	14,711
Depreciation and amortization	11,348	10,772	7,806	7,741
Profit before tax	22,920	13,504	17,007	6,970
Tax expense	3,858	4,380	4,234	1,301
Profit after tax	19,062	9,124	12,773	5,669
Share of profit of equity accounted investees, net of tax	438	344	-	-
<b>Net profit for the year</b>	<b>19,500</b>	<b>9,468</b>	<b>12,773</b>	<b>5,669</b>
Opening balance of retained earnings	96,247	90,771	90,740	89,063
Net profit for the year	19,500	9,468	12,773	5,669
Other comprehensive income/(loss)	255	-	-	-
Dividend paid during the year	(3,320)	(3,316)	(3,320)	(3,316)
Tax on dividend paid	(682)	(676)	(682)	(676)
Transfer to general reserve	-	-	-	-
<b>Closing balance of retained earnings</b>	<b>112,000</b>	<b>96,247</b>	<b>99,511</b>	<b>90,740</b>

\* The conversion rate is considered as US\$ 1 = ₹ 69.16.

Note: FY2019 represents fiscal year 2018-19, from 1 April 2018 to 31 March 2019, and analogously for FY2018 and other such labelled years.

distribution policy is attached as **Annexure I** to the board's report.

### TRANSFER TO RESERVES

The company has not proposed to transfer any amount to the general reserve.

### SHARE CAPITAL

The paid-up share capital of your company increased by ₹ 0.78 million to ₹ 830.33 million in FY2019 due to allotment of 1,55,041 equity shares, on exercise of stock options by eligible employees through the 'Dr. Reddy's Employees Stock Option Scheme, 2002' and 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007'.

### FIXED DEPOSITS

The company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Accordingly, no disclosure or reporting is required in respect of details relating to deposits.

### CHANGE IN THE NATURE OF BUSINESS, IF ANY

During the year, there was no change in the nature of business of the company or any of its subsidiaries.

### MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been no such changes.

### SUBSIDIARIES AND ASSOCIATES

The company had 52 subsidiaries and two joint venture companies as on 31 March 2019. During FY2019, Dr. Reddy's Laboratories (Thailand) Limited and Dr. Reddy's Laboratories Philippines Inc. have become subsidiary companies. Pursuant to sale of all the issued and outstanding membership interests in the antibiotic manufacturing facility at Tennessee, USA, Dr. Reddy's Laboratories Tennessee, LLC ceased to be a subsidiary during the year.

Section 129(3) of the Companies Act, 2013 states that where the company has one or more subsidiaries, it shall, in addition to its financial statements, prepare a consolidated financial statement of the company and of all subsidiaries in the same form and manner as that of its own and also attach

along with its financial statement, a separate statement containing the salient features of the financial statements of its subsidiaries and associates.

Hence, the consolidated financial statements of the company and all its subsidiaries and joint ventures, prepared in accordance with Ind AS 110 and 111 as specified in the Companies (Indian Accounting Standards) Rules, 2015, form part of the annual report. Moreover, a statement containing the salient features of the financial statements of the company's subsidiaries and joint ventures in the prescribed Form AOC-1, is attached as **Annexure II** to the board's report. This statement also provides details of the performance and financial position of each subsidiary and joint venture.

In accordance with Section 136 of the Companies Act, 2013, the audited financial statements and related information of the company and its subsidiaries, wherever applicable, are available for inspection during regular business hours at our registered office in Hyderabad, India. These are also available on the company's website, [www.drreddys.com](http://www.drreddys.com).

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The company makes investments or extends loans/guarantees to its wholly-owned subsidiaries for their business purposes. Details of loans, guarantees and investments covered under Section 186 of the Companies Act, 2013, along with the purpose for which such loan or guarantee was proposed to be utilized by the recipient, form part of the notes to the financial statements provided in this annual report.

### CORPORATE GOVERNANCE AND ADDITIONAL SHAREHOLDERS' INFORMATION

A detailed report on the corporate governance systems and practices of the company is given in a separate chapter of this annual report. Similarly, other information for shareholders is provided in the Chapter on *Additional Shareholders' Information*. A certificate from the statutory auditors of the company confirming compliance with the conditions of corporate governance is attached to the Chapter on *Corporate Governance*.

### MANAGEMENT DISCUSSION AND ANALYSIS

A detailed report on the *Management Discussion and Analysis* in terms of Regulation 34 of the Listing Regulations is provided as a separate chapter in the annual report.

### BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Hans Peter Hasler resigned from the board on 14 June 2018 as independent director. The board places on record its appreciation for the services rendered by Mr. Hans Peter Hasler during his tenure as a member of the board and its committees.

The shareholders of the company approved reappointment of Mr. Anupam Puri as an independent director, for second term of one year from 27 July 2018 up to 26 July 2019, under Section 149 of the Companies Act, 2013 at the 34th AGM held on 27 July 2018.

Mr. Leo Puri, Ms. Shikha Sharma and Mr. Allan Oberman were appointed as additional directors of the company, categorized as Independent with effect from 25 October 2018, 31 January 2019 and 26 March 2019 respectively. The board recommends appointment of Mr. Leo Puri, Ms. Shikha Sharma and Mr. Allan Oberman as independent directors under Section 149 of the Companies Act, 2013 for a term of five years each with effect from 25 October 2018, 31 January 2019 and 26 March 2019, respectively for approval of the shareholders at the forthcoming 35th AGM scheduled on 30 July 2019.

Further, the shareholders of the company approved the continuation of directorship of Dr. Bruce L A Carter, aged 75 years under Regulation 17(1A) of the Listing Regulations and also reappointed him as a non-executive independent director of the company for a second term of three consecutive years from 31 July 2019 up to 30 July 2022, by passing a special resolution through postal ballot.

The terms of Mr. Sridar Iyengar and Ms. Kalpana Morparia, independent directors, end at the forthcoming 35th AGM. The board recommends reappointment of Mr. Iyengar and Ms. Morparia, as independent directors under Section 149 of Companies Act, 2013 for another term of four and five years, respectively,

for approval of the shareholders at the forthcoming 35th AGM scheduled on 30 July 2019.

In accordance with Section 149(7) of the Companies Act, 2013, each independent director has confirmed to the company that he or she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations.

Mr. Anupam Puri completes his second term as an independent director. Dr. Omkar Goswami retires from the board of the company as independent director at 35th AGM to be held on 30 July 2019, and does not seek reappointment. The board wishes them well, and places on record its appreciation for their work over the long period of time that they have served as the directors of the company.

Mr. G V Prasad, retires by rotation at the forthcoming 35th AGM and being eligible, seeks reappointment.

Brief profiles of Mr. Sridar Iyengar, Ms. Kalpana Morparia, Mr. Leo Puri, Ms. Shikha Sharma, Mr. Allan Oberman and Mr. G V Prasad are given in the Chapter on *Corporate Governance* and the *Notice* convening the 35th AGM for reference of the shareholders.

There is no change in KMP during the year under review.

### BOARD EVALUATION

As per provisions of the Companies Act, 2013 and Regulation 17(10) of the Listing Regulations, an evaluation of the performance of the board, its committees and members was undertaken. For details, please see the Chapter on *Corporate Governance* in this annual report.

### APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY

The assessment and appointment of members to the board is based on a combination of criterion that includes ethics, personal and professional stature, domain expertise, gender diversity and specific qualifications required for the position. A potential board member is also assessed on the basis of independence criteria defined in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations.

In accordance with Section 178(3) of the Companies Act, 2013, Regulation 19(4) of the Listing Regulations and on recommendations of the company's nomination, governance and compensation committee, the board adopted a remuneration policy for directors, KMP, senior management and other employees. The policy is attached in the Chapter on *Corporate Governance*.

### NUMBER OF BOARD MEETINGS

The board of directors met five times during the year. In addition, an annual board retreat was held to discuss strategic matters. Details of board meetings are given in the Chapter on *Corporate Governance*.

### AUDIT COMMITTEE

The audit committee of the board of directors consists entirely of independent directors. Presently, the committee comprises Mr. Sridar Iyengar (chairman), Dr. Omkar Goswami, Mr. Bharat N Doshi and Ms. Shikha Sharma. Further details can be seen in the Chapter on *Corporate Governance*. The board has accepted all recommendations made by the audit committee during the year.

### BUSINESS RISK MANAGEMENT

The company has a risk management committee of the board, consisting entirely of independent directors, and chaired by Dr. Omkar Goswami. Details of the committee and its terms of reference are set out in the Chapter on *Corporate Governance*.

The audit and risk management committees review key risk elements of the company's business, finance, operations and compliance, and respective mitigation strategies. The risk management committee reviews key strategic, business, compliance and operational risks, while issues around ethics and fraud, internal control over financial reporting (ICOFR), as well as process risks and their mitigation are reviewed by the audit committee.

The company's finance, investment and risk management council (FIRM council) is a management level committee which operates under a charter and focuses on risks associated with the company's business. The FIRM council periodically reviews matters pertaining to risk management, compliance, ethics and fraud. Additionally, the enterprise wide

risk management (ERM) function helps management and the board to periodically prioritize, review and measure business risks against a pre-determined risk appetite, and their suitable response, depending on whether such risks are internal, strategic or external.

During FY2019, focus areas of risk management committee included progress on cyber security, data privacy, quality and regulatory, geo-political risk, compliance, patent infringement and other operating risk exposures.

### ADEQUACY OF INTERNAL FINANCIAL CONTROL SYSTEMS

The company has in place adequate internal financial controls with reference to its financial statements. These controls ensure the accuracy and completeness of the accounting records and the preparation of reliable financial statements.

### DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134(5) of the Companies Act, 2013, your directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company at the end of the FY2019 and of the profit of the company for that period;
3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. annual accounts have been prepared on a going concern basis;
5. adequate internal financial controls for the company to follow have been laid down and these are operating effectively; and
6. proper and adequate systems have been devised to ensure compliance with the provisions of all applicable laws and these systems are operating effectively.

## RELATED PARTY TRANSACTIONS

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contracts or arrangements entered into by the company with related parties referred to in Section 188(1) of the Companies Act, 2013 in Form AOC-2 is attached as **Annexure III**. All such contracts or arrangements are in the interest of the company. Details of related party disclosures form part of the notes to the financial statements provided in this annual report.

## VIGIL MECHANISM/WHISTLE-BLOWER/OMBUDSPERSON POLICY

The company has an ombudsperson policy (whistle-blower/vigil mechanism) to report concerns. The vigil mechanism consists of a hotline — namely, a dedicated e-mail ID and a phone number. The ombudsperson policy safeguards against retaliation of those who use this mechanism. The audit committee chairperson is the chief ombudsperson. The policy also provides access to the chairperson of the audit committee for raising concerns. Details of the policy are available on the weblink: [www.drreddys.com/investors/governance/ombudsperson-policy](http://www.drreddys.com/investors/governance/ombudsperson-policy).

## STATUTORY AUDITORS

M/s. S R Batliboi & Associates LLP, Chartered Accountants (firm registration no. 101049W/E300004) were appointed as statutory auditors of the company at the 32nd AGM held on 27 July 2016, for a period of five years commencing from the conclusion of 32nd AGM till the conclusion of the 37th AGM, subject to ratification by shareholders every year, as may be applicable. However, the Ministry of Corporate Affairs (MCA) in its notification dated 7 May 2018 has omitted the requirement under the first proviso to Section 139 of the Companies Act, 2013 and Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of statutory auditors by shareholders at every subsequent AGM.

Consequently, M/s. S R Batliboi & Associates LLP, chartered accountants, continue to be the statutory auditors of the company till the conclusion of 37th AGM, as approved by shareholders at 32nd AGM held on 27 July 2016.

## SECRETARIAL AUDITOR

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Dr. K R Chandratre, practicing company secretary (membership no. FCS 1370 and certificate of practice no. 5144) was appointed to conduct the secretarial audit of the company for FY2019. The secretarial audit report for FY2019 is attached as **Annexure IV**.

Based on the consent received from Dr. K R Chandratre, and on the recommendations of the audit committee, the board has appointed him as the secretarial auditor of the company for FY2020.

## COST AUDITORS

Pursuant to Section 148(1) of the Companies Act, 2013 read with the relevant rules made thereunder, the company maintains the cost audit records in respect of its pharmaceutical business.

On the recommendation of the audit committee, the board has appointed M/s. Sagar & Associates, cost accountants (firm registration no. 000118) as cost auditors of the company for the FY2020 at a remuneration of ₹ 7 lakh plus reimbursement of out-of-pocket expenses at actuals and applicable taxes. The provisions also require that the remuneration of the cost auditors be ratified by the shareholders. As a matter of record, relevant cost audit reports for FY2018 were filed with the Central Government on 23 August 2018, within the stipulated timeline. The cost audit report for FY2019 will also be filed within the timeline.

## SECRETARIAL STANDARDS

In terms of Section 118(10) of the Companies Act, 2013, the company complies with Secretarial Standards 1 and 2, relating to the 'Meetings of the Board of Directors' and 'General Meetings' respectively as specified by the Institute of Company Secretaries of India and approved by the Central Government. The company has also voluntarily adopted the recommendatory Secretarial Standard-3 on 'Dividend' and Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

## BOARD'S RESPONSE ON AUDITORS' QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their report, or by the practicing company secretary in the secretarial audit report. During the year, there were no instances of frauds reported by auditors under Section 143(12) of the Companies Act, 2013.

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

On 25 August, 2017, a securities class action lawsuit was filed against the company, its Chief Executive Officer (CEO) and its Chief Financial Officer (CFO) in the United States District Court for the District of New Jersey. The company's Co-Chairman, its Chief Operating Officer (COO) of the time (since retired), and Dr. Reddy's Laboratories, Inc., were subsequently named as defendants in the case. The operative complaint alleges that the company made false or misleading statements or omissions in its public filings, in violation of the US federal securities laws; that the company's share price dropped and its investors were affected.

On 21 March 2019, the District Court issued its decision (dated 20 March 2019) granting in part and denying in part the motion to dismiss. Pursuant to that decision, the Court dismissed the plaintiff's claims on 17 out of the 22 alleged misstatements/omissions.

The company believes that all the asserted claims, including the remaining five out of 22, are without merit and intends to vigorously defend itself against the allegations. At this point, any liability that may arise on account of this claim is unascertainable. Accordingly, no provision has been made in the consolidated financial statements of the company.

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

The company has an apex complaints committee and an internal complaints committee which operate under a defined redressal system for complaints pertaining to sexual harassment of women at the

workplace. Details are available in the principle 3 of the *Business Responsibility Report* forming a part of this annual report.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

As per Section 135 of the Companies Act, 2013, the company has a board-level CSR committee consisting of Mr. Bharat N Doshi (chairman), Mr. G V Prasad and Mr. K Satish Reddy. The company's CSR policy provides a constructive framework to review and organize our social outreach programs in health, livelihood and education. During the year, the committee monitored implementation and adherence to the CSR policy. Details of the CSR policy and initiatives taken by the company during the year are available on the company's website, [www.drreddys.com](http://www.drreddys.com). The report on CSR activities is attached as **Annexure V**.

## BUSINESS RESPONSIBILITY REPORT

A detailed *Business Responsibility Report* as required under Regulation 34 of the Listing Regulations, is given as a separate section in this annual report.

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

Pursuant to the provisions of the Companies Act, 2013, read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, declared dividends which remained unpaid or unclaimed for a period of seven years have been transferred by the company to the IEPF, which has been established by the Central Government.

The above-referred rules also mandate transfer of shares on which dividend are lying unpaid or unclaimed for a period of seven consecutive years to IEPF. The company has issued individual notices to the shareholders whose equity shares are liable to be transferred to IEPF, advising them to claim their dividend on or before 14 August 2019. Details of transfer of unpaid and unclaimed amounts to IEPF are given in the Chapter on *Additional Shareholders' Information*.

## EMPLOYEES STOCK OPTION SCHEMES

During the year, the company has formulated and implemented 'Dr. Reddy's Employees Stock Option Scheme, 2018' and established Dr. Reddy's Employees ESOS Trust for its implementation and administration. Both the Scheme and implementation of the scheme through Trust were approved by the shareholders at the 34th AGM of the company.

There has been no change in the 'Dr. Reddy's Employees Stock Option Scheme, 2002', the 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007' and Dr. Reddy's Employees Stock Option Scheme, 2018' (collectively referred as 'the schemes').

The schemes are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014.

Details are available on the company's website: [www.drreddys.com/media/904448/esop\\_details.pdf](http://www.drreddys.com/media/904448/esop_details.pdf)

The details also form part of note 2.23 of the notes to accounts of the standalone financial statements.

## PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as **Annexure VI**.

In terms of Section 197(12) of the Companies Act, 2013, read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of limits set out in said rules forms part of the annual report.

Considering the first proviso to Section 136(1) of the Companies Act, 2013, the annual report, excluding the aforesaid information, is being sent to the shareholders of the company and others entitled thereto. The said information is

available for inspection at the registered office of the company during business hours on working days up to the date of the forthcoming 35th AGM. Any shareholder interested in obtaining a copy thereof may write to the company secretary in this regard.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are attached as **Annexure VII**.

## ANNUAL RETURN

Details forming part of the extract of the annual return in form MGT-9 are attached as **Annexure VIII**.

## ACKNOWLEDGMENT

Your directors place on record their sincere appreciation for the significant contribution made by its employees through their dedication, hard work and commitment, as also for the trust reposed on the company by the medical fraternity and patients. The board of directors also acknowledge the support extended by the analysts, bankers, government agencies, media, customers, suppliers, shareholders and investors at large.

It looks forward to your continued support in the company's endeavor to accelerate access to innovative and affordable medicines because *Good Health Can't Wait*.

For and on behalf of the board of directors

**K Satish Reddy**  
Chairman

Place : Hyderabad  
Date : 17 May 2019

## ANNEXURE-I

### DIVIDEND DISTRIBUTION POLICY

(Originally approved on 18 May 2009 and modified by the board of directors at their meeting held on 25 October 2016)

#### KEY HIGHLIGHTS

- Dividend payout would be subject to profitability under Standalone Financials Statements prepared under Indian Accounting Standard (IND-AS)
- Special dividend, if any, to be outside the scope of this policy but would be governed by the provisions under the Companies Act, 2013
- Applicable to Dr. Reddy's Laboratories Limited, India only and not its subsidiaries

#### INTRODUCTION

The board of directors of Dr. Reddy's Laboratories Limited (Dr. Reddy's or the company), aims to grow the business lines of the company and enhance the rate of return on investments of the shareholders. They present the dividend distribution policy, considering:

- Preservation of a balance between the expectations of its shareholders and company's own need to grow, and
- The profitability of the company.

The policy is intended to ensure a regular dividend payout for maximizing the shareholder's wealth with an objective to distribute a regular dividend through an interim or final dividend or a combination of both.

The annual dividend rate would be recommended by the board of directors and could vary in order to reflect the underlying growth of the company and to maintain a regular dividend payment.

#### APPLICABILITY

This policy is a guiding principle for Dr. Reddy's Laboratories Limited, India

#### STATUTORY PROVISIONS

Under the Companies Act, 2013 and Rules made there under, a company shall declare or pay dividend, for any financial year, only out of the profits of the company for that financial year. The following points set out the statutory obligations of a company/requirements under the Companies Act, 2013 with respect to declaration/payment of dividend. [Section 123].

- The dividend shall be declared/paid only out of the profits of the company after providing for depreciation in accordance with the provisions of the law.
- The Company before declaration of any dividend in any financial year, may transfer such percentage of its profit for that financial year to the general reserve.

However, in case of inadequacy or absence of profits in any year, a maximum of 10% of paid-up capital can be declared as dividend, subject to other provisions contained in the Companies (Declaration and Payment of Dividend) Rules, 2014.

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, requires a Company to disclose its dividend distribution policy in its annual report and on its website.

#### I. DECLARATION

The declaration of dividend would be subject to compliance with applicable provisions of the Companies Act, 2013 and Rules made there under, if any.

#### II. LOSSES

Before declaring any dividend, the losses, if any, of any previous year(s) must be set off against the profits of the company for the current year or previous years.

#### III. DECLARATION OF DIVIDEND OUT OF RESERVES

The declaration of dividend out of reserves or accumulated profit & loss account may be as per the provisions of the Companies Act, 2013 and Rules made thereunder, if any.

#### IV. AMOUNT OF DIVIDEND

The board may endeavor to recommend dividends considering:

- Company's need for Capital for its growth/expansion plans; and
- Positive Cash Flow

The amount of **maximum dividend payout** (including interim dividend) is expected to be up to 20% of the cash profit under Consolidated Financial Statement prepared under Indian Accounting Standards (IND-AS).

Subject to per share amount rounding off to nearest 25 paise and further subject to percentage being adjusted to nearest multiple of 5.

#### V. PARAMETERS TO BE CONSIDERED BEFORE DECLARING DIVIDEND

The major internal and external factors for deciding on dividend payment are:

- Current year's earnings
- Past dividend pattern
- Liquidity – Cash flow
- Repayment/Pre-payment of borrowing
- Expected Future Earnings
- Capital Expenditure Requirements (Retained earnings) requiring ploughing back of profits i.e. future capital expenditure program including
  - New projects
  - Expansion of capacities of existing units
  - Renovation/Modernizations
  - Acquisition of brands/businesses
  - Major Repairs & Maintenance
- Likelihood of crystallization of contingent liabilities, if any
- Contingency Fund
- Sale of brands/businesses
- Social/Geo-political factors/risks
- Regulatory or proposed regulatory requirements
- Currency risk

Prior to declaration/recommendation of any dividend as per this policy, the company may consider any applicable covenants/conditions or restrictions imposed by any lenders, JV partners of the company or its subsidiaries. The Company may decide to retain earnings in entirety for a particular year(s) for its growth/expansion, consequently resulting in shareholders' wealth creation.

#### VI) TIMING

##### 1. INTERIM DIVIDEND

The board may declare the interim dividend, based on review of profits earned during the current year - to date.

The interim dividend may be declared during the tenure of the financial year i.e. normally at the time of reviewing and approving the quarterly/half-yearly financial results.

**2. FINAL DIVIDEND**

The board may recommend the final dividend, subject to the approval of the members of the company, based on profitability of the company as per the annual audited financial statements. The final dividend may be recommended once in a year and shall be subject to the approval of the members of the company at their meeting held for the purpose.

In addition to the above, the board of directors of the company may also consider declaration of any special dividend, on special occasions, as and when they may deem fit, subject to provisions of the Companies Act, 2013, Rules made thereunder and other relevant requirements, if any.

**VII) CLASSES OF SHARES**

At present, the issued and paid-up share capital of the company comprises only of equity shares. As and when the company issues any other class(es) of shares, the board of directors may suitably declare dividend on such class(es) in accordance with the provisions of the Companies Act, 2013.

**VIII) TAXATION**

The company shall be responsible for payment of Dividend Distribution Tax as per the provisions of Income Tax Act, 1961 or such other amendments from time to time.

However, the Income Tax liability, if such is applicable, on the dividend earned by the shareholders under the Income Tax Act, 1961 or such other amendment

from time to time shall be borne by the respective shareholders and if required under the then prevalent Income Tax laws, the payment shall also be subject to deduction of tax at source.

**IX) PERIODIC REVIEW OF THIS POLICY AMENDMENTS**

The board may amend, modify, repeal or waive any of the stipulations of this Policy at any time, as it determines necessary or appropriate, in the exercise of its judgment or fiduciary duties and as per the provisions of the Companies Act.

**K Satish Reddy**

Chairman

Place : Hyderabad

Date : 17 May 2019

**ANNEXURE-II****FORM AOC-1**

(Statement pursuant to first proviso to sub-Section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)  
(Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures)

**Part "A" : Subsidiaries**

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

SL. NO.	NAME OF THE SUBSIDIARY	AS AT 31 MARCH 2019											FOR THE YEAR ENDED 31 MARCH 2019					
		REPORTING PERIOD FOR THE SUBSIDIARY	DATE OF INCORPORATION/ ACQUISITION	% OF SHAREHOLDING	REPORTING CURRENCY	EXCHANGE RATE	SHARE CAPITAL	RESERVES & SURPLUS	OTHER LIABILITIES	TOTAL EQUITY AND LIABILITIES	TOTAL ASSETS	INVESTMENTS*	TURNOVER	NET EXPENSE (TOTAL EXPENSE NET OF OTHER INCOME)	PROFIT / (LOSS) BEFORE TAXATION	PROVISION FOR TAXATION	PROFIT / (LOSS) AFTER TAXATION	PROPOSED DIVIDEND
1	Aurigene Discovery Technologies (Malaysia) SDN BHD	31-03-19	26-09-07	100%	MYR	16.94	16	14	2	32	32	23	26	24	2	-	2	-
2	Aurigene Discovery Technologies Inc.	31-03-19	29-04-02	100%	USD	69.16	257	(256)	-	1	1	-	-	-	-	-	-	-
3	Aurigene Discovery Technologies Limited	31-03-19	10-08-01	100%	INR	1.00	905	(535)	2,438	2,808	2,808	1,591	2,112	1,462	650	189	461	-
4	beta Institut gemeinnützige GmbH <sup>(4)</sup>	31-03-19	15-02-06	100%	EUR	77.67	5	1	3	9	9	-	-	1	(1)	-	(1)	-
5	betapharm Arzneimittel GmbH <sup>(4)</sup>	31-03-19	15-02-06	100%	EUR	77.67	60	11	7,205	7,276	7,276	-	6,665	6,625	40	-	40	-
6	Cheminar Investments Limited	31-03-19	23-01-90	100%	INR	1.00	1	-	-	1	1	-	-	-	-	-	-	-
7	Chirotech Technology Limited	31-03-19	28-04-08	100%	GBP	90.53	1,060	57	149	1,266	1,266	-	-	(25)	25	5	20	-
8	DRL Impex Limited	31-03-19	18-08-86	100%	INR	1.00	760	(762)	16	14	14	3	-	-	-	-	-	-
9	Dr. Reddy's Bio-Sciences Limited	31-03-19	09-07-03	100%	INR	1.00	540	(283)	70	327	327	-	-	38	(38)	2	(40)	-
10	Dr. Reddy's Farmaceutica Do Brasil Ltda.	31-03-19	20-07-00	100%	BRL	17.75	818	(1,117)	1,448	1,149	1,149	-	1,545	1,361	184	(145)	329	-
11	Dr. Reddy's Laboratories (Australia) Pty. Limited	31-03-19	07-06-06	100%	AUD	49.02	35	(339)	668	364	364	-	676	626	50	12	38	-
12	Dr. Reddy's Laboratories (Canada) Inc.	31-03-19	29-08-13	100%	CAD	51.54	-	300	343	643	643	-	1,505	1,276	229	36	193	-

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

SL. NO.	NAME OF THE SUBSIDIARY	AS AT 31 MARCH 2019											FOR THE YEAR ENDED 31 MARCH 2019						
		REPORTING PERIOD FOR THE SUBSIDIARY	DATE OF INCORPORATION/ACQUISITION	% OF SHAREHOLDING	REPORTING CURRENCY	EXCHANGE RATE	SHARE CAPITAL	RESERVES & SURPLUS	OTHER LIABILITIES	TOTAL EQUITY AND LIABILITIES	TOTAL ASSETS	INVESTMENTS*	TURNOVER	NET EXPENSE (TOTAL EXPENSE NET OF OTHER INCOME)	PROFIT / (LOSS) BEFORE TAXATION	PROVISION FOR TAXATION	PROFIT / (LOSS) AFTER TAXATION	PROPOSED DIVIDEND	
13	Dr. Reddy's Laboratories Chile SPA.	31-03-19	16-06-17	100%	CLP	0.10	65	(76)	189	178	178	-	79	119	(40)	1	(41)	-	
14	Dr. Reddy's Laboratories (EU) Limited	31-03-19	17-04-02	100%	GBP	90.53	723	1,407	1,637	3,767	3,767	-	2,486	1,575	911	174	737	-	
15	Dr. Reddy's Laboratories Inc. <sup>(1)</sup>	31-03-19	13-05-92	100%	USD	69.16	580	9,476	29,974	40,030	40,030	21	60,067	69,728	(9,661)	867	(10,528)	-	
16	Dr. Reddy's Laboratories International SA	31-03-19	24-03-10	100%	CHF	69.43	275	3	1	279	279	-	-	-	-	-	-	-	
17	Dr. Reddy's Laboratories Japan KK	31-03-19	21-04-15	100%	JPY	0.62	29	(26)	2	5	5	-	-	16	(16)	-	(16)	-	
18	Dr Reddy's Laboratories Kazakhstan LLP	31-03-19	30-11-16	100%	KZT	0.18	81	109	735	925	925	-	1,712	1,716	(4)	(6)	2	-	
19	Dr. Reddy's Laboratories LLC	31-03-19	11-05-11	100%	UAH	2.54	71	22	1,242	1,335	1,335	-	2,484	2,411	73	3	70	-	
20	Dr. Reddy's Laboratories Louisiana LLC <sup>(1)</sup>	31-03-19	30-04-08	100%	USD	69.16	-	(452)	4,574	4,122	4,122	-	2,899	3,670	(771)	-	(771)	-	
21	Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	31-03-19	10-07-17	100%	MYR	16.94	49	(22)	14	41	41	-	54	62	(8)	-	(8)	-	
22	Dr. Reddy's Laboratories New York, Inc.	31-03-19	24-05-11	100%	USD	69.16	-	(1,556)	2,463	907	907	-	-	429	(429)	(3)	(426)	-	
23	Dr. Reddy's Laboratories Philippines Inc. (from 9 May 2018)	31-03-19	09-05-18	100%	PHP	1.32	12	(4)	2	10	10	-	-	4	(4)	-	(4)	-	
24	Dr. Reddy's Laboratories (Proprietary) Limited	31-03-19	13-06-02	100%	ZAR	4.77	-	290	611	901	901	-	1,609	1,493	116	22	94	-	
25	Dr. Reddy's Laboratories Romania SRL	31-03-19	07-06-10	100%	RON	16.33	24	237	44	305	305	-	608	570	38	13	25	-	
26	Dr. Reddy's Laboratories SA	31-03-19	16-04-07	100%	USD	69.16	5,027	39,638	26,462	71,127	71,127	-	18,989	14,377	4,612	73	4,539	-	
27	Dr. Reddy's Laboratories SAS	31-03-19	04-11-14	100%	COP	0.02	104	(6)	327	425	425	-	419	420	(1)	-	(1)	-	
28	Dr. Reddy's Laboratories Taiwan Ltd.	31-03-19	23-02-18	100%	TWD	2.24	13	(11)	1	3	3	-	-	10	(10)	-	(10)	-	
29	Dr. Reddy's Laboratories Tennessee, LLC <sup>(1)</sup> (Till 1 October 2018)	31-03-19	07-10-10	100%	USD	69.16	-	-	-	-	-	-	91	243	(152)	-	(152)	-	
30	Dr. Reddy's Laboratories (Thailand) Limited (from 13 June 2018)	31-03-19	13-06-18	100%	TWD	2.24	23	(20)	3	6	6	-	-	20	(20)	-	(20)	-	
31	Dr. Reddy's Laboratories (UK) Limited	31-03-19	29-11-02	100%	GBP	90.53	-	2,648	1,038	3,686	3,686	-	2,455	2,203	252	45	207	-	
32	Dr. Reddy's Research and Development B.V. (formerly Octoplus BV)	31-03-19	15-02-13	100%	EUR	77.67	460	(1,120)	3,520	2,860	2,860	-	979	1,058	(79)	31	(110)	-	
33	Dr. Reddy's Singapore PTE. Ltd. <sup>(2)</sup>	31-03-19	22-10-13	100%	SGD	51.04	-	-	-	-	-	-	-	(3)	3	-	3	-	
34	Dr. Reddy's Srl	31-03-19	05-08-08	100%	EUR	77.67	6	(815)	1,178	369	369	-	283	280	3	-	3	-	
35	Dr. Reddy's New Zealand Limited	31-03-19	01-02-08	100%	NZD	47.01	-	64	21	85	85	-	139	135	4	-	4	-	
36	Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd	31-03-19	02-06-17	100%	RMB	10.30	65	(38)	33	60	60	-	103	82	21	-	21	-	
37	Dr. Reddy's Venezuela, C.A.	31-03-19	20-10-10	100%	VES	0.02	58	(4,426)	4,518	150	150	-	-	222	(222)	-	(222)	-	
38	Eurobridge Consulting B.V.	31-03-19	11-09-07	100%	EUR	77.67	41	220	2,106	2,367	2,367	-	-	214	(214)	-	(214)	-	
39	Idea2Enterprises (India) Private Limited	31-03-19	30-06-10	100%	INR	1.00	25	1,511	4	1,540	1,540	-	-	-	-	-	-	-	
40	Imperial Credit Private Limited	31-03-19	22-02-17	100%	INR	1.00	12	11	-	23	23	23	-	(1)	1	-	1	-	
41	Industrias Quimicas Falcon de Mexico, S.A. de CV	31-03-19	30-12-05	100%	MXN	3.57	594	57	3,643	4,294	4,294	-	4,476	4,538	(62)	6	(68)	-	
42	Kunshan Rotam Reddy Pharmaceutical Company Limited <sup>(3)</sup>	31-03-19	15-08-01	51.33%	RMB	10.30	-	-	-	-	-	-	-	-	-	-	-	449	-
43	Lacock Holdings Limited	31-03-19	15-12-05	100%	EUR	77.67	1	150	1	152	152	-	-	1	(1)	(23)	22	-	
44	OOO Dr. Reddy's Laboratories Limited	31-03-19	05-04-03	100%	RUB	1.07	738	1,596	9,847	12,181	12,181	-	18,291	17,797	494	142	352	-	
45	OOO DRS LLC	31-03-19	11-09-07	100%	RUB	1.07	30	74	109	213	213	-	-	10	(10)	-	(10)	-	
46	Promius Pharma LLC <sup>(1)</sup>	31-03-19	14-02-03	100%	USD	69.16	13,908	(13,414)	16,181	16,675	16,675	-	4,367	3,759	608	-	608	-	
47	Reddy Antilles N.V.	31-03-19	30-01-97	100%	USD	69.16	411	(346)	1	66	66	-	-	30	(30)	-	(30)	-	
48	Reddy Holding GmbH <sup>(4)</sup>	31-03-19	15-02-06	100%	EUR	77.67	2	20,750	5,579	26,331	26,331	-	-	(731)	731	235	496	-	
49	Reddy Netherlands B.V.	31-03-19	20-02-97	100%	EUR	77.67	7	2,821	15	2,843	2,843	-	-	27	(27)	1	(28)	-	
50	Reddy Pharma Iberia SA	31-03-19	18-05-06	100%	EUR	77.67	566	(522)	53	97	97	-	65	117	(52)	-	(52)	-	

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

SL. NO.	NAME OF THE SUBSIDIARY	AS AT 31 MARCH 2019											FOR THE YEAR ENDED 31 MARCH 2019					
		REPORTING PERIOD FOR THE SUBSIDIARY	DATE OF INCORPORATION/ ACQUISITION	% OF SHAREHOLDING	REPORTING CURRENCY	EXCHANGE RATE	SHARE CAPITAL	RESERVES & SURPLUS	OTHER LIABILITIES	TOTAL EQUITY AND LIABILITIES	TOTAL ASSETS	INVESTMENTS <sup>1</sup>	TURNOVER	NET EXPENSE (TOTAL EXPENSE NET OF OTHER INCOME)	PROFIT / (LOSS) BEFORE TAXATION	PROVISION FOR TAXATION	PROFIT / (LOSS) AFTER TAXATION	PROPOSED DIVIDEND
51	Reddy Pharma Italia S.p.A	31-03-19	13-10-06	100%	EUR	77.67	63	(29)	1,167	1,201	1,201	-	-	1	(1)	-	(1)	-
52	Reddy Pharma SAS	31-03-19	29-10-15	100%	EUR	77.67	288	(244)	56	100	100	-	42	133	(91)	-	(91)	-
53	Regkinetics Services Limited (formerly Dr. Reddy's Pharma SEZ Limited)	31-03-19	08-07-09	100%	INR	1.00	201	6	1	208	208	206	-	(12)	12	3	9	-

\* Includes all investments excluding investment in subsidiaries

<sup>(1)</sup> Tax expense for these entities is computed together as per the tax laws of United States. The total tax expense is presented in Sl. No. 15 - Dr. Reddy's Laboratories Inc.<sup>(2)</sup> Under liquidation<sup>(3)</sup> The investment has been accounted using equity method. Refer note 2.5 of consolidated financial statements.<sup>(4)</sup> Tax expense for these entities is computed together as per the tax laws of Germany. The total tax expense is presented in Sl. No. 48 - Reddy Holding GmbH.

## Part "B": Associates and joint ventures

SL. NO.	NAME OF THE ASSOCIATE/ JOINT VENTURE	LATEST AUDITED BALANCE SHEET DATE	SHARES OF ASSOCIATE/JOINT VENTURES HELD BY THE COMPANY ON THE YEAR END			NET WORTH ATTRIBUTABLE TO SHAREHOLDING AS PER LATEST AUDITED BALANCE SHEET	PROFIT / LOSS FOR THE YEAR		DESCRIPTION OF HOW THERE IS A SIGNIFICANT INFLUENCE	REASON WHY THE ASSOCIATE/ JOINT VENTURE IS NOT CONSOLIDATED
			NO.	AMOUNT OF INVESTMENT IN ASSOCIATES/JOINT VENTURE	EXTEND OF HOLDING %		CONSIDERED IN CONSOLIDATION	NOT CONSIDERED IN CONSOLIDATION		
1	DRANU LLC, USA	NA	NA	360	50%	-	-	NA	NA	
2	DRES Energy Private Limited, India	31-Mar-19	8,580,000	86	26%	-	(11)	(26)	NA	NA

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

**K Satish Reddy**  
**G V Prasad**  
**Saumen Chakraborty**  
**Sandeep Poddar**

Chairman  
Co-Chairman, Managing Director & CEO  
Chief Financial Officer  
Company Secretary

Place: Hyderabad  
Date : 17 May 2019

## ANNEXURE-III

### FORM NO. AOC – 2

#### (Pursuant to clause (h) of sub-Section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-Section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

#### 1. DETAILS OF CONTRACTS OR ARRANGEMENTS OR TRANSACTIONS NOT AT ARM'S LENGTH BASIS:

(a)	Name(s) of the related party and nature of relationship	
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/transactions	
(d)	Salient terms of the contracts/arrangements/transactions including the value, if any	
(e)	Justification for entering into such contracts/arrangements or transactions	Not Applicable
(f)	Date(s) of approval by the board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

#### 2. DETAILS OF MATERIAL CONTRACTS OR ARRANGEMENT OR TRANSACTIONS AT ARM'S LENGTH BASIS

(a)	Names(s) of the related party and nature of relationship	Dr. Reddy's Laboratories Inc., USA – Wholly-owned subsidiary
(b)	Nature of contracts/arrangements/transactions	Transfer or receipt of products, goods, materials or services
(c)	Duration of the contracts/arrangements/transactions	Ongoing
(d)	Salient terms of the contracts/arrangements/transactions including the value, if any	Transfer or receipt of products, goods, materials or services on arm's length for an estimated amount of up to US\$ 1,100 million every financial year
(e)	Date(s) of approval by the board, if any	13 May 2014
(f)	Amount paid as advances, if any	-

**K Satish Reddy**  
Chairman

## ANNEXURE-IV

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

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

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Dr. Reddy's Laboratories Limited (hereinafter called "the company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31 March 2019 ('Audit Period') complied with the statutory provisions listed hereunder and also that the company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31 March 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment (There were no External Commercial Borrowings transactions in the company, during the Audit Period);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and 2018 (**not applicable to the company during the Audit Period**);
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**not applicable to the company during the Audit Period**);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**not applicable to the company during the Audit Period**); and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and 2018 (**not applicable to the company during the Audit Period**).
- (vi) **I further report that**, having regard to the compliance system prevailing in the company and on examination of the relevant documents and records in pursuance thereof on test-check basis, the company has complied with the following laws applicable specifically to the company:
- (a) The Drugs and Cosmetics Act, 1940 and Rules made thereunder; and
  - (b) Drugs (Prices Control) Order, 2013 and notifications made thereunder.

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

- (i) Secretarial Standards (SS-1 and SS-2) issued by The Institute of Company Secretaries of India; and
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the company has complied with the provisions

of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**I further report that** the Board of Directors of the company is duly constituted with proper balance of Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

**I further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the audit period there were no specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards.

**Dr. K R Chandratre**

FCS No.: 1370

C. P. No.: 5144

Place : Pune

Date : 17 May 2019

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

## ANNEXURE TO THE SECRETARIAL AUDIT REPORT

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

My report of even date is to be read along with this letter:

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

**Dr. K R Chandratre**

FCS No.: 1370

C. P. No.: 5144

Place : Pune

Date : 17 May 2019

## ANNEXURE- V

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

- A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs: **The board has approved the CSR Policy of the company. It can be viewed at [https://www.drreddys.com/media/527942/corporate-social-responsibility-policy\\_2017.pdf](https://www.drreddys.com/media/527942/corporate-social-responsibility-policy_2017.pdf)**
- The composition of the CSR committee: **The CSR committee was constituted by the board of directors at its meeting held on 31 October 2013. As on date, the committee comprises of Mr. Bharat N Doshi (independent director) as chairman, Mr. G V Prasad and Mr. K Satish Reddy.**
- Average net profit of the company for last three financial years: ₹ **11,818,331,513/-**
- Prescribed CSR Expenditure (two percent of the amount as in item no. 3 above): ₹ **236,366,630/-**
- Details of CSR spent during the financial year:
  - Total amount to be spent for the financial year: ₹ **236,366,630/-**
  - Amount unspent, if any: **NA**
  - Manner in which the amount spent during FY2019 is detailed below:

(A)	(B)	(C)	(D)	(E)	(F)		(G)	(H)
SL. NO.	CSR PROJECT OR ACTIVITIES IDENTIFIED	SECTOR IN WHICH THE PROJECT IS COVERED	PROJECTS OR PROGRAMS (1) LOCAL AREA OR OTHER (2) SPECIFY THE STATE & DISTRICTS WHERE PROJECTS OR PROGRAMS WAS UNDERTAKEN	AMOUNT OUTLAY (BUDGET) PROJECT OR PROGRAM WISE FOR THE FY2019	AMOUNT SPENT ON THE PROJECTS OR PROGRAMS		CUMULATIVE EXPENDITURE UPTO THE REPORTING PERIOD	AMOUNT SPENT: DIRECT OR THROUGH IMPLEMENTING AGENCY
					(1) DIRECT EXPENDITURE ON PROJECTS*	(2) OVER-HEADS*		
1	DRF education programs	Education	Telangana	30,000,000	30,000,000		30,000,000	Dr. Reddy's Foundation
2	Supporting and subsidizing quality education in low income schools	Education	Telangana	27,500,000	27,500,000		27,500,000	Pudami Educational Society
3	Quality education program in Government schools -SIP	Education	Telangana & Andhra Pradesh	43,524,000	36,270,000		36,270,000	Dr. Reddy's Foundation
4	Quality education in science	Education	Andhra Pradesh	3,687,364	3,000,040		3,000,040	Agastya International Foundation
5	Chair in chemical science	Education	Telangana	5,000,000	5,000,000		5,000,000	University of Hyderabad
6	Capacity building of social sector professionals	Education	Telangana	840,000	840,000		840,000	Centre for Social Initiative and Management - Hyderabad
7	Livelihood programs for youth & People with Disability (PwD) programs	Livelihood enhancement projects	Across India	120,000,000	121,478,000		121,478,000	Dr. Reddy's Foundation
8	MITRA - Agricultural program	Livelihood enhancement projects	Across India	6,570,846	4,222,244		4,222,244	Dr. Reddy's Foundation
9	Employment enhancing vocation skills and livelihood enhancement projects	Livelihood enhancement projects	Telangana	500,000	91,494		91,494	Direct
10	Farmer field school project	Livelihood enhancement projects	Andhra Pradesh	11,341,000	10,618,233		10,618,233	Naandi Foundation
11	Psychological health support	Healthcare	Telangana	1,220,000	1,220,000		1,220,000	Roshni Trust
12	Community Health Intervention Program in maternal and child health	Healthcare	Telangana & Andhra Pradesh	15,000,000	15,000,000		15,000,000	NICE Foundation
13	Rural development and infrastructure around units	Rural development projects	Telangana & Andhra Pradesh	3,500,000	3,630,776		3,630,776	Direct
14	Program management cost	Capacity Building		3,000,000	2,759,207		2,759,207	NA
<b>Grand Total</b>				<b>271,683,210</b>	<b>261,629,994</b>		<b>261,629,994</b>	

\* For FY2019, the data on overheads is not separately accounted

- In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its board report: **NA**
- A responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company: **The implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the company.**

**G V Prasad**  
Co-Chairman, Managing Director & CEO

**Bharat N Doshi**  
Chairman, CSR committee

**ANNEXURE - VI****Information in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the company and the percentage increase in remuneration of each director, CEO, CFO and CS for FY2019:

NAME	DESIGNATION	RATIO OF REMUNERATION OF EACH DIRECTOR TO THE MEDIAN REMUNERATION OF EMPLOYEES	% INCREASE / (DECREASE) IN REMUNERATION DURING/FOR FY2019
Mr. K Satish Reddy <sup>(1)</sup>	Chairman	189	49
Mr. G V Prasad <sup>(1)</sup>	Co-Chairman, managing director and CEO	274	60
Mr. Anupam Puri	Independent director	25	29
Mr. Allan Oberman <sup>(2)</sup>	Independent director	2	NA
Mr. Bharat N Doshi	Independent director	24	29
Dr. Bruce L A Carter	Independent director	23	33
Ms. Kalpana Morparia	Independent director	21	33
Mr. Leo Puri <sup>(2)</sup>	Independent director	11	NA
Dr. Omkar Goswami	Independent director	21	39
Mr. Prasad R Menon <sup>(3)</sup>	Independent director	21	181
Ms. Shikha Sharma <sup>(2)</sup>	Independent director	6	NA
Mr. Sridar Iyengar	Independent director	23	30
Mr. Saumen Chakraborty <sup>(4)(5)</sup>	Chief Financial Officer (CFO)	NA	(28)
Mr. Sandeep Poddar <sup>(4)</sup>	Company Secretary (CS)	NA	11

<sup>(1)</sup> Includes commission, salary and perquisites. They do not receive any amount as remuneration from any subsidiary company.

<sup>(2)</sup> Appointed as an independent director during FY2019, not comparable.

<sup>(3)</sup> Remuneration in FY2018 was paid for part of the year, not comparable.

<sup>(4)</sup> Includes fixed pay, actual variable pay, fuel & maintenance on actuals and does not include value of stock options.

<sup>(5)</sup> Remuneration in FY2018, included long term incentive, payable once in four years.

(ii) The median remuneration of employees increased by 4.3% in FY2019.

(iii) The number of permanent employees on the rolls of the company as on 31 March 2019 is 21,966.

(iv) Average percentage increase in the salaries of employees other than the KMP for FY2019 was 10.7% as compared to FY2018. There was an increase of 25% in the total remuneration of KMP in FY2019 on account of computation of remuneration, on accrual basis to executive directors and on actual basis to CFO and CS.

(v) It is hereby affirmed that the remuneration for FY2019 is as per the remuneration policy of the company.

**K Satish Reddy**  
Chairman

## ANNEXURE-VII

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

#### (A) CONSERVATION OF ENERGY:

During the year, the company has implemented energy conservation projects across its various business units and accrued savings of approximately ₹ 191 million against an investment of ₹ 140 million.

Major categories of energy projects are:

1. **Installation of Innovative technology:** Horizontal deployment of Phase-II, replacement of conventional blower motor technology with electronically commutated (EC) motor technology in HVAC systems across FTO sites. Phase-III Horizontal deployment of automatic tube cleaning system in refrigeration chillers and Heat pumps, Phase-III zero purge loss air dryers/HOC drier for compressed air. Replacement of Existing IE1 standard motors with Energy efficient IE3 standard motors, use of LED lights, installation

of occupancy sensors to have energy efficient lighting system. Non-chemical water treatment technology for cooling tower water.

2. **Optimization of designs and operational efficiencies:** Optimization of Compressed air pressure and integration of piping of compressed air and integration of chillers. Arresting the air leakages & reduction of the unloading hours of air compressor units. Replaced Existing pumps with energy efficient Pumps, replaced existing Chillers with energy efficient chillers, and electric heaters by steam coils for AHUs and compressors to enhance energy efficiency. Optimization of HVAC usage by shut down/sleep mode operations based on working requirements of plants. Installed VFD for AHU to minimize power losses, Installed Capacitor banks to maintain power factor close to unity, Optimization of Chilled water temperature based on environmental temperature changes. Steam usage reduction by installing Heat pumps, effectively reduced FO consumption by improving hot condensate recovery, Integrated Chillers

and DG cooling towers to have better power saving. Integrated Compressor system to meet variable load demand. Optimization of RH % when no production activity. Enhancing the efficiencies of refrigerant compressors by adopting artic master and ECO plug technologies. Boiler efficiency improvement by tuning of the boilers and better condensate recovery. Consolidation & optimized utilization of Chilled water/brine/air/nitrogen compressors based on load for CTO sites.

3. **Identifying renewable power sources at low cost:** 15 MW solar power plants under Joint venture structure have been commissioned and synchronized with grid for supply of power. Long-term open access approval from DISCOM & TRANSCO got for 7 MW plant and is expected to get the same by May'19 for 8 MW plant. Power supply will be catered to CTO-1, CTO-2, CTO-3, CTO-5, FTO-2, FTO-3 and Biologics plants at cheaper rates. 600 KW rooftop solar plant installation is in progress at FTO-6&8 plants.

#### (B) TECHNOLOGY ABSORPTION

i. Efforts made towards technology absorption	The company has a full-fledged R&D division continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. As a part of technology absorption and adoption, once technology is developed for a product, it is tested in a pilot plant and thereafter commercial production is performed. Innovation is embarked by an incremental approach towards cost, time, quality and complex product development by adopting cutting edge technology and our philosophy is to continuously upgrade the technology.
ii. Benefits derived like product improvement, cost reduction, product development or import substitution.	Successful development of complex generics products accomplished through Innovation and science. Improved quality by adopting quality by design concept. Technology adoption yielded improvement in robustness and cost.
iii. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) –	No imported technology
a) Details of technology imported	
b) Year of import	
c) Whether the technology been fully absorbed	
d) If not fully absorbed, areas where absorption has not taken place, and the reasons therefore	
iv. Expenditure incurred on R&D	
Capital (₹ million)	FY2019
Recurring* (₹ million)	FY2018
Total (₹ million)	699
	11,295
	11,994
<b>Total R&amp;D expenditure as a percentage of total turnover</b>	<b>11.29%</b>
	<b>15.43%</b>

\* Excluding depreciation and amortization

#### C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign exchange earned in terms of actual inflows and foreign exchange outgo in terms of actual outflows during the year:

Particulars	(₹ MILLIONS)
Foreign exchange earned in terms of actual Inflows	88,673
Foreign exchange outgo in terms of actual outflows	19,104

**K Satish Reddy**  
Chairman

## ANNEXURE-VIII

## FORM NO. MGT-9

## EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March 2019

(Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014)

## I REGISTRATION AND OTHER DETAILS:

SL. NO.	PARTICULARS	DETAILS
i)	CIN	L85195TG1984PLC004507
ii)	Registration date	24 February 1984
iii)	Name of the company	Dr. Reddy's Laboratories Limited
iv)	Category/sub-category of the company	Public company/limited by shares
v)	Address of the registered office and contact details	8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500 034 Tel: +91-40-4900 2900 Fax: +91-40-4900 2999 E-mail ID: shares@drreddys.com
vi)	Whether listed company Yes/No	Yes
vii)	Name, address and contact details of registrar and transfer agent, if any	Bigshare Services Private Limited 306, Right wing, 3rd floor, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road, Hyderabad–500 082 Tel: +91-40-2337 4967 Fax: +91-40-2337 0295 E-mail ID: bsshyd@bigshareonline.com

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

SL. NO.	NAME AND DESCRIPTION OF MAIN PRODUCTS/SERVICES	NIC CODE OF THE PRODUCT/SERVICE	% TO TOTAL TURNOVER OF THE COMPANY
1	Pharmaceuticals	210	100%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/SUBSIDIARY/ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
1	Dr. Reddy's New Zealand Limited	82, Totara Crescent, Woburn, Lower Hutt, 5011, New Zealand	NA	Subsidiary	100	2(87)(ii)
2	Dr. Reddy's Laboratories (Australia) Pty. Limited	Level 9, 492, St. Kilda Road, Melbourne, Victoria, Australia	NA	Subsidiary	100	2(87)(ii)
3	Dr. Reddy's Laboratories (Proprietary) Limited	The Place, 1 Sandton Drive, Sandton 2196, South Africa	NA	Subsidiary	100	2(87)(ii)
4	Dr. Reddy's Venezuela, C.A.	Av. Orinoco, Torre L&M Building, Office 4, Las Mercedes Caracas, Venezuela	NA	Subsidiary	100	2(87)(ii)
5	Dr. Reddy's Laboratories, Inc.	107 College Road East, Princeton, New Jersey, 08540, USA	NA	Subsidiary	100	2(87)(ii)
6	Promius Pharma, LLC	107 College Road East, Princeton, New Jersey, 08540, USA	NA	Subsidiary	100	2(87)(ii)
7	Dr. Reddy's Laboratories Louisiana, LLC	8800 Line Avenue, Shreveport, LA 71106-6717, USA	NA	Subsidiary	100	2(87)(ii)
8	Reddy Pharma Italia S.R.L.	Milan, via Piazza Santa Maria Beltrade 1, Italy	NA	Subsidiary	100	2(87)(ii)
9	Dr. Reddy's S.R.L.	Milan, via Piazza Santa Maria Beltrade 1, Italy	NA	Subsidiary	100	2(87)(ii)
10	Reddy Pharma Iberia S.A.U.	Avenida Josep Tarradellas, n°38 – 08029, Barcelona, Spain	NA	Subsidiary	100	2(87)(ii)
11	Dr. Reddy's Farmaceutica Do Brasil Ltda.	AV. Guido Caloi, 1895 - JD. Sao Luis - Sao Paulo, Brazil	NA	Subsidiary	100	2(87)(ii)
12	Dr. Reddy's Laboratories (UK) Limited	Unit 6, Riverview Road, Beverly, East Yorkshire, HU17 Old, UK	NA	Subsidiary	100	2(87)(ii)

SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/SUBSIDIARY/ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
13	Dr. Reddy's Laboratories (EU) Limited	Unit 6, Riverview Road, Beverly, East Yorkshire, HU17 Old, UK	NA	Subsidiary	100	2(87)(ii)
14	Chirotech Technology Limited	Chirotech Technology Centre, 410 Cambridge Science Park, Milton Road, Cambridge UK	NA	Subsidiary	100	2(87)(ii)
15	Kunshan Rotam Reddy Pharmaceutical Co. Limited	258, Huang Pu Jiang Zhong Lu, Kunshan, Jiangsu, P.R. China-215300	NA	Subsidiary	51.33	2(87)(ii)
16	OOO Dr. Reddy's Laboratories Limited	20, Ovchinnikovskaya Emb, Moscow, Russia	NA	Subsidiary	100	2(87)(ii)
17	Dr. Reddy's Laboratories Romania S.R.L.	71, Nicolac Caramfil, Floor 5, Space 10, 014142 Bucharest 1, Romania	NA	Subsidiary	100	2(87)(ii)
18	Reddy Holding GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
19	beta Institut gemeinnützige GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
20	betapharm Arzneimittel GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
21	Lacock Holdings Limited	10, Diomidious Street, Alphamega Akropolis Bldg, 3rd floor, Office 401, 2024 Nicosia, Cyprus	NA	Subsidiary	100	2(87)(ii)
22	Reddy Netherlands B.V.	Zernikedreef 12, 23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
23	Reddy Antilles N.V.	Landhuis Joonchi Kaya Richard Beajon z/n., Curacao	NA	Subsidiary	100	2(87)(ii)
24	Dr. Reddy's Laboratories SA	Elisabethenanlage 11, CH-4051, Basel, Switzerland	NA	Subsidiary	100	2(87)(ii)
25	Dr. Reddy's Laboratories International SA	Elisabethenanlage 11, CH-4051, Basel, Switzerland	NA	Subsidiary	100	2(87)(ii)
26	Industrias Quimicas Falcon de Mexico, S.A.	Carr.Federal Cuernavaca -Cauatla Km.4.5, Civac, Jiutepec, Mor, Mexico 62578	NA	Subsidiary	100	2(87)(ii)
27	Aurigene Discovery Technologies (Malaysia) Sdn. Bhd.	Wisma, Adiss Udarmana Complex, 1-3A Jalan, 1/64A, Kuala Lumpur 50530, Malaysia	NA	Subsidiary	100	2(87)(ii)
28	Dr. Reddy's Laboratories New York, Inc.	1974, State Route, 145 Middleburgh, NY 12122, USA	NA	Subsidiary	100	2(87)(ii)
29	Dr. Reddy's Laboratories LLC	121 A, Kyivskiy Shlaykh str., v. Velika, Oleksandrivka, Borispil region, Kyiv oblast, Ukraine	NA	Subsidiary	100	2(87)(ii)
30	Dr. Reddy's Research and Development B.V.	Zernikedreef 12, 23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
31	Dr. Reddy's Laboratories Canada Inc.	5580 Explorer Drive, Suite 204, Mississauga, ON L4W 4Y1, Canada	NA	Subsidiary	100	2(87)(ii)
32	Dr. Reddy's Singapore Pte. Limited	16, Raffles Quay # 33-03 Hong Leong Bldg, Singapore- 048581	NA	Subsidiary	100	2(87)(ii)
33	Dr. Reddy's Laboratories S.A.S.	Av Cra 7 No 155C - 30 Oficina 2805 North Point Torres E, Bagota D.C., Colombia	NA	Subsidiary	100	2(87)(ii)
34	Aurigene Discovery Technologies, Inc.	107, College Road East, Princeton, New Jersey – 08540, USA	NA	Subsidiary	100	2(87)(ii)
35	Dr. Reddy's Laboratories B.V. (Formerly known as Eurobridge Consulting B.V.)	Zernikedreef 12, 23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
36	OOO DRS LLC	20, Ovchinnikovskaya Emb, Moscow, Russia	NA	Subsidiary	100	2(87)(ii)
37	Dr. Reddy's Laboratories Japan KK	Kabutoch, 1st Heiwa Building, 3F, 5-1 Nihonbashi Kabutocho, Chuo-Ku, Tokyo 103-0026, Japan	NA	Subsidiary	100	2(87)(ii)
38	Reddy Pharma SAS	Avenue Edouard Belin 9, 92500 Rueil-Malmaison, France	NA	Subsidiary	100	2(87)(ii)

**Dr. Reddy's Laboratories Limited**

SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/SUBSIDIARY/ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
39	Dr. Reddy's Laboratories Kazakhstan LLP	Business Centre Alatau Grand, Office No. 905, Street Timiryazeva 28B, Almaty, 050040, Kazakhstan	NA	Subsidiary	100	2(87)(ii)
40	Dr. Reddy's (WUXI) Pharmaceutical Co. Limited	E2-518, No. 200 Linghu Revenue, Xinwu District, Wuxi, Jiangsu, China	NA	Subsidiary	100	2(87)(ii)
41	Dr. Reddy's Laboratories Chile SPA	Roger de Flor, N 2736, 6th Floor, Las Condes County, Chile	NA	Subsidiary	100	2(87)(ii)
42	Dr. Reddy's Laboratories Malaysia Sdn. Bhd.	10th Floor, Menara Hap Seng No. 1 and 3, Jalan P Ramlee, 50250, Kuala Lumpur, W P, Malaysia	NA	Subsidiary	100	2(87)(ii)
43	Dr. Reddy's Laboratories Taiwan Limited	(110) 57F-1, No. 7, Sec. 5, Xinyi Road, Xinyi Dist., Taipei, Taiwan	NA	Subsidiary	100	2(87)(ii)
44	Dr. Reddy's Laboratories Philippines Inc. (incorporated on May 9, 2018)	25/F, Philam Life Tower, 8767, Paseo De Roxas, Bel-Air, City of Makati, NCR, Fourth District, Philippines	NA	Subsidiary	100	2(87)(ii)
45	Dr. Reddy's Laboratories (Thailand) Limited (incorporated on June 13 2018)	No. 1 Empire Tower Building, 16th floor, Unit 1607, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120	NA	Subsidiary	100	2(87)(ii)
46	Aurigene Discovery Technologies Limited	39-49(P), KIADB Industrial Area, Electronic City Phase II, Bengaluru – 560 100, Karnataka, India	U24239KA2001PLC029391	Subsidiary	100	2(87)(ii)
47	DRL Impex Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500 034, Telangana, India	U65990TG1986PLC006695	Subsidiary	100	2(87)(ii)
48	Dr. Reddy's Bio-Sciences Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500 034, Telangana, India	U72200TG2000PLC034765	Subsidiary	100	2(87)(ii)
49	Idea2Enterprises (India) Private Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500 034, Telangana, India	U72200TG2000PTC034473	Subsidiary	100	2(87)(ii)
50	Cheminor Investments Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500 034, Telangana, India	U67120TG1990PLC010931	Subsidiary	100	2(87)(ii)
51	Regkinetics Services Limited (Formerly known as Dr. Reddy's Pharma SEZ Limited)	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500 034, Telangana, India	U24233TG2009PLC064271	Subsidiary	100	2(87)(ii)
52	Imperial Credit Private Limited	8-2-337, Road No.3, Banjara Hills, Hyderabad – 500 034, Telangana, India	U06519TG1991PTC126383	Subsidiary	100	2(87)(ii)
53	DRES Energy Private Limited	No.55, Solar Tower, 6th Main, 11th Cross, Lakshmaiah Block, Ganganagar, Bengaluru – 560 024, Karnataka, India	U40104KA2015PTC083148	Joint Venture	26	2(6)
54	DRANU, LLC	C/o. Emerging Enterprise Centre, 1000 Winter Street, Suite 4000, Waltham, MA 02451, USA	NA	Joint Venture	50	2(6)

\* Represents aggregate % of shares held by the company and/or its subsidiaries.

#### IV. SHAREHOLDING PATTERN (equity share capital breakup as a percentage of total equity)

##### I) CATEGORY-WISE SHAREHOLDING

CATEGORY OF SHAREHOLDERS	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR				NO. OF SHARES HELD AT THE END OF THE YEAR				% CHANGE DURING THE YEAR
	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
<b>A. PROMOTERS</b>									
(1) Indian									
a) Individual/HUF	3,315,328	-	3,315,328	2.00	3,133,228	-	3,133,228	1.89	(0.11)
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt(s).	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	41,083,500	-	41,083,500	24.76	41,325,300	-	41,325,300	24.88	0.12
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(1)</b>	<b>44,398,828</b>	<b>-</b>	<b>44,398,828</b>	<b>26.76</b>	<b>44,458,528</b>	<b>-</b>	<b>44,458,528</b>	<b>26.77</b>	<b>0.01</b>
(2) Foreign									
a) NRIs-individuals	-	-	-	-	-	-	-	-	-
b) Other-individuals	-	-	-	-	-	-	-	-	-
c) Bodies corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholding of promoters (A)=(A)(1)+(A)(2)</b>	<b>44,398,828</b>	<b>-</b>	<b>44,398,828</b>	<b>26.76</b>	<b>44,458,528</b>	<b>-</b>	<b>44,458,528</b>	<b>26.77</b>	<b>0.01</b>
<b>B. PUBLIC SHAREHOLDING</b>									
(1) Institutions									
a) Mutual funds/UTI	14,765,047	2,890	14,767,937	8.90	15,129,141	2,890	15,132,031	9.11	0.21
b) Banks/FI	380,679	3,586	384,265	0.23	337,528	3,586	341,114	0.21	(0.02)
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s).	-	-	-	-	-	-	-	-	-
e) Venture capital funds	-	-	-	-	-	-	-	-	-
f) Insurance companies	9,294,096	400	9,294,496	5.60	8,173,652	400	8,174,052	4.92	(0.68)
g) FIs/FPs	50,178,829	11,000	50,189,829	30.25	51,360,769	11,000	51,371,769	30.94	0.69
h) Foreign venture capital funds	-	-	-	-	-	-	-	-	-
i) Others-Alternate investment funds	113,600	-	113,600	0.07	470,455	-	470,455	0.28	0.21
<b>Sub-total (B)(1)</b>	<b>74,732,251</b>	<b>17,876</b>	<b>74,750,127</b>	<b>45.05</b>	<b>75,471,545</b>	<b>17,876</b>	<b>75,489,421</b>	<b>45.46</b>	<b>0.41</b>
(2) Non-Institutions									
a) Bodies corp.									
i) Indian	6,162,951	9,176	6,172,127	3.72	5,716,047	9,176	5,725,223	3.45	(0.27)
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	12,751,432	900,324	13,651,756	8.23	11,555,069	661,749	12,216,818	7.36	(0.87)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	796,104	26,890	822,994	0.49	789,245	26,890	816,135	0.49	-
c) Others									
i) Trust	1,502,271	-	1,502,271	0.91	1,166,310	-	1,166,310	0.70	(0.21)
ii) Clearing member	172,014	-	172,014	0.10	270,440	-	270,440	0.16	0.06
iii) NRIs	1,568,212	251,742	1,819,954	1.10	1,568,760	182,748	1,751,508	1.06	(0.04)
iv) Foreign nationals	11,040	-	11,040	0.01	11,821	-	11,821	0.01	-
v) Unclaimed suspense escrow account	417,932	-	417,932	0.25	381,269	-	381,269	0.23	(0.02)
vi) IEPF	115,262	-	115,262	0.07	122,770	-	122,770	0.07	-
vii) ESOS Trust*	-	-	-	-	217,976	-	217,976	0.13	0.13
<b>Sub-total (B)(2)</b>	<b>23,497,218</b>	<b>1,188,132</b>	<b>24,685,350</b>	<b>14.88</b>	<b>21,799,707</b>	<b>880,563</b>	<b>22,680,270</b>	<b>13.66</b>	<b>(1.22)</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>98,229,469</b>	<b>1,206,008</b>	<b>99,435,477</b>	<b>59.93</b>	<b>97,271,252</b>	<b>898,439</b>	<b>98,169,691</b>	<b>59.12</b>	<b>(0.81)</b>
<b>C. SHARES HELD BY CUSTODIAN FOR ADRs</b>	22,076,602	-	22,076,602	13.31	23,437,729	-	23,437,729	14.11	0.80
<b>Grand total (A+B+C)</b>	<b>164,704,899</b>	<b>1,206,008</b>	<b>165,910,907</b>	<b>100.00</b>	<b>165,167,509</b>	<b>898,439</b>	<b>166,065,948</b>	<b>100.00</b>	<b>-</b>

\* Dr. Reddy's Employees ESOS Trust was formed for Implementation of Dr. Reddy's Employees Stock Option Scheme, 2018 (2018 ESOS). Shares held by this Trust are classified as non-promoter non-public shareholding as per the provisions of SEBI (Share Based Employee Benefit) Regulations, 2014.

## II) SHAREHOLDING OF PROMOTERS

SL. NO.	SHAREHOLDERS' NAME	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR			NO. OF SHARES HELD AT THE END OF THE YEAR			% CHANGE DURING THE YEAR
		NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	% OF SHARES PLEDGED/ ENCUMBERED TO TOTAL SHARES*	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	% OF SHARES PLEDGED/ ENCUMBERED TO TOTAL SHARES*	
1	Dr. Reddy's Holdings Limited	41,083,500	24.76	-	41,325,300	24.88	-	0.12
2	Mr. K Satish Reddy	1,019,332	0.62	-	898,432	0.54	-	(0.08)
3	Mrs. K Samrajyam	1,115,360	0.67	-	1,115,360	0.67	-	-
4	Mr. G V Prasad	1,179,140	0.71	0.19	1,117,940	0.68	-	(0.03)
5	Mrs. G Anuradha	1,496	0.00	-	1,496	0.00	-	-
6	Mrs. K Deepthi Reddy	0	0	-	0	0	-	-
7	APS Trust	0	0	-	0	0	-	-
8	VSD Holdings & Advisory LLP	0	0	-	0	0	-	-
9	K Satish Reddy (HUF)	0	0	-	0	0	-	-
10	Ms. G Vani Sanjana Reddy	0	0	-	0	0	-	-
11	Ms. G Mallika Reddy	0	0	-	0	0	-	-
12	G V Prasad (HUF)	0	0	-	0	0	-	-
13	Mr. G Sharathchandra Reddy	0	0	-	0	0	-	-
14	Ms. K Shravya Reddy	0	0	-	0	0	-	-
15	Mr. K Vishal Reddy	0	0	-	0	0	-	-
		<b>44,398,828</b>	<b>26.76</b>	<b>0.19</b>	<b>44,458,528</b>	<b>26.77</b>	<b>-</b>	<b>0.01</b>

\* The term 'encumbrance' has the same meaning as assigned to it in Regulation 28(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Shareholders listed under sl. no. 1 to 15 are disclosed as promoters' under Regulation 30(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as on 31 March 2019. During the year, the pledge on 50,000 and 268,100 equity shares held by Mr. G V Prasad was released on 7 August 2018 and 16 August 2018 respectively.

## III) CHANGE IN PROMOTERS' SHAREHOLDING

PARTICULARS	SHAREHOLDING AT THE BEGINNING OF THE YEAR		CUMULATIVE SHAREHOLDING DURING THE YEAR	
	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
At the beginning of the year	44,398,828	26.76		
Date wise increase/decrease in promoters' shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc) #:	59,700	0.01	44,458,528	26.77
<b>At the end of the year</b>	<b>44,458,528</b>	<b>26.77</b>		

# Details of inter se transfer within promoters and increase in the promoters' shareholding during the year:

SL. NO.	NAME	SHAREHOLDING		DATE	INCREASE/ (DECREASE) IN SHARE-HOLDING	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
		NO. OF SHARES AT THE BEGINNING OF THE YEAR	% OF TOTAL SHARES OF THE COMPANY				NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
1	Dr. Reddy's Holdings Limited	41,083,500	24.76	01-04-2018				
				13-08-2018	160,000	Inter se purchase	41,243,500	24.85
				10-09-2018	3,800	Inter se purchase	41,247,300	24.84
				26-09-2018	78,000	Inter se purchase	41,325,300	24.88
				31-03-2019			41,325,300	24.88
2	Mr. K Satish Reddy Chairman	1,019,332	0.61	01-04-2018				
				13-08-2018	(80,000)	Inter se sale	939,332	0.56
				10-09-2018	(1,900)	Inter se sale	937,432	0.56
				26-09-2018	(39,000)	Inter se sale	898,432	0.54
				31-03-2019	-	-	898,432	0.54

SL. NO.	NAME	SHAREHOLDING		DATE	INCREASE/ (DECREASE) IN SHARE-HOLDING	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
		NO. OF SHARES AT THE BEGINNING OF THE YEAR	% OF TOTAL SHARES OF THE COMPANY				NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
3	Mr. G V Prasad Co-chairman, managing director & CEO	1,179,140	0.71	01-04-2018				
				25-05-2018	56,063	Market Purchase	1,235,203	0.74
				28-05-2018	1,137	Market Purchase	1,236,340	0.74
				31-05-2018	2,500	Market Purchase	1,238,840	0.74
				13-08-2018	(80,000)	Inter se sale	1,158,840	0.70
				10-09-2018	(1,900)	Inter se sale	1,156,940	0.70
				26-09-2018	(39,000)	Inter se sale	1,117,940	0.68
				31-03-2019	-	-	1,117,940	0.68

#### IV) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS AND HOLDERS OF GDRS AND ADRS)

SL. NO.	NAME	SHAREHOLDING AT THE BEGINNING OF THE YEAR		SHAREHOLDING AT THE END OF THE YEAR	
		NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
1	First State Investments ICVC – Stewart Investors Asia Pacific Leaders Fund	5,377,008	3.24	4,806,479	2.89
2	Oppenheimer Developing Markets Fund#	5,286,227	3.19	-	-
3	Franklin Templeton Investment Funds#	4,831,949	2.91	273,077	0.16
4	Life Insurance Corporation of India	4,132,738	2.49	4,132,738	2.49
5	Teluk Kemang Investments (Mauritius) Limited#	2,015,592	1.21	-	-
6	First State Investments ICVC – Stewart Investors Global Emerging Markets Leaders Fund	1,947,863	1.17	2,344,636	1.41
7	Life Insurance Corporation of India P & GS Fund	1,682,747	1.01	1,682,747	1.01
8	ICICI Prudential Life Insurance Company Limited	1,441,803	0.87	1,440,884	0.87
9	Government of Singapore#	1,439,443	0.87	1,167,443	0.70
10	ISHARES India Index Mauritius Company#	1,327,083	0.80	1,189,988	0.72
11	Stewart Investors Global Emerging Markets Leaders Fund*	633,860	0.38	1,428,617	0.86
12	Aditya Birla Sun Life Trustee Private Limited A/c Aditya Birla Sun Life Equity Fund*	583,200	0.35	1,619,000	0.97
13	Government Pension Fund Global*	979,722	0.59	1,371,918	0.83
14	Stichting Depository APG Emerging Markets Equity Pool*	343,168	0.21	1,339,600	0.81
15	SBI-ETF NIFTY 50*	951,009	0.57	1,331,350	0.80

# Ceased to be in the list of top 10 shareholders as on 31 March 2019 but was one of the top 10 shareholders as on 1 April 2018.

\* Not in the list of top 10 shareholders as on 1 April 2018 but was one of the top 10 shareholders as on 31 March 2019.

#### V) SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

SL. NO.	NAME	DATE	SHAREHOLDING AT THE BEGINNING OF THE YEAR		INCREASE/ (DECREASE) IN SHARE-HOLDING, IF ANY	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
A. DIRECTORS								
1.	Mr. K Satish Reddy Chairman	01-04-2018	1,019,332	0.61				
		13-08-2018			(80,000)	Inter se sale	939,332	0.56
		10-09-2018			(1,900)	Inter se sale	937,432	0.56
		26-09-2018			(39,000)	Inter se sale	898,432	0.54
		31-03-2019	898,432	0.54			898,432	0.54

SL. NO.	NAME	DATE	SHAREHOLDING AT THE BEGINNING OF THE YEAR		INCREASE/ (DECREASE) IN SHARE-HOLDING, IF ANY	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
2	Mr. G V Prasad Co-chairman, managing director & CEO	01-04-2018	1,179,140	0.71				
		25-05-2018			56,063	Market purchase	1,235,203	0.74
		28-05-2018			1,137	Market purchase	1,236,340	0.74
		31-05-2018			2,500	Market purchase	1,238,840	0.74
		13-08-2018			(80,000)	Inter se sale	1,158,840	0.70
		10-09-2018			(1,900)	Inter se sale	1,156,940	0.70
		26-09-2018			(39,000)	Inter se sale	1,117,940	0.68
		31-03-2019	1,117,940	0.67			1,117,940	0.67
3	Dr. Omkar Goswami Independent director	01-04-2018	22,800	0.01				
		31-03-2019	22,800	0.01			22,800	0.01
4	Ms. Kalpana Morparia Independent director	01-04-2018	10,800	0.01				
		31-03-2019	10,800	0.01			10,800	0.01
5	Prasad R Menon Independent director	01-04-2018	0	0.00				
		31-03-2019	0	0.00			0	0.00
6	Mr. Sridar Iyengar Independent director	01-04-2018	0	0.00				
		31-03-2019	0	0.00			0	0.00
7	Dr. Bruce L A Carter* Independent director	01-04-2018	7,800	0.00				
		31-03-2019	7,800	0.00			7,800	0.00
8	Mr. Anupam Puri* Independent director	01-04-2018	13,500	0.01				
		31-03-2019	13,500	0.01			13,500	0.01
9	Mr. Bharat N Doshi Independent director	01-04-2018	1,000	0.00				
		31-03-2019	1,000	0.00			1,000	0.00
10	Mr. Hans Peter Hasler** Independent director	01-04-2018	0	0.00				
		14-06-2018	0	0.00			0	0.00
11	Mr. Leo Puri# Independent director	25-10-2018	0	0.00				
		31-03-2019	0	0.00			0	0.00
12	Ms. Shikha Sharma# Independent director	31-01-2019	0	0.00				
		31-03-2019	0	0.00			0	0.00
13	Mr. Allan Oberman# Independent director	26-03-2019	0	0.00				
		31-03-2019	0	0.00			0	0.00
<b>B. KEY MANAGERIAL PERSONNEL (KMP)</b>								
14	Mr. Saumen Chakraborty President & CFO	01-04-2018	38,750	0.02				
		12-06-2018			2,250	ESOP	41,000	0.02
		06-07-2018			875	ESOP	41,875	0.03
		22-08-2018			1,000	ESOP	42,875	0.03
		31-03-2019	42,875	0.03				
15	Mr. Sandeep Poddar Company Secretary	01-04-2018	2,100	0.00				
		12-06-2018			349	ESOP	2,449	0.00
		22-08-2018			105	ESOP	2,554	0.00
		30-11-2018			(54)	Sell	2,500	0.00
		31-03-2019	2,500	0.00				

\* Holding ADRs

\*\* Term ended on 14 June 2018 as an independent director

# The opening shareholding has been considered from the date on which he/she was appointed as an independent director.

**V. INDEBTEDNESS**

Indebtedness of the company including interest outstanding/accrued but not due for payment

(₹ MILLION)

	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year (1 April 2018)</b>				
i) Principal Amount	-	25,888	-	25,888
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	8	-	8
<b>Total (i+ii+iii)</b>	-	<b>25,896</b>	-	<b>25,896</b>
<b>Change in Indebtedness during the financial year</b>				
Addition, net	-	-	-	-
Reduction, net	-	15,242	-	15,242
Reduction in interest accrued but not due on loan, net	-	6	-	6
<b>Net change</b>	-	<b>(15,248)</b>	-	<b>(15,248)</b>
<b>Indebtedness at the end of the financial year (31 March 2019)</b>				
i) Principal amount	-	10,646	-	10,646
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	2	-	2
<b>Total (i+ii+iii)</b>	-	<b>10,648</b>	-	<b>10,648</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A) Remuneration to managing director, whole-time director and/or manager**

(₹ MILLION)

SL. NO.	PARTICULARS OF REMUNERATION	NAME OF MD/WTD/MANAGER		TOTAL AMOUNT
		K SATISH REDDY	G V PRASAD	
1	<b>Gross Salary</b>			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	18.35	18.35	36.70
	(b) Value of perquisites u/s. 17(2) Income-tax Act, 1961	2.80	2.80	5.60
	(c) Profits in lieu of salary u/s. 17(3) Income- tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat equity	-	-	-
4	Commission			
	- as a % of profit*	63.00	100.00	163.00
	- others	-	-	-
5	Others			
	- Company provided car	0.00	1.28	1.28
	- Company's contribution to PF	1.44	1.44	2.88
	<b>Total (A)</b>	<b>85.59</b>	<b>123.87</b>	<b>209.46</b>

Ceiling as per the Act ₹ 1,708.33 million (being 10% of the net profits of the company calculated as per Section 198 of the Companies Act, 2013)

\* Commission for FY2019 will be paid in FY2020.

**B) Remuneration to other directors**

(₹ MILLION)

SL. NO.	PARTICULARS OF REMUNERATION	NAME OF DIRECTORS										TOTAL AMOUNT
		DR. OMKAR GOSWAMI	KALPANA MORPARIA	PRASAD R MENON	SRIDAR IYENGAR	DR. BRUCE L A CARTER	ANUPAM PURI	BHARAT N DOSHI	LEO PURI <sup>(1)</sup>	SHIKHA SHARMA <sup>(1)</sup>	ALLAN OBERMAN <sup>(1)</sup>	
1	Independent directors											
	- Fee for attending board and committee meetings	-	-	-	-	-	-	-	-	-	-	-
	- Commission <sup>†</sup>	9.68	9.68	9.34	10.44	10.20	11.48	11.07	4.84	2.59	0.87	80.19
	- Others	-	-	-	-	-	-	-	-	-	-	-
	<b>Total (1)</b>	<b>9.68</b>	<b>9.68</b>	<b>9.34</b>	<b>10.44</b>	<b>10.20</b>	<b>11.48</b>	<b>11.07</b>	<b>4.84</b>	<b>2.59</b>	<b>0.87</b>	<b>80.19</b>

(₹ MILLION)

SL. NO.	PARTICULARS OF REMUNERATION	NAME OF DIRECTORS									TOTAL AMOUNT	
		DR. OMKAR GOSWAMI	KALPANA MORPARIA	PRASAD R MENON	SRIDAR IYENGAR	DR. BRUCE L A CARTER	ANUPAM PURI	BHARAT N DOSHI	LEO PURI <sup>(1)</sup>	SHIKHA SHARMA <sup>(1)</sup>		ALLAN OBERMAN <sup>(1)</sup>
2	Other non-executive directors											
	- Fee for attending board and committee meetings	-	-	-	-	-	-	-	-	-	-	
	- Commission	-	-	-	-	-	-	-	-	-	-	
	- Others	-	-	-	-	-	-	-	-	-	-	
	<b>Total (2)</b>	-	-	-	-	-	-	-	-	-	-	
	<b>Total (B)=(1+2)</b>	<b>9.68</b>	<b>9.68</b>	<b>9.34</b>	<b>10.44</b>	<b>10.20</b>	<b>11.48</b>	<b>11.07</b>	<b>4.84</b>	<b>2.59</b>	<b>0.87</b>	<b>80.19</b>
	Overall ceiling as per Act	₹ 170.83 million (being 1% of the net profits of the company calculated as per Section 198 of the Companies Act, 2013)										
	<b>Total managerial remuneration* (total of A and B)</b>	<b>289.65</b>										

\* Total remuneration to managing/whole-time directors and other directors.

# Commission for FY2019 will be paid in FY2020.

<sup>(1)</sup> Appointed as an independent director in FY2019.

## C) Remuneration to key managerial personnel other than MD/WTD/Manager

(₹ MILLION)

SL. NO.	PARTICULARS OF REMUNERATION	KEY MANAGERIAL PERSONNEL			TOTAL AMOUNT
		CEO**	CFO	COMPANY SECRETARY	
			SAUMEN CHAKRABORTY	SANDEEP PODDAR	
1	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961		51.39	7.86	59.25
	(b) Value of perquisites u/s. 17(2) Income-tax Act, 1961		1.34	0.32	1.66
	(c) Profits in lieu of salary u/s. 17(3) Income-tax Act, 1961		-	-	-
2	Stock option*		11.17	0.87	12.04
3	Sweat equity	Not Applicable	-	-	-
4	Commission		-	-	-
	- as a % of profit		-	-	-
	- others		-	-	-
5	Others				
	- Company's contribution to PF		2.16	0.36	2.52
	<b>Total (A)</b>		<b>66.06</b>	<b>9.41</b>	<b>75.47</b>

\* Represents fair value on grant date, of stock options granted during FY2019. These options vest in 4 years (@25% each year) subject to continued service.

\*\* Mr. G V Prasad is co-chairman, managing director and CEO. (Refer table VI A).

## VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

TYPE	SECTION OF THE COMPANIES ACT	BRIEF DESCRIPTION	DETAILS OF PENALTY/PUNISHMENT/COMPOUNDING FEES IMPOSED	AUTHORITY (RD/NCLT/COURT)	APPEAL MADE, IF ANY (GIVE DETAILS)
<b>COMPANY/DIRECTORS/OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment			NIL		
Compounding					

K Satish Reddy  
Chairman

# STANDALONE FINANCIAL STATEMENTS

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## INDEPENDENT AUDITORS' REPORT

To the members of Dr. Reddy's Laboratories Limited

### Report on the Audit of the Standalone Ind AS Financial Statements

#### Opinion

We have audited the accompanying standalone Ind AS financial statements of Dr. Reddy's Laboratories Limited ("the Company"), which comprise the Balance sheet as at 31 March 2019, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone Ind AS financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended 31 March 2019. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the standalone Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
<p><b>Carrying value of intangible assets, intangible assets under development and goodwill</b> (as described in note 1.3(f) and 1.3(i) of the significant accounting policies, and note 2.3 and 2.2 for details and movement in goodwill and intangible assets respectively in the standalone Ind AS financial statements)</p> <p>As at 31 March 2019, the Company has ₹ 7,000 million of intangible assets and ₹ 323 million of goodwill. The carrying value of these intangible assets are based on future cash flows and there is a risk that the assets maybe impaired if cash flows are not in line with projections.</p> <p>Valuation of goodwill and intangible assets is subject to management's assessment of recoverable amount, being the higher of the value in use and fair value less costs to sell, involving significant judgment and are based on number of variables and estimates including projection of future sales, operating costs and profit margins; appropriate discount rate and terminal value growth rate; and probability of technical and regulatory success factors in applying discounted cash flow valuation methodology.</p>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>• We evaluated the design and tested the operating effectiveness of management's controls in assessing the carrying value of goodwill and intangible assets.</li> <li>• We assessed the Company's methodology applied in determining the CGUs to which goodwill is allocated.</li> <li>• We assessed the Company's valuation methodology applied in deriving the recoverable value.</li> <li>• We evaluated the assumptions applied to key inputs such as discount rates, sales volume and prices, long term growth rates and terminal values, which included comparing these inputs with assumptions made by the management in prior years.</li> <li>• We discussed potential changes in key drivers as compared to previous year / actual performance with management to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable.</li> <li>• We tested the arithmetical accuracy of the models.</li> <li>• We also assessed the recoverable value headroom by performing sensitivity testing of key assumptions used.</li> <li>• We evaluated the adequacy of financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.</li> </ul>

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matter
<p><b>Contingencies, including litigations and tax</b> (as described in note 1.3(k) of the significant accounting policies, and note 2.30(A) containing details of contingencies in the standalone Ind AS financial statements)</p> <p>The Company is involved in disputes, lawsuits, claims, anti-trust, governmental and / or regulatory inspections, inquiries, investigations and proceedings, including patent, tax and commercial matters that arise from time to time in the ordinary course of business. Most of the claims involve complex issues. The Company, assisted by their external legal counsel assesses the need to make provision or disclose a contingency on a case-to-case basis considering the underlying facts of each litigation. The aforesaid assessment may result in an incorrect disclosure or provision in the books of account.</p> <p>This area is significant to our audit, since the accounting and disclosure for contingent legal and tax liabilities is complex and judgemental (due to the difficulty in predicting the outcome of the matter and estimating the potential impact if the outcome is unfavourable), and the amounts involved are, or can be, material to the standalone Ind AS financial statements.</p>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>• We evaluated the design and tested the operating effectiveness of controls relating to identification and evaluation of claims, proceedings and investigations at different levels in the Company, and the measurement of provisions for disputes, potential claims and litigation, contingent liabilities and disclosures.</li> <li>• We obtained a list of ongoing litigations from the Company's in house legal counsel. We selected a sample of litigations based on materiality and performed inquiries with the said counsel on the legal evaluation of these litigations. We have compared the said evaluation with the provision or disclosure in the standalone Ind AS financial statements. We have tested the underlying computation of the management in relation to the measurement of provision or the contingency.</li> <li>• We solicited legal letters from the Company's external legal advisors with respect to the matters included in the summary. Where appropriate we examined correspondences connected with the cases.</li> <li>• We obtained the details of tax assessments and demands as at the year ended 31 March 2019. We inspected relevant communication with tax authorities. We involved tax experts in assessing the nature and amount of the tax exposures and assessed management's conclusions on whether exposures are probable, contingent or remote. Where exposures are assessed as probable, we evaluated the amounts provided with respect to those exposures.</li> <li>• We also evaluated the adequacy of disclosures in the standalone Ind AS financial statements.</li> </ul>
<p><b>Rebates, discounts, returns etc. in Revenue</b> (as described in note 1.3(l) of the significant accounting policies of standalone Ind AS financial statements and note 2.11 of the standalone Ind AS financial statements)</p> <p>Revenue is recognised net of accrual for sales returns, rebates &amp; discounts, etc. The estimates relating to the accruals are important given the significance of revenue and considering the distinctive terms of arrangement with customers. These estimates are complex and requires significant judgement and estimation by the Company for establishing an appropriate accrual. Accuracy of revenues may deviate because change in judgements and estimates. Accordingly, the same has been considered as a key audit matter.</p>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>• We assessed and performed test of controls over the completeness, recognition and measurement of accruals.</li> <li>• We obtained Management's calculations for accruals and assessed the assumptions used by reference to the company's stated commercial policies, the terms of the applicable contracts.</li> <li>• We assessed management analysis of the historical pattern of accruals to validate management's assumption for creation of such provisions.</li> <li>• We compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns, where relevant and to current payment trends. We also considered the historical accuracy of the management's estimates in prior years. We have also performed procedures to test recording of revenue in appropriate period which includes: <ul style="list-style-type: none"> <li>o Verifying sample sales transactions near period-end.</li> <li>o Evaluating the level of returns following the period end and compared to previous periods.</li> </ul> </li> </ul>
<p><b>Recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115, Revenue from Contracts with Customers</b> (as described in note 1.3(a) of the significant accounting policies of standalone Ind AS financial statements)</p> <p>The Company has adopted Ind AS 115, <i>Revenue from Contracts with Customers</i>, starting 1 April 2018. The adoption of the new revenue accounting standard involves application of certain key principles relating to identification of performance obligations, determination of transaction price of the identified performance obligations, the timing of transfer of control for recognition of revenue or the appropriateness of the basis used to measure revenue recognized over a period. Additionally, new revenue accounting standard contains new disclosures.</p>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>• We considered the Company's revenue recognition accounting policies based on the principles in Ind AS 115.</li> <li>• We evaluated the design, implementation and effective operation of the internal controls relating to implementation of the new revenue accounting standard.</li> <li>• We selected samples of continuing and new contracts and performed the following procedures: <ul style="list-style-type: none"> <li>o Read, analysed and identified the distinct performance obligations in these contracts.</li> <li>o Compared these performance obligations with that identified and recorded by the Company.</li> <li>o Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue.</li> <li>o Evaluated management assessment of point of recognition of revenue based on transfer of control or satisfaction of obligations over time.</li> </ul> </li> <li>• We evaluated the adequacy of financial statement disclosures, pursuant to new revenue accounting standard.</li> </ul>

### Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises, Statutory reports, corporate governance and Board's report included in the Annual report, but does not include the standalone Ind AS financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and Corporate Overview and letter from Chairman and Co-Chairman included in the Annual report, which is expected to be made available to us after that date.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended 31 March 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on our audit we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - g) In our opinion, the managerial remuneration for the year ended 31 March 2019 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
  - h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer note 2.30(A) to the standalone Ind AS financial statements;
    - (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
    - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership Number: 53315

Place : Hyderabad

Date : 17 May 2019

## ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at 31 March 2019 and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which the Director is interested to which provisions of section 185 of the Companies Act, 2013 apply and hence not commented upon. In our opinion and according to the information and explanations given to us, the Company has made investments and given guarantees/provided security which is in compliance with the provisions of section 186 of the Companies Act, 2013.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, and are of the opinion that *prima facie*, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as set out in Appendix 1.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to banks or government. There are no dues which are payable to financial institutions. The Company did not have any debenture holders during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the standalone Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3 (xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the standalone Ind AS financial statements, as required by the applicable accounting standards.

## ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED (CONTINUED)

- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership Number: 53315

Place : Hyderabad

Date : 17 May 2019

### Appendix 1 as referred to in paragraph vii(c) of Annexure 1 to Independent Auditors' Report

Name of the statute	Nature of the dues	Disputed amount in ₹ million	Amount paid under protest in ₹ million	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty, Interest and Penalty	1,726	178	2001-2017	Appellate Authority – upto Commissioners
		510		1998-2017	CESTAT
		58		2002-2008	High Court
Customs Act, 1962	Customs Duty	37	6	2010-2011	Appellate Authority – upto Commissioners
		6		2004-2005	High Court
Finance Act, 1994	Cenvat Credit of Service Tax, Interest and Penalty	863	155	2005- 2016	CESTAT
		639		2005- 2016	Appellate Authority – upto Commissioners
		177		2010-2015	CESTAT
Central Sales Tax Act and Sales Tax Acts of various States	Sales Tax and Penalty	231	211	2015-2017	Appellate Authority – upto Commissioners
		103		2002-2018	Sales Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	203	-	2003-2018	Appellate Tribunal - upto Commissioner
		75		2007-2014	High Court
		2		2002-2003	High Court

## **ANNEXURE 2 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Dr. Reddy's Laboratories Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements.

#### **Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements**

A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the standalone Ind AS financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## ANNEXURE 2 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED (CONTINUED)

### Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these standalone Ind AS financial statements were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **S.R. Batliboi & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 101049W/E300004

per **S Balasubrahmanyam**

*Partner*

Membership Number: 53315

Place : Hyderabad

Date : 17 May 2019

# BALANCE SHEET

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

Particulars	Note	As at 31 March 2019	As at 31 March 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2.1	39,504	39,790
Capital work-in-progress		4,001	6,750
Goodwill	2.2	323	323
Other intangible assets	2.3	7,000	7,060
<b>Financial assets</b>			
Investments	2.4 A	18,191	19,537
Trade receivables	2.4 B	113	169
Loans	2.4 C	332	1,991
Other financial assets	2.4 D	447	437
Deferred tax assets, net	2.25	-	931
Tax assets, net		3,106	3,518
Other non-current assets	2.5 A	126	112
		<b>73,143</b>	<b>80,618</b>
<b>Current assets</b>			
Inventories	2.6	20,156	18,568
<b>Financial assets</b>			
Investments	2.4 A	21,144	16,828
Trade receivables	2.4 B	37,177	42,038
Derivative instruments		335	17
Cash and cash equivalents	2.4 E	1,132	1,207
Other financial assets	2.4 D	692	509
Other current assets	2.5 B	8,696	11,218
		<b>89,332</b>	<b>90,385</b>
<b>Total assets</b>		<b>162,475</b>	<b>171,003</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Equity share capital	2.7	830	830
Other equity		126,011	117,248
		<b>126,841</b>	<b>118,078</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	2.8 A	3,454	4,880
Provisions	2.9 A	547	533
Deferred tax liabilities, net	2.25	555	-
Other non-current liabilities	2.10 A	285	313
		<b>4,841</b>	<b>5,726</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	2.8 B	5,463	21,008
Trade payables	2.8 C		
Total outstanding dues of micro enterprises and small enterprises		77	93
Total outstanding dues of creditors other than micro enterprises and small enterprises		10,239	10,517
Derivative instruments		45	85
Other financial liabilities	2.8 D	10,160	11,386
Provisions	2.9 B	1,847	1,734
Other current liabilities	2.10 B	2,962	2,376
		<b>30,793</b>	<b>47,199</b>
<b>Total equity and liabilities</b>		<b>162,475</b>	<b>171,003</b>

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership No.: 53315

Place : Hyderabad

Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited****K Satish Reddy****G V Prasad****Saumen Chakraborty****Sandeep Poddar**

Chairman

Co-Chairman &amp; Chief Executive Officer

Chief Financial Officer

Company Secretary

# STATEMENT OF PROFIT AND LOSS

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

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Income</b>			
Sales	2.11	104,667	92,468
Service income and License fees	2.11	1,062	558
Other operating income	2.12	526	567
<b>Total revenue from operations</b>		<b>106,255</b>	<b>93,593</b>
Other income	2.13	2,384	2,040
<b>Total income</b>		<b>108,639</b>	<b>95,633</b>
<b>Expenses</b>			
Cost of materials consumed		21,032	20,110
Purchase of stock-in-trade		8,686	6,716
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.14	660	(516)
Employee benefits expense	2.15	19,319	18,430
Depreciation and amortisation expense	2.16	7,806	7,741
Finance costs	2.17	568	628
Selling and other expenses	2.18	33,561	35,554
<b>Total expenses</b>		<b>91,632</b>	<b>88,663</b>
<b>Profit before tax</b>		<b>17,007</b>	<b>6,970</b>
Tax expense	2.25		
Current tax		2,818	1,381
Deferred tax		1,416	(80)
<b>Profit for the year</b>		<b>12,773</b>	<b>5,669</b>
<b>Other comprehensive income (OCI)</b>			
Items that will not be reclassified subsequently to profit or loss		(1)	43
Income tax on items that will not be reclassified subsequently to profit or loss		3	(16)
		2	27
Items that will be reclassified subsequently to profit or loss		209	(133)
Income tax on items that will be reclassified subsequently to profit or loss		(73)	46
		136	(87)
<b>Total other comprehensive income/(loss) for the year, net of tax</b>		<b>138</b>	<b>(60)</b>
<b>Total comprehensive income for the year</b>		<b>12,911</b>	<b>5,609</b>
Earnings per share:	2.21		
Basic earnings per share of ₹ 5/- each		76.98	34.19
Diluted earnings per share of ₹ 5/- each		76.85	34.12
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached  
for **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004  
per **S Balasubrahmanyam**

Partner  
Membership No.: 53315  
Place : Hyderabad  
Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

**K Satish Reddy**  
**G V Prasad**  
**Saumen Chakraborty**  
**Sandeep Poddar**

Chairman  
Co-Chairman & Chief Executive Officer  
Chief Financial Officer  
Company Secretary

# STATEMENT OF CHANGES IN EQUITY

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

Particulars	Other components of equity										Total equity	
	Equity share capital	Treasury shares <sup>(i)</sup>	Securities premium <sup>(2)</sup>	Share-based payment reserve <sup>(3)</sup>	Capital reserve <sup>(4)</sup>	Capital redemption reserve <sup>(5)</sup>	General reserve <sup>(6)</sup>	Retained earnings	Cash flow hedge reserve <sup>(7)</sup>	Other comprehensive income FVTOCI* equity instruments <sup>(8)</sup>		Remeasurements of the net defined benefits plan <sup>(9)</sup>
<b>Balance as at 1 April 2018 (A)</b>	830	-	5,211	826	267	25	20,302	90,740	(5)	(2)	(116)	<b>118,078</b>
Profit for the year	-	-	-	-	-	-	-	12,773	-	-	-	12,773
Net change in fair value of FVTOCI** equity instruments, net of tax benefit of ₹ Nil	-	-	-	-	-	-	-	-	-	8	-	8
Effective portion of changes in fair value of cash flow hedges, net of tax expense of ₹ 73 (Refer note 2.28)	-	-	-	-	-	-	-	-	136	-	-	136
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of ₹ 3 (Refer note 2.24)	-	-	-	-	-	-	-	-	-	-	(6)	(6)
<b>Total comprehensive income (B)</b>	-	-	-	-	-	-	-	12,773	136	8	(6)	12,911
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-	-	-	-
Contributions and distributions	-	-	-	-	-	-	-	-	-	-	-	-
Issue of equity shares on exercise of options (Refer note 2.7)	-	-	420	(420)	-	-	-	-	-	-	-	-
Share-based payment expense (Refer note 2.23)	-	-	-	389	-	-	-	-	-	-	-	389
Purchase of treasury shares	-	(535)	-	-	-	-	-	-	-	-	-	(535)
Dividend paid (including dividend distribution tax)	-	(535)	-	-	-	-	(4,002)	-	-	-	-	(4,002)
Total contributions and distributions	-	(535)	420	(31)	-	-	(4,002)	-	-	-	-	(4,148)
Changes in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners of the Company (C)</b>	-	(535)	420	(31)	-	-	(4,002)	-	-	-	-	(4,148)
<b>Balance as at 31 March 2019 [(A)+(B)+(C)]</b>	<b>830</b>	<b>(535)</b>	<b>5,631</b>	<b>795</b>	<b>267</b>	<b>25</b>	<b>20,302</b>	<b>99,511</b>	<b>131</b>	<b>6</b>	<b>(122)</b>	<b>126,841</b>

Particulars	Other components of equity										Total equity	
	Equity share capital	Treasury shares <sup>(i)</sup>	Securities premium <sup>(2)</sup>	Share-based payment reserve <sup>(3)</sup>	Capital reserve <sup>(4)</sup>	Capital redemption reserve <sup>(5)</sup>	General reserve <sup>(6)</sup>	Retained earnings	Cash flow hedge reserve <sup>(7)</sup>	Other comprehensive income FVTOCI* equity instruments <sup>(8)</sup>		Remeasurements of the net defined benefits plan <sup>(9)</sup>
<b>Balance as at 1 April 2017 (A)</b>	829	-	4,779	804	267	25	20,302	89,063	82	3	(148)	<b>116,006</b>
Profit for the year	-	-	-	-	-	-	-	5,669	-	-	-	5,669
Net change in fair value of FVTOCI** equity instruments, net of tax benefit of ₹ Nil	-	-	-	-	-	-	-	-	-	(5)	-	(5)
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of ₹ 46 (Refer note 2.28)	-	-	-	-	-	-	-	-	(87)	-	-	(87)
Actuarial gain/(loss) on post-employment benefit obligations, net of tax expense of ₹ 16 (Refer note 2.24)	-	-	-	-	-	-	-	-	-	-	32	32
<b>Total comprehensive income (B)</b>	-	-	-	-	-	-	-	5,669	(87)	(5)	32	5,609
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-	-	-	-
Contributions and distributions	-	-	-	-	-	-	-	-	-	-	-	-
Issue of equity shares on exercise of options (Refer note 2.7)	1	-	432	(432)	-	-	-	-	-	-	-	1
Share-based payment expense (Refer note 2.23)	-	-	-	454	-	-	-	-	-	-	-	454
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	(3,992)	-	-	-	-	(3,992)
Total contributions and distributions	1	-	432	22	-	-	(3,992)	-	-	-	-	(3,537)
Changes in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners of the Company (C)</b>	1	-	432	22	-	-	(3,992)	-	-	-	-	(3,537)
<b>Balance as at 31 March 2018 [(A)+(B)+(C)]</b>	<b>830</b>	<b>-</b>	<b>5,211</b>	<b>826</b>	<b>267</b>	<b>25</b>	<b>20,302</b>	<b>90,740</b>	<b>(5)</b>	<b>(2)</b>	<b>(116)</b>	<b>118,078</b>

\* Rounded off to millions.

\*\* FVTOCI represents fair value through other comprehensive income.

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

- (1) Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2018, the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") was formed to support the Dr. Reddy's Employees Stock Option Scheme, 2018 by acquiring, including through secondary market acquisitions, equity shares which are used for issuance to eligible employees upon exercise of stock options thereunder. Refer note 2.23 of these financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.
- (2) Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013.
- (3) Share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees as part of their remuneration. Refer note 2.23 for further details of these plans.
- (4) The Company recognises profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments to capital reserve.
- (5) As per Companies Act, 2013, capital redemption reserve is created when company purchases its own shares out of free reserves or securities premium. A sum equal to the nominal value of the shares so purchased is transferred to capital redemption reserve. The reserve is utilised in accordance with the provisions of Section 69 of the Companies Act, 2013.
- (6) The general reserve is a free reserve which is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to the statement of profit and loss.
- (7) The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to the statement of profit and loss in the period in which the hedged transaction occurs.
- (8) This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income (FVTOCI), net of amounts reclassified to retained earnings when those assets have been disposed off.
- (9) Remeasurements of the net defined benefits plan reserve comprises the cumulative net gains/losses on actuarial valuation of post-employment obligations. Refer note 2.24 for further details.

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached  
for **S.R. Battiboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E3000004  
per **S Balasubrahmanyam**  
Partner

Membership No.: 53315  
Place : Hyderabad  
Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

**K Satish Reddy**  
**G V Prasad**  
**Saumen Chakraborty**  
**Sandeep Poddar**

Chairman  
Co-Chairman & Chief Executive Officer  
Chief Financial Officer  
Company Secretary

# STATEMENT OF CASH FLOWS

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Cash flows from/(used in) operating activities</b>		
<b>Profit before tax</b>	<b>17,007</b>	<b>6,970</b>
Adjustments:		
Depreciation and amortisation expense	7,806	7,741
Impairment loss on other intangible assets	24	53
Equity settled share-based payment expense	389	454
Fair value gain on financial instruments at fair value through profit or loss	(221)	(33)
Foreign exchange loss/(gain), net	2,455	(665)
(Profit)/loss on sale/disposal of property, plant and equipment and other intangible assets, net	(400)	55
Interest income	(812)	(649)
Finance costs	568	628
Profit on sale of mutual funds, net	(448)	(779)
Refund liability	1,090	1,105
Inventory write-downs	2,085	1,965
Allowances for credit losses, net	212	(12)
Allowances for doubtful advances, net	(351)	(36)
Loss on sale of non-current investments	-	341
Provision/(reversal of provision) relating to non-current investments	359	(525)
<i>Changes in operating assets and liabilities:</i>		
Trade receivables	3,457	3,361
Inventories	(3,673)	(2,436)
Trade payables	(201)	2,738
Other assets and other liabilities, net	663	(3,150)
<b>Cash generated from operations</b>	<b>30,009</b>	<b>17,126</b>
Income taxes paid, net	(2,388)	(1,740)
<b>Net cash from operating activities</b>	<b>27,621</b>	<b>15,386</b>
<b>Cash flows from/(used in) investing activities</b>		
Proceeds from sale of property, plant and equipment	879	124
Expenditures on property, plant and equipment	(5,775)	(7,689)
Expenditures on other intangible assets	(753)	(293)
Purchase of investments	(77,267)	(60,620)
Proceeds from sale of investments	74,786	56,278
Loans and advances repaid by subsidiaries	1,800	63
Interest income received	821	338
<b>Net cash used in investing activities</b>	<b>(5,509)</b>	<b>(11,799)</b>
<b>Cash flows from/(used in) financing activities</b>		
Proceeds from issuance of equity shares	-*	1
Proceeds from/(repayment of) short-term loans and borrowings, net (Refer note 2.8 (d))	(17,049)	1,654
Proceeds from/(repayment of) long-term loans and borrowings, net (Refer note 2.8 (d))	-	(1)
Dividends paid (including corporate dividend tax)	(4,002)	(3,992)
Purchases of treasury shares	(535)	-
Interest paid	(645)	(706)
<b>Net cash used in financing activities</b>	<b>(22,231)</b>	<b>(3,044)</b>
Net increase/(decrease) in cash and cash equivalents	(119)	543
Effect of exchange rate changes on cash and cash equivalents	44	(3)
Cash and cash equivalents at the beginning of the year (Refer note 2.4 E)	1,207	667
<b>Cash and cash equivalents at the end of the year (Refer note 2.4 E)</b>	<b>1,132</b>	<b>1,207</b>

\* Rounded off to millions.

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership No.: 53315

Place : Hyderabad

Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited****K Satish Reddy****G V Prasad****Saumen Chakraborty****Sandeep Poddar**

Chairman

Co-Chairman &amp; Chief Executive Officer

Chief Financial Officer

Company Secretary

# NOTES TO FINANCIAL STATEMENTS

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

## NOTE 1 DESCRIPTION OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Description of the Company

Dr. Reddy's Laboratories Limited ("Dr. Reddy's" or "the Company") is a leading India-based pharmaceutical company headquartered and having its registered office in Hyderabad, Telangana, India. Through its three businesses - Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products – the Company offers a portfolio of products and services, including Active Pharmaceutical Ingredients ("APIs"), Custom Pharmaceutical Services ("CPS"), generics, biosimilars and differentiated formulations.

The Company's principal research and development facilities are located in the states of Telangana and Andhra Pradesh in India; its principal manufacturing facilities are located in the states of Telangana, Andhra Pradesh and Himachal Pradesh in India; and its principal markets are in India, Russia, the United States, the United Kingdom and Germany. The Company's shares trade on the Bombay Stock Exchange and the National Stock Exchange in India and also on the New York Stock Exchange in the United States.

### 1.2 Basis of preparation of financial statements

#### a) Statement of compliance

The financial statements of the Company as at and for the year ended 31 March 2019 have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

These financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective or elected for early adoption at the Company's annual reporting date, 31 March 2019. These financial statements were authorised for issuance by the Company's Board of Directors on 17 May 2019.

#### b) Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- derivative financial instruments are measured at fair value;
- financial assets are measured either at fair value or at amortised cost depending on the classification;
- employee defined benefit assets/(liability) are recognised as the net total of the fair value of plan assets, adjusted for actuarial gains/ (losses) and the present value of the defined benefit obligation;
- long-term borrowings, except obligations under finance leases, are measured at amortised cost using the effective interest rate method;
- assets held for sale are measured at fair value less costs to sell; and
- share-based payments are measured at fair value;

#### c) Functional and presentation currency

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

#### d) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2 (c) – Assessment of functional currency;
- Note 1.3 (c) – Financial instruments;
- Note 1.3 (d) – Business combinations;
- Notes 1.3 (e) and 1.3 (f) – Useful lives of property, plant and equipment and intangible assets;
- Note 1.3 (h) – Valuation of inventories;
- Note 1.3 (i) – Measurement of recoverable amounts of cash-generating units;

# NOTES TO FINANCIAL STATEMENTS

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

- Note 1.3 (j) — Assets and obligations relating to employee benefits;
- Note 1.3 (j) — Share-based payments;
- Note 1.3 (k) — Provisions and other accruals;
- Note 1.3 (l) — Measurement of transaction price in a revenue transaction (Sales returns, rebates and chargeback provisions);
- Note 1.3 (n) — Evaluation of recoverability of deferred tax assets; and
- Note 1.3 (k) — Contingencies

## e) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, *Presentation of Financial Statements*.

### Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within twelve months after the reporting date; or
- d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

### Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within twelve months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities include the current portion of non-current assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

## 1.3 Significant accounting policies

### a) New Standards adopted by the Company

#### Ind AS 115, *Revenue from Contracts with Customers*

In March 2018, the Ministry of Corporate Affairs ("MCA") has notified Ind AS 115, *Revenue from Contracts with Customers*, which is effective for accounting periods beginning on or after 1 April 2018. This comprehensive new standard supersedes Ind AS 18, *Revenue*, Ind AS 11, *Construction contracts* and related interpretations. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted Ind AS 115 effective as of 1 April 2018. The impacts of the adoption of the new standard are summarised below:

#### Revenue

The Company's revenue is derived from sale of goods, service income and income from licensing arrangements, each as more particularly described below. Most of such revenue (approximately 98.5%) is generated from the sale of goods.

#### Sale of goods

Revenue from sale of goods consists of the sale of generic and branded products and the sale of active pharmaceutical ingredients and intermediates. Revenue from sale of goods is recognised where control is transferred to the Company's customers at the time of shipment to or receipt of goods by the customers. There was no change in the point of recognition of revenue upon adoption of Ind AS 115.

# NOTES TO FINANCIAL STATEMENTS

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

## Service income

Service income, which primarily relates to revenue from contract research, is recognised as and when the underlying services are performed. There was no change in the point of recognition of revenue upon adoption of Ind AS 115. Upfront non-refundable payments received under these arrangements continue to be deferred and are recognised over the expected period that related services are to be performed.

## License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. The adoption of Ind AS 115 did not significantly change the timing or amount of revenue recognised by the Company from these arrangements, nor did it change accounting for these royalty arrangements, as the standard's royalty exception is applied for intellectual property licenses. Upfront non-refundable payments received under these arrangements continue to be deferred and are recognised over the expected period that related services are to be performed.

## Profit share revenues and milestone payments

Revenues from sale of goods also include revenues from profit sharing arrangements with business partners for sales of the Company's products in certain markets. Furthermore, the Company receives milestone payments related to out-licensing of the intellectual property. Under Ind AS 115, the profit share amount is recognised only to the extent that it is highly probable that a significant reversal in the amount of profit share will not occur when the uncertainty associated with the profit share is subsequently resolved. The adoption of Ind AS 115 did not significantly change the timing or amount of revenue recognised by the Company under these arrangements.

The Company applied the modified retrospective method upon adoption of Ind AS 115 on 1 April 2018. This method requires the recognition of the cumulative effect of initially applying Ind AS 115 to retained earnings and not to restate prior years.

Overall, the application of this standard did not have a material impact on the Company's revenue streams from the sale of goods, service income, license fees, profit share revenues and milestone payments, and associated rebates and sales returns provisions.

## b) Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

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

- certain debt instruments classified as measured at fair value through other comprehensive income;
- certain equity instruments where the Company had made an irrevocable election to present in other comprehensive income subsequent changes in the fair value;
- a financial liability designated as a hedge of the net investment in a foreign operation, to the extent that the hedge is effective; and
- qualifying cash flow hedges, to the extent that the hedges are effective.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

# NOTES TO FINANCIAL STATEMENTS

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

## c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### *Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under Ind AS 115.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVTOCI);
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL); and
- Equity instruments measured at fair value through other comprehensive income (FVTOCI).

#### Debt instruments at amortised cost

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

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

#### Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest earned while holding FVTOCI debt instrument is reported as interest income using the effective interest rate method.

#### Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

# NOTES TO FINANCIAL STATEMENTS

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

## Equity investments

All equity investments within the scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

## Investments in subsidiaries and joint venture

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries and joint ventures at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

## Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- Both (1) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and (2) either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

## Impairment of trade receivables and other financial assets

In accordance with Ind AS 109, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

## Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

# NOTES TO FINANCIAL STATEMENTS

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

## *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as fair value through profit and loss.

### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit and loss.

### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

### Derivative financial instruments

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in US dollars, UK pounds sterling, Russian roubles Brazilian reals, South African rands ("ZAR"), Romanian new leus ("RON") and Euros, and foreign currency debt in US dollars, Russian roubles, Ukrainian hryvnias and Euros.

The Company uses derivative financial instruments such as foreign exchange forward contracts, option contracts and swap contracts to mitigate its risk of changes in foreign currency exchange rates. The Company also uses non-derivative financial instruments as part of its foreign currency exposure risk mitigation strategy.

### Hedges of highly probable forecasted transactions

The Company classifies its derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Company's hedging reserve as a component of equity and re-classified to the statement of profit and loss as part of the hedged item in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the statement of profit and loss as finance costs immediately.

The Company also designates certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions. Accordingly, the Company applies cash flow hedge accounting to such relationships. Remeasurement gain/ loss on such non-derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and reclassified to the statement of profit and loss as part of the hedged item in the period corresponding to the occurrence of the forecasted transactions.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the statement of profit and loss.

# NOTES TO FINANCIAL STATEMENTS

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

## Hedges of recognised assets and liabilities

Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the statement of profit and loss. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognised in the statement of profit and loss. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit and loss.

## Hedges of changes in the interest rates

Consistent with its risk management policy, the Company uses interest rate swaps to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

## Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## d) Business combinations

In accordance with the provisions of Ind AS 101, *First time adoption of Indian Accounting Standards*, the Company has elected to apply the accounting for business combinations prospectively from transition date i.e., 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward.

The Company uses the acquisition method of accounting to account for business combinations. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognised immediately in the OCI and accumulates the same in equity as capital reserve where there exists clear evidence of the underlying reasons for classifying the business combination as a bargain purchase else the gain is directly recognised in equity as capital reserve. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

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

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

## e) Property, plant and equipment

### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

# NOTES TO FINANCIAL STATEMENTS

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

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

## Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. 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:

Particulars	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 10
Plant and machinery	5 to 10
Furniture, fixtures and office equipment	3 to 8
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalised as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalised costs are amortised over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed as such under other non-current assets. Assets not ready for use are not depreciated but are tested for impairment.

## f) Goodwill and other intangible assets

### Recognition and measurement

Goodwill	<p>Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired.</p> <p>Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.</p>
Other intangible assets	<p>Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.</p>
Research and development	<p>Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognised in the statement of profit and loss when incurred.</p> <p>Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if</p> <ul style="list-style-type: none"> <li>● development costs can be measured reliably;</li> <li>● the product or process is technically and commercially feasible;</li> <li>● future economic benefits are probable; and</li> <li>● the Company intends to, and has sufficient resources to complete development and to use or sell the asset.</li> </ul> <p>The expenditures to be capitalised include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognised in the statement of profit and loss as incurred. As of 31 March 2019, none of the development expenditure amounts has met the aforesaid recognition criteria.</p>

# NOTES TO FINANCIAL STATEMENTS

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

Separate acquisition of intangible assets	Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised. The Company's criteria for capitalisation of such assets are consistent with the guidance given in paragraph 25 of Indian Accounting Standard 38 ("Ind AS 38") (i.e., the receipt of economic benefits embodied in each intangible asset separately purchased or licensed in the transaction is considered to be probable).
In-Process Research and Development assets ("IPR&D") or Intangible assets under development	Acquired research and development intangible assets that are under development are recognised as In-Process Research and Development assets ("IPR&D") or Intangible assets under development. IPR&D assets are not amortised, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the statement of profit and loss.
<b>Subsequent expenditure</b>	
Other intangible assets	Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, is recognised in the statement of profit and loss as incurred.
In-Process Research and Development assets ("IPR&D") or Intangible assets under development	Subsequent expenditure on an IPR&D project acquired separately or in a business combination and recognised as an intangible asset is: <ul style="list-style-type: none"> <li>● recognised as an expense when incurred, if it is research expenditure;</li> <li>● recognised 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 Ind AS 38; and</li> <li>● 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 Ind AS 38.</li> </ul>

## Amortisation

Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets that are not available for use are amortised from the date they are available for use.

The estimated useful lives are as follows:

Particulars	Years
Product related intangibles	3 to 15
Customer related intangibles	2 to 5
Other intangibles	3 to 5

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

Goodwill, intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the statement of profit and loss.

## De-recognition of intangible assets

Intangible assets are de-recognised either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the statement of profit and loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as at the date of de-recognition.

## g) Leases

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

### Finance leases

A finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalised and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Operating leases

Other leases are operating leases, and the leased assets are not recognised on the Company's balance sheet. Payments made under operating leases are recognised in the statement of profit and loss on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognised as a reduction of rental expense on a straight line basis over the lease term.

# NOTES TO FINANCIAL STATEMENTS

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

## h) Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

## i) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at 31 March.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised in the statement of profit and loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

## j) Employee benefits

### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

### Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation.

# NOTES TO FINANCIAL STATEMENTS

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

In countries where there is no deep market in such bonds, the market interest rates on government bonds are used. The current service cost of the defined benefit plan, recognised in the statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised immediately in the statement of profit and loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in OCI in the period in which they arise.

When the benefits under a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of profit and loss. The Company recognises gains or losses on the settlement of a defined benefit plan obligation when the settlement occurs.

## Termination benefits

Termination benefits are recognised as an expense in the statement of profit and loss when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense in the statement of profit and loss if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

## Other long-term employee benefits

The Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognised in the statement of profit and loss in the period in which they arise.

## Compensated absences

The Company's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Company measures the expected cost of accumulating compensated absences as the additional amount that the Company incurs as a result of the unused entitlement that has accumulated at the reporting date. Such measurement is based on actuarial valuation as at the reporting date carried out by a qualified actuary.

## Equity settled share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, in the statement of profit and loss, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and performance conditions at the vesting date. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognised in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

## Cash settled share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognised as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognised in the statement of profit and loss.

## k) Provisions

A provision is recognised in the statement of profit and loss if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## Restructuring

A provision for restructuring is recognised in the statement of profit and loss when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

# NOTES TO FINANCIAL STATEMENTS

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

## Onerous contracts

A provision for onerous contracts is recognised in the statement of profit and loss when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

## Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised in the statement of profit and loss only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

## Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

## l) Revenue

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods.

Accounting policies relating to revenue for the periods after 31 March 2018 are as follows:

### Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method.

Presented below are the points of recognition of revenue with respect to the Company's sale of goods:

Particulars	Point of recognition of revenue
Sales of generic products in India	Upon delivery of products to distributors by clearing and forwarding agents of the Company. Control over the generic products is transferred by the Company when the goods are delivered to distributors from clearing and forwarding agents.
Sales of active pharmaceutical ingredients and intermediates in India	Upon delivery of products to customers (generally formulation manufacturers), from the factories of the Company.
Export sales and other sales outside of India	Upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

## Profit share revenues

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

# NOTES TO FINANCIAL STATEMENTS

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

Revenue in an amount equal to the base purchase price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

## Out licensing arrangements, milestone payments and royalties

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue upon delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognised over the period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognised as revenues either on achievement of such milestones, over the performance period depending on the terms of the contract. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Royalty income earned through a license is recognised when the underlying sales have occurred.

## Provision for chargeback, rebates and discounts

Provisions for chargeback, rebates, discounts and Medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Provisions for such chargebacks are accrued and estimated based on historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers/other customers and estimated inventory holding by the wholesaler.

## Shelf stock adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by the Company, and are accrued when the prices of certain products decline as a result of increased competition 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 refund liability concurrent with the recognition of revenue at the time of a product sale. This liability is based on the Company's estimate of expected sales returns. The Company deals in various products and operates in various markets. Accordingly, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors. At the time of recognising the refund liability the Company also recognises an asset (i.e., right to the returned goods), which is included in inventories for the products expected to be returned. The Company initially measures this asset at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

Along with re-measuring the refund liability at the end of each reporting period, the Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

## Services

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

# NOTES TO FINANCIAL STATEMENTS

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

## License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Accounting policies relating to revenue for period ending on or prior to 31 March 2018 are as follows:

### Sale of goods

Revenue is recognised 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 relevant taxes 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 recognised 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 recognised 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 recognised when the significant risks and rewards of ownership of products are transferred to the customers. Such transfer 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 recognised once all such activities are completed.

### Profit share revenues

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base purchase price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue 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 recognised 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 authorises the issuance of its 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 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 recognised over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognised 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.

# NOTES TO FINANCIAL STATEMENTS

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

## 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 concurrently 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 recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

## Export entitlements

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of material consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

## License fee

The Company from time to time enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

## Shipping and handling costs

Shipping and handling costs incurred to transport products to customers, and internal transfer costs incurred to transport the products from the Company's factories to its various points of sale, are included in selling and other expenses.

## m) Other income and finance cost

Other income consists of interest income on funds invested, dividend income and gains on the disposal of assets. Interest income is recognised in the statement of profit and loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of profit and loss on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognised in the statement of profit and loss using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within other income and / or selling and other expenses. These primarily include: exchange differences arising on the settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

## n) Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

# NOTES TO FINANCIAL STATEMENTS

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealised inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognised using the tax rate of the jurisdiction in which such inventories are held. Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

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

## o) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

## p) Government grants

The Company recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to income are deducted in reporting the related expense in the statement of profit and loss.

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

## q) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the securities premium.

## r) Recent accounting pronouncements

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

### Ind AS 116, *Leases*

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, *Leases* as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, *Leases* with effect from accounting periods beginning on or after 1 April 2019.

# NOTES TO FINANCIAL STATEMENTS

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

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flows as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The undiscounted and non-cancellable operating lease commitments are ₹ 232 and ₹ 276 as at 31 March 2019 and 31 March 2018, respectively, as disclosed in note 2.26 provide an indicator of the impact of the implementation of Ind AS 116 on the financial statements of the company. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

## Appendix C, *Uncertainty over Income Tax Treatments*, to Ind AS 12, *Income Taxes*

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, *Income taxes* by including Appendix C, *Uncertainty over Income Tax Treatments*. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.

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

The amendment is effective for annual reporting periods beginning on or after 1 April 2019. An entity can, on initial application, elect to apply this amendment either:

- retrospectively applying Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, if possible without the use of hindsight; or
- retrospectively, with the cumulative effect of initially applying the interpretation recognised 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 believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

### s) **Rounding of amounts**

All amounts in Indian Rupees disclosed in the financial statements and notes have been rounded off to the nearest million unless otherwise stated.

## 1.4 Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### a) **Property, plant and equipment**

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

### b) **Intangible assets**

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method. Under this method, value is estimated as the present value of the benefits anticipated from ownership of the intangible assets in excess of the returns required or the investment in the contributory assets necessary to realise those benefits.

### c) **Inventories**

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

# NOTES TO FINANCIAL STATEMENTS

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

## d) Investments in equity and debt securities and units of mutual funds

The fair value of marketable equity and debt securities is determined by reference to their quoted market price at the reporting date. For debt securities where quoted market prices are not available, fair value is determined using pricing techniques such as discounted cash flow analysis.

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

## e) Derivatives

The fair value of foreign exchange forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of foreign currency option and swap contracts and interest rate swap contracts is determined based on the appropriate valuation techniques, considering the terms of the contract.

## f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

## g) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

## NOTE 2 NOTES TO FINANCIAL STATEMENTS

### 2.1 Property, plant and equipment

Particulars	Land	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Vehicles		Total
					Owned	Leasehold	
<b>Gross carrying value</b>							
Balance as at 1 April 2017	1,353	16,384	53,178	3,834	122	24	74,895
Additions	324	899	4,798	359	10	-	6,390
Disposals	(7)	(75)	(995)	(96)	(4)	(24)	(1,201)
<b>Balance as at 31 March 2018</b>	<b>1,670</b>	<b>17,208</b>	<b>56,981</b>	<b>4,097</b>	<b>128</b>	<b>-</b>	<b>80,084</b>
Balance as at 1 April 2018	1,670	17,208	56,981	4,097	128	-	80,084
Additions	3	1,372	5,233	535	30	-	7,173
Disposals <sup>(i)</sup>	(3)	(147)	(1,774)	(250)	(4)	-	(2,178)
<b>Balance as at 31 March 2019</b>	<b>1,670</b>	<b>18,433</b>	<b>60,440</b>	<b>4,382</b>	<b>154</b>	<b>-</b>	<b>85,079</b>
<b>Accumulated Depreciation</b>							
Balance as at 1 April 2017	-	3,471	28,068	2,828	71	24	34,462
Depreciation for the year	-	699	5,682	497	18	-	6,896
Disposals	-	(37)	(912)	(87)	(4)	(24)	(1,064)
<b>Balance as at 31 March 2018</b>	<b>-</b>	<b>4,133</b>	<b>32,838</b>	<b>3,238</b>	<b>85</b>	<b>-</b>	<b>40,294</b>
Balance as at 1 April 2018	-	4,133	32,838	3,238	85	-	40,294
Depreciation for the year	-	770	5,726	498	23	-	7,017
Disposals <sup>(i)</sup>	-	(68)	(1,421)	(244)	(3)	-	(1,736)
<b>Balance as at 31 March 2019</b>	<b>-</b>	<b>4,835</b>	<b>37,143</b>	<b>3,492</b>	<b>105</b>	<b>-</b>	<b>45,575</b>
<b>Net carrying value</b>							
As at 31 March 2018	1,670	13,075	24,143	859	43	-	39,790
<b>As at 31 March 2019</b>	<b>1,670</b>	<b>13,598</b>	<b>23,297</b>	<b>890</b>	<b>49</b>	<b>-</b>	<b>39,504</b>

# NOTES TO FINANCIAL STATEMENTS

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

## 2.1 Property, plant and equipment (continued)

<sup>(i)</sup> During the year ended 31 March 2019, the Company sold one of its API manufacturing business units located in Jeedimetla, Hyderabad to Therapiva Private Limited. This sale was done by way of slump sale (as defined under section 2(42C) of Indian Income Tax Act, 1961) including all related property, plant and equipment, current assets, current liabilities, and transfer of employees. An amount of ₹ 423 representing the profit on sale of such business unit was included under the heading "other income".

As of 31 March 2019 and 31 March 2018, the Company was committed to spend ₹ 2,423 and ₹ 3,477, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchase commitments.

During the years ended 31 March 2019 and 31 March 2018, the Company capitalised interest cost of ₹ 74 and ₹ 71, respectively, with respect to qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2019 and 31 March 2018 was approximately 3.21% and 2.76% respectively.

Depreciation for the year includes an amount of ₹ 634 (31 March 2018: ₹ 640) pertaining to assets used for research and development. During the year, the Company incurred ₹ 677 (31 March 2018: ₹ 419) towards capital expenditure for research and development. (Refer note 2.35)

## 2.2 Goodwill

Goodwill arising upon business combinations is not amortised but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired.

Particulars	As at 31 March 2019	As at 31 March 2018
Gross carrying value		
Opening balance	323	323
Additions	-	-
Disposals	-	-
<b>Closing balance</b>	<b>323</b>	<b>323</b>
Impairment loss		
Opening balance	-	-
Impairment loss	-	-
Disposals	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>Net carrying value</b>	<b>323</b>	<b>323</b>

For the purpose of impairment testing, goodwill is allocated to a cash generating unit, representing the lowest level within the Company at which goodwill is monitored for internal management purposes and which is not higher than the Company's operating segment.

The carrying amount of goodwill was allocated to the cash generating units as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Global Generics-Branded Formulations	323	323

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Value-in-use is generally calculated as the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially, a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. Key assumptions upon which the Company has based its determinations of value-in-use include:

- Estimated cash flows for five years, based on management's projections.
- 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.
- The after tax discount rates used are based on the Company's weighted average cost of capital.
- The after tax discount rates used range from 6.97% to 13.74% for various cash generating units. The pre-tax discount rates range from 7.56% to 16.63%.

The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.3 Other intangible assets

Particulars	Product related intangibles	Customer related intangibles	Others	Total
<b>Gross carrying value</b>				
Balance as at 1 April 2017	10,442	243	851	11,536
Additions	216	-	77	293
Disposals/De-recognitions	-	-	-	-
<b>Balance as at 31 March 2018</b>	<b>10,658</b>	<b>243</b>	<b>928</b>	<b>11,829</b>
Balance as at 1 April 2018	10,658	243	928	11,829
Additions	226	-	527	753
Disposals/De-recognitions	-	(243)	-	(243)
<b>Balance as at 31 March 2019</b>	<b>10,884</b>	<b>-</b>	<b>1,455</b>	<b>12,339</b>
<b>Amortisation/impairment loss</b>				
Balance as at 1 April 2017	3,258	243	370	3,871
Amortisation for the year	641	-	204	845
Impairment loss <sup>(i)</sup>	53	-	-	53
Disposals/De-recognitions	-	-	-	-
<b>Balance as at 31 March 2018</b>	<b>3,952</b>	<b>243</b>	<b>574</b>	<b>4,769</b>
Balance as at 1 April 2018	3,952	243	574	4,769
Amortisation for the year	543	-	246	789
Disposals/De-recognitions	-	(243)	-	(243)
Impairment loss <sup>(i)</sup>	24	-	-	24
<b>Balance as at 31 March 2019</b>	<b>4,519</b>	<b>-</b>	<b>820</b>	<b>5,339</b>
<b>Net carrying value</b>				
As at 31 March 2018	6,706	-	354	7,060
<b>As at 31 March 2019</b>	<b>6,365</b>	<b>-</b>	<b>635</b>	<b>7,000</b>

<sup>(i)</sup> As a result of the Company's decision to discontinue a few products pertaining to its Global Generics segment, product related intangibles of ₹ 24 and ₹ 53 was recorded as impairment loss for the years ended 31 March 2019 and 31 March 2018, respectively, under "selling and other expenses" in the statement of profit and loss.

Amortisation for the year includes an amount of ₹ 44 (31 March 2018: ₹ 82) pertaining to assets used for research and development. During the year, the Company incurred ₹ 22 (31 March 2018: ₹ 36) towards capital expenditure for research and development. (Refer note 2.35)

Details of significant intangible assets as at 31 March 2019:

Particulars	Acquired from	Carrying Cost
Select portfolio of dermatology, respiratory and pediatric assets	UCB India Private Limited and affiliates	5,578
ANDAs	Gland Pharma Limited	332

## 2.4 Financial assets

### 2.4 A Investments

Investments consist of investments in units of equity securities, mutual funds, bonds, commercial paper, and term deposits with banks (i.e., certificates of deposit having an original maturity period exceeding 3 months).

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Investments at FVTOCI</b>		
Quoted equity shares ( <i>fully paid-up</i> )		
120,000 (31 March 2018: 120,000) equity shares of ₹ 1/- each of State Bank of India	38	30
<b>Total investments at FVTOCI (A)</b>	<b>38</b>	<b>30</b>

# NOTES TO FINANCIAL STATEMENTS

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

## 2.4 A Investments (continued)

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Investments carried at cost</b>		
<b>Unquoted equity shares (fully paid-up)</b>		
I. In subsidiary companies		
105,640,410 (31 March 2018: 105,640,410) equity shares of CHF 1 each of Dr. Reddy's Laboratories SA, Switzerland	13,515	13,515
2,499,826 (31 March 2018: 2,499,826) equity shares of ₹ 10/- each of Idea2Enterprises India Private Limited, India	1,537	1,537
90,544,104 (31 March 2018: 90,544,104) equity shares of ₹ 10/- each of Aurigene Discovery Technologies Limited, India	974	974
36,249,230 (31 March 2018: 36,249,230) shares of Real \$ 1 each of Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	825	825
140,526,270 (31 March 2018: 140,526,270) Series "A" shares of Peso 1 each of Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	709	709
54,022,070 (31 March 2018: 54,022,070) equity shares of ₹ 10/- each of Dr. Reddy's Bio-sciences Limited, India	466	466
6,342,047 (31 March 2018: 1,131,646) equity shares of US\$ 1 each of Reddy Antilles N.V., Netherlands	411	52
20,050,000 (31 March 2018: 20,050,000) equity shares of ₹ 1/- each of Regkinetics Services Limited, India (formerly known as Dr. Reddy's Pharma SEZ Limited, India)	201	201
123,000 (31 March 2018: 123,000) equity shares of ₹ 100/- each of Imperial Credit Private Limited, India	31	31
134,513 (31 March 2018: 134,513) equity shares of ₹ 10/- each of Cheminor Investments Limited, India	1	1
	<b>18,670</b>	<b>18,311</b>
<b>Less: Impairment</b>		
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	(622)	(622)
Reddy Antilles N.V., Netherlands	(411)	(52)
Total unquoted investments in equity shares of subsidiary companies, net (I)	<b>17,637</b>	<b>17,637</b>
II. In joint ventures		
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China <sup>(1)</sup>	429	429
8,580,000 (31 March 2018: 8,580,000) equity shares of ₹ 10/- each of DRES Energy Private Limited, India	86	86
Nil (31 March 2018: Nil) equity shares of ₹ 10/- each of DRSS Solar Power Private Limited, India <sup>(2)</sup>	-	-
Total unquoted investments in equity shares of joint ventures, net (II)	<b>515</b>	<b>515</b>
<b>Total investments carried at cost (I+II)(B)</b>	<b>18,152</b>	<b>18,152</b>
<b>Investments at FVTPL</b>		
I. Investment in unquoted equity shares		
8,859 (31 March 2018: 8,859) equity shares of ₹ 100/- each of Jeedimetla Effluent Treatment Limited, India	1	1
Ordinary shares of Biomed Russia Limited, Russia <sup>(1)</sup>	-	-
200,000 (31 March 2018: 200,000) equity shares of ₹ 10/- each of Altek Engineering Limited, India	-	-
24,000 (31 March 2018: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	-	-
20,250 (31 March 2018: 20,250) equity shares of ₹ 10/- each of Shivalik Solid Waste Management Limited, India <sup>(2)</sup>	-	-
Total unquoted trade investments in equity shares of other companies, net (I)	<b>1</b>	<b>1</b>
II. Investment in unquoted mutual funds	14,900	13,317
<b>Total investments at FVTPL (I + II) (C)</b>	<b>14,901</b>	<b>13,318</b>

<sup>(1)</sup> Shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China are not denominated in number of shares as per the laws of the country.

<sup>(2)</sup> Liquidated during the year ended 31 March 2018.

<sup>(1)</sup> Shares held in Biomed Russia Limited are not denominated in number of shares as per the laws of the country.

<sup>(2)</sup> Rounded off to millions in the note above.

# NOTES TO FINANCIAL STATEMENTS

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

<b>2.4 A Investments (continued)</b>		
<b>Particulars</b>	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
<b>Investments carried at amortised cost</b>		
I. Investments in term deposits with banks (original maturity more than 3 months)	513	-
II. Investments in bonds	5,272	4,633
III. Investments in commercial paper	459	232
<b>Total investments carried at amortised cost (D)</b>	<b>6,244</b>	<b>4,865</b>
<b>Total investments (A+B+C+D)</b>	<b>39,335</b>	<b>36,365</b>
Current	21,144	16,828
Non-current	18,191	19,537
	<b>39,335</b>	<b>36,365</b>
Aggregate book value of quoted investments	38	30
Aggregate market value of quoted investments	38	30
Aggregate value of unquoted investments	40,330	37,009
Aggregate amount of impairment in the value of investments in the unquoted equity shares	1,033	674
<b>2.4 B Trade receivables</b>		
<b>Particulars</b>	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
Trade receivables from other parties	8,999	7,846
Receivables from subsidiaries (Refer note 2.22)	28,291	34,361
	<b>37,290</b>	<b>42,207</b>
<b>Details of security</b>		
Considered good, unsecured	37,368	42,207
Credit impaired	389	3,943
	<b>37,757</b>	<b>46,150</b>
Less: Allowance for credit losses	(467)	(3,943)
	<b>37,290</b>	<b>42,207</b>
Current	37,177	42,038
Non-current <sup>(1)</sup>	113	169
	<b>37,290</b>	<b>42,207</b>

<sup>(1)</sup> Represents amounts receivable pursuant to an out-licensing arrangement with a customer. As these amounts are not expected to be realised within twelve months from the end of the reporting date, they are disclosed as non-current.

In accordance with Ind AS 109, the Company uses the expected credit loss ("ECL") model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers. The details of changes in allowance for credit losses during the year ended 31 March 2019 and 31 March 2018 are as follows:

<b>Particulars</b>	<b>For the year ended 31 March 2019</b>	<b>For the year ended 31 March 2018</b>
Balance at the beginning of the year	3,943	3,938
Provision made during the year, net of reversals	212	(12)
Trade receivables written off during the year	(3,933)	(1)
Effect of changes in the foreign exchange rates	245	18
<b>Balance at the end of the year</b>	<b>467</b>	<b>3,943</b>

The amount of credit loss as at 31 March 2018 includes provision for doubtful debts from Venezuela operations which has been written off during the year ended 31 March 2019.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.4 C Loans

Particulars	As at 31 March 2019	As at 31 March 2018
<i>Considered good, unsecured</i>		
Loans and advances to wholly owned subsidiaries <sup>(1)</sup>	332	1,991
	332	1,991
<i>Considered doubtful, unsecured</i>		
Loans and advances to wholly owned subsidiaries <sup>(1)</sup>	-	338
Others	-	8
	332	2,337
Less: Allowance for doubtful loans and advances	-	(346)
	332	1,991

<sup>(1)</sup> Loans and advances to wholly owned subsidiaries comprise:

Particulars	Balance as at		Maximum amount outstanding at any time during the year ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
<i>Wholly owned subsidiaries</i>				
Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	-	1,669	1,798	1,725
Reddy Antilles N.V., Netherlands	-	338	386	340
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	320	311	365	397
DRL Impex Limited, India	11	11	11	11
Chemisor Investments Limited, India <sup>(2)</sup>	-	-	-	-
Dr. Reddy's Bio-sciences Limited, India <sup>(2)</sup>	1	-	1	-
	332	2,329		

<sup>(2)</sup> Rounded off to millions in the note above.

Loans and advances to wholly owned subsidiaries are given for the purpose of working capital and other business requirements, settlement of which is neither planned nor likely to occur in the next twelve months. Loans given to DRL Impex Limited, India, Chemisor Investments Limited, India, and Dr. Reddy's Bio-sciences Limited, India are interest free. Other loans carry the following rates of interest:

Loan to	Interest rate per annum
Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	9%
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	6%

The details of changes in allowance for doubtful loans and advances during the year ended 31 March 2019 and 31 March 2018 are as follows:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Balance at the beginning of the year	346	412
Provision made/(reversed) during the year, net	(359)	(65)
Loans and advances written off during the year	(8)	-
Effect of changes in the foreign exchange rates	21	(1)
<b>Balance at the end of the year</b>	<b>-</b>	<b>346</b>

## 2.4 D Other financial assets

Particulars	As at 31 March 2019	As at 31 March 2018
<b>I. Non-current assets</b>		
<i>Considered good, unsecured</i>		
Security deposits	447	437
	447	437
<b>II. Current assets</b>		
<i>Considered good, unsecured</i>		
Claims receivable	91	223
Interest accrued but not due on investments	292	113
Receivables from subsidiary companies including step down subsidiaries		
Dr. Reddy's Bio-sciences Limited, India	54	54
Dr. Reddy's Laboratories SA, Switzerland	44	34
Others	25	27
Other assets	186	58
<i>Considered doubtful, unsecured</i>		
Receivables from subsidiary companies including step down subsidiaries		
Reddy Antilles N.V., Netherlands	2	19
	694	528
Less: Allowance for doubtful advances	(2)	(19)
	692	509

# NOTES TO FINANCIAL STATEMENTS

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

## 2.4 E Cash and cash equivalents

Particulars	As at 31 March 2019	As at 31 March 2018
Balances with banks		
In current accounts	981	240
In EEFC accounts	26	1
In term deposits with banks (original maturities less than 3 months)	-	879
Cash on hand	1	1
Other bank balances (restricted)		
In unclaimed dividend accounts	84	56
In unclaimed fractional share pay order accounts	1	1
In unclaimed debentures and debenture interest account	27	15
LC and Bank guarantee margin money	12	14
<b>Cash and cash equivalents in the balance sheet</b>	<b>1,132</b>	<b>1,207</b>
Less: Bank overdraft used for cash management purposes	-	-
<b>Cash and cash equivalents in the statement of cash flow (including restricted cash)</b>	<b>1,132</b>	<b>1,207</b>

## 2.5 Other assets

Particulars	As at 31 March 2019	As at 31 March 2018
<b>A. Non-current assets</b>		
<i>Considered good, unsecured</i>		
Capital advances	72	86
Dues from joint ventures and other related parties	54	26
	<b>126</b>	<b>112</b>
<b>B. Current assets</b>		
<i>Considered good, unsecured</i>		
Balances and receivables from statutory authorities <sup>(1)</sup>	3,857	6,098
Export benefits receivable <sup>(2)</sup>	2,363	2,842
Advances to material suppliers	596	1,152
Prepaid expenses	482	383
Dues from other related parties	41	14
Others	1,357	729
<i>Considered doubtful, unsecured</i>		
Other advances	92	82
	<b>8,788</b>	<b>11,300</b>
Less: Allowance for doubtful advances	(92)	(82)
	<b>8,696</b>	<b>11,218</b>

<sup>(1)</sup> Balances and receivables from statutory authorities primarily consist of amounts receivable from the goods and service tax ("GST"), excise duty, value added tax and customs authorities of India and the unutilised GST input tax credits, excise duty, service tax and value added tax input credits (subsumed under GST input tax credits effective as of 1 July 2017) on purchases. These are regularly utilised to offset the GST liability (or, prior to 1 July 2017, liability for excise duty, value added tax, etc.) on goods produced by and services provided by the Company. Accordingly, these balances have been classified as current assets.

<sup>(2)</sup> Export benefits receivables primarily consist of amounts receivable from various government authorities of India towards incentives on export sales made by the Company.

## 2.6 Inventories

Particulars	As at 31 March 2019	As at 31 March 2018
Raw materials (includes in transit ₹ 43; 31 March 2018: ₹ 14)	7,829	5,692
Work-in-progress	5,630	6,278
Finished goods	3,070	2,912
Stock-in-trade	1,357	1,527
Packing materials, stores and spares	2,270	2,159
	<b>20,156</b>	<b>18,568</b>

During the year ended 31 March 2019, the Company recorded inventory write-down of ₹ 2,085 (31 March 2018: ₹ 1,965) in the statement of profit and loss.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.7 Share capital

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Authorised share capital</b>		
240,000,000 equity shares of ₹ 5/- each (31 March 2018: 240,000,000)	1,200	1,200
<b>Issued equity capital</b>		
166,066,148 equity shares of ₹ 5/- each fully paid-up (31 March 2018: 165,911,107)	830	830
<b>Subscribed and fully paid-up</b>		
166,065,948 equity shares of ₹ 5/- each fully paid-up (31 March 2018: 165,910,907)	830	830
Add: Forfeited share capital (e)	-	-
	<b>830</b>	<b>830</b>

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

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares/share capital	165,910,907	830	165,741,713	829
Add: Equity shares issued pursuant to employee stock option plan <sup>(1)</sup>	155,041	-*	169,194	1
<b>Closing number of equity shares/share capital</b>	<b>166,065,948</b>	<b>830</b>	<b>165,910,907</b>	<b>830</b>
Treasury shares <sup>(2)</sup>	217,976	535	-	-

\* Rounded off to millions.

<sup>(1)</sup> During the years ended 31 March 2019 and 31 March 2018, equity shares were issued as a result of the exercise of vested options granted to employees pursuant to the Dr. Reddy's Employees Stock Option Plan, 2002 and Dr. Reddy's Employees Stock Option Plan, 2007. All of the options exercised had an exercise price of ₹ 5, being equal to the par value of the underlying shares. Upon the exercise of such options, the amount of compensation cost (computed using the grant date fair value) previously recognised in the "share-based payment reserve" was transferred to "securities premium" in the statement of changes in equity.

<sup>(2)</sup> Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2018, the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") was formed to support the Dr. Reddy's Employees Stock Option Scheme, 2018 by acquiring, including through secondary market acquisitions, equity shares which are used for issuance to eligible employees upon exercise of stock options thereunder. As at 31 March 2019, the ESOS Trust purchased 217,976 shares from secondary market for an aggregate consideration of ₹ 535. Refer note 2.23 of these financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.

### b) Terms/rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company as on the record date set for the shareholders meeting, shall have one vote in respect of each share held. Should the Company declare and pay any dividends, such dividends will be paid in Indian rupees to each holder of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. Indian law on foreign exchange governs the remittance of dividends outside India. In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. Final dividends on equity shares (including dividend tax on distribution of such dividends) are recorded as a liability on the date of their approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The details of dividends paid by the Company are as follows:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Dividend per share (in absolute ₹)	20	20
Dividend distribution tax on the dividend paid	682	675
Dividend paid during the year	<b>3,320</b>	<b>3,317</b>

At the Company's Board of Directors' meeting held on 17 May 2019, the Board proposed a dividend of ₹ 20 per share and aggregating to ₹ 3,321, which is subject to the approval of the Company's shareholders. Upon such approval, there will be an additional cash outflow of ₹ 683 for payment of dividend distribution tax thereon.

### c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
Dr. Reddy's Holdings Limited	41,325,300	24.88	41,083,500	24.76
First State Investments Management (UK) Limited, Commonwealth Bank of Australia, Stewart Investors and their associates*	11,838,598	7.13	10,726,942	6.47

\* Does not include ADR holding.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.7 Share capital (continued)

- d) 270,141 (31 March 2018: 320,544) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Plan, 2002", 261,215 (31 March 2018: 107,308) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees ADR Stock Option Plan, 2007" and 229,600 (31 March 2018: Nil) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Scheme, 2018" (Refer note 2.23).
- e) Represents 200 equity shares of ₹ 5/- each, amount paid-up ₹ 500/- (rounded off to millions in the note above) forfeited due to non-payment of allotment money.
- f) During the year ended 31 March 2017, the Company bought-back and extinguished 5,077,504 equity shares under the buy-back of equity shares plan approved by the shareholders on 1 April 2016.

Aggregate number of shares bought-back during the period of five years immediately preceeding the reporting date:

Particulars	Year ended 31 March				
	2019	2018	2017	2016	2015
Ordinary shares of ₹ 5 each	-	-	5,077,504	-	-

## 2.8 Financial liabilities

### 2.8 A Non-current borrowings

Particulars	As at 31 March 2019	As at 31 March 2018
<i>Unsecured</i>		
Long-term loans from banks (a)	3,454	4,880
	<b>3,454</b>	<b>4,880</b>

### 2.8 B Current borrowings

Particulars	As at 31 March 2019	As at 31 March 2018
From Banks		
<i>Unsecured</i>		
Pre-shipment credit (b)	5,463	21,008
	<b>5,463</b>	<b>21,008</b>

- a) Represents External Commercial Borrowing, carrying interest rate of 1 Month LIBOR plus 82.7 bps and is repayable in three equal installments in the years ending 31 March 2020 and 31 March 2021. Current maturity of the same is shown under note 2.8 D of the financial statements.

As per the loan arrangement, the Company is required to comply with certain financial covenants and the Company was in compliance with such covenants as at 31 March 2019.

The aggregate maturities of long-term loans and borrowings, based on contractual maturities, as of 31 March 2019 and 31 March 2018 were as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Maturing in the year ending 31 March<sup>(i)</sup></b>		
2019	-	-
2020	1,729	1,627
2021	3,458	3,261
2022	-	-
2023	-	-
Thereafter	-	-
	<b>5,187</b>	<b>4,888</b>

<sup>(i)</sup> Long-term debt obligations disclosed in the above table does not reflect any netting of transaction costs amounting to ₹ 4 and ₹ 8 as at 31 March 2019 and 31 March 2018, respectively.

- b) Packing credit loans for the year ended 31 March 2019, comprised of US\$ denominated loans carrying interest rates of 1 Month LIBOR plus 25 to 40 bps and are repayable within 6 to 12 months from the date of drawdown. Packing credit loans for the year ended 31 March 2018, comprised of US\$ denominated loans carrying interest rates of 1 Month LIBOR minus 30 to plus 30 bps, RUB denominated loans carrying fixed interest rate of 6.75%, and INR denominated loans carrying fixed interest rate of 6.00% and are repayable within 6 to 12 months from the date of drawdown.

- c) The Company uncommitted lines of credit of ₹ 33,327 and ₹ 14,209 as of 31 March 2019 and 31 March 2018, respectively, from its banks for working capital requirements. The Company has the right to draw upon these lines of credit based on its working capital requirements.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.8 A & B Borrowings (continued)

d) Reconciliation of liabilities arising from financing activities

Particulars	Non-current borrowings <sup>(1)</sup>	Current borrowings	Total
Opening balance at the beginning of the year	4,880	21,008	25,888
Borrowings made during the year	-	16,410	16,410
Borrowings repaid during the year	-	(33,459)	(33,459)
Effect of changes in foreign exchange rates	299	1,504	1,803
Others	4	-	4
<b>Closing balance at the end of the year</b>	<b>5,183</b>	<b>5,463</b>	<b>10,646</b>

<sup>(1)</sup> Does not include movement in bank overdraft and includes current portion.

## 2.8 C Trade payables

Particulars	As at 31 March 2019	As at 31 March 2018
Trade payables to third parties		
Due to micro, small and medium enterprises <sup>(1)</sup>	77	93
Other parties	9,716	10,018
Trade payables to subsidiaries including step down subsidiaries (Refer note 2.22)	523	499
	<b>10,316</b>	<b>10,610</b>

<sup>(1)</sup> (a) The principal amount remaining unpaid as at 31 March 2019 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMED) is ₹ 77 (31 March 2018: ₹ 93). The interest amount computed based on the provisions under Section 16 of the MSMED is ₹ 0.00 (31 March 2018: ₹ 0.00) is remaining unpaid as of 31 March 2019. The interest amount of ₹ 0.00 that remained unpaid as at 31 March 2018 was paid fully during the current year.

(b) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act is ₹ Nil (31 March 2018: Nil).

(c) The list of undertakings covered under MSMED was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.

For details regarding the Company's exposure to currency and liquidity risks, see note 2.29 of the financial statements under "Liquidity risk".

## 2.8 D Other financial liabilities

Particulars	As at 31 March 2019	As at 31 March 2018
Accrued expenses	5,058	5,262
Payable to subsidiary companies including step down subsidiaries (Refer note 2.22)	2,116	3,655
Current maturity of long term borrowings	1,729	-
Due to capital creditors	778	2,266
Unclaimed dividends, debentures and debenture interest <sup>(1)</sup>	111	71
Trade and security deposits received	72	74
Interest accrued but not due on loans	2	8
Others	294	50
	<b>10,160</b>	<b>11,386</b>

<sup>(1)</sup> Unclaimed amounts are transferred to Investor Protection and Education Fund after seven years from the due date.

## 2.9 Provisions

Particulars	As at 31 March 2019	As at 31 March 2018
<b>A. Non-current provisions</b>		
Provision for employee benefits (Refer note 2.24)		
Compensated absences	498	484
Long service award benefit plan	49	49
	<b>547</b>	<b>533</b>
<b>B. Current provisions</b>		
Provision for employee benefits (Refer note 2.24)		
Compensated absences	323	313
Gratuity	26	49
Long service award benefit plan	14	13
Other provisions (a)		
Refund liability	899	837
Others	585	522
	<b>1,847</b>	<b>1,734</b>

# NOTES TO FINANCIAL STATEMENTS

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

## 2.9 Provisions (continued)

a) Details of changes in other provisions during the year ended 31 March 2019 are as follows:

Particulars	Refund liability <sup>(1)</sup>	Others <sup>(2)</sup>
Balance as at beginning of the year	837	522
Provision made during the year, net of reversals	1,090	63
Provision used during the year	(1,028)	-
<b>Balance as at end of the year</b>	<b>899</b>	<b>585</b>

<sup>(1)</sup> Refund liability is accounted for by recording a provision based on the Company's estimate of expected sales returns. See note 1.3(l) of these financial statements for the Company's accounting policy on refund liability.

<sup>(2)</sup> Primarily consists of provision recorded towards the potential liability arising out of a litigation relating to cardiovascular and anti-diabetic formulations. Refer note 2.30 of these financial statements under "Product and patent related matters - Matters relating to National Pharmaceutical Pricing Authority - Litigation relating to Cardiovascular and Anti-diabetic formulations" for further details.

## 2.10 Other liabilities

Particulars	As at 31 March 2019	As at 31 March 2018
<b>A. Non-current liabilities</b>		
Deferred revenue	283	313
Others	2	-
	<b>285</b>	<b>313</b>
<b>B. Current liabilities</b>		
Salary and bonus payable	1,907	1,420
Due to statutory authorities	433	655
Advance from customers	517	192
Deferred revenue	105	109
	<b>2,962</b>	<b>2,376</b>

## 2.11 Revenue from contracts with customers and trade receivables

Revenue from contracts with customers:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales <sup>(1)</sup>	104,667	92,468
Service income	503	198
License fees	559	360
	<b>105,729</b>	<b>93,026</b>
Excise duty included in revenues <sup>(1)</sup>	-	173

<sup>(1)</sup> Effective 1 July 2017, Goods and Services Tax ("GST") was introduced in India. Following the principles of Ind AS 115, Revenue from Contracts with Customers, sales is disclosed net of GST. For periods prior to 1 July 2017, the excise duty amount was recorded as part of revenues. Accordingly, sales for the year ended 31 March 2019 are not comparable with those of the previous year presented.

Analysis of revenues by segments:

The following table shows the analysis of revenues (excluding other operating income) by segments:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Global Generics	85,853	75,975
Pharmaceutical Services and Active Ingredients	19,574	16,941
Proprietary Products	302	110
	<b>105,729</b>	<b>93,026</b>

Details of refund liabilities:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Balance at the beginning of the year	837	879
Provision made during the year, net of reversals	1,090	1,105
Provision used during the year	(1,028)	(1,147)
<b>Balance at the end of the year</b>	<b>899</b>	<b>837</b>
Current	899	837
Non-current	-	-
	<b>899</b>	<b>837</b>

Details of contract asset:

As mentioned in the accounting policies for refund liability, the Company recognises an asset i.e., right to the returned goods (included in inventories) for the products expected to be returned. The Company initially measures this asset at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.11 Revenue from contracts with customers and trade receivables (continued)

Along with remeasuring the refund liability at the end of each reporting period, the Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

As on 31 March 2019 and 31 March 2018, the Company has ₹ 16 and ₹ 17, respectively as contract asset representing the right to the returned goods.

### Details of deferred revenue:

Tabulated below is the reconciliation of deferred revenue for the years ended 31 March 2019 and 31 March 2018:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Balance at the beginning of the year	422	524
Revenue recognised during the year	(122)	(109)
Milestone payment received during the year	88	7
<b>Balance at the end of the year</b>	<b>388</b>	<b>422</b>
Current	105	109
Non-current	283	313
	<b>388</b>	<b>422</b>

### Details of contract liabilities:

Particulars	As at 31 March 2019	As at 31 March 2018
Advance from customers	517	192
	<b>517</b>	<b>192</b>

## 2.12 Other operating income

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Sale of spent chemicals	356	297
Scrap sales	161	160
Miscellaneous income	9	110
	<b>526</b>	<b>567</b>

## 2.13 Other income

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest income		
On fixed deposits	27	118
On loans to subsidiaries	93	164
Others	692	367
Profit on sale of mutual funds, net	448	779
Profit on disposal of property, plant and equipment and other intangibles, net <sup>(1)</sup>	400	-
Foreign exchange gain, net	288	349
Fair value gain on financial instruments measured at fair value through profit or loss	221	33
Miscellaneous income, net	215	230
	<b>2,384</b>	<b>2,040</b>

<sup>(1)</sup> During the year ended 31 March 2019, the Company sold one of its API manufacturing business units located in Jeedimetla, Hyderabad to Therapiva Private Limited. This sale was done by way of slump sale basis (as defined under section 2(42C) of Indian Income Tax Act, 1961) including all related property, plant and equipment, current assets, current liabilities, and transfer of employees. Gain on disposal of assets includes an amount of ₹ 423 representing the profit on sale of such business unit. (Refer note 2.1 of these financial statements for further details).

## 2.14 Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
<i>Opening</i>				
Work-in-progress	6,278		6,039	
Finished goods	2,912		2,428	
Stock-in-trade	1,527	10,717	1,734	10,201
<i>Closing</i>				
Work-in-progress	5,630		6,278	
Finished goods	3,070		2,912	
Stock-in-trade	1,357	10,057	1,527	10,717
		<b>660</b>		<b>(516)</b>

# NOTES TO FINANCIAL STATEMENTS

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

<b>2.15 Employee benefits expense</b>		
<b>Particulars</b>	<b>For the year ended 31 March 2019</b>	<b>For the year ended 31 March 2018</b>
Salaries, wages and bonus	16,435	15,617
Contribution to provident and other funds	1,076	1,093
Staff welfare expenses	1,406	1,266
Share-based payment expenses	402	454
	<b>19,319</b>	<b>18,430</b>
<b>2.16 Depreciation and amortisation expense</b>		
<b>Particulars</b>	<b>For the year ended 31 March 2019</b>	<b>For the year ended 31 March 2018</b>
Depreciation of property, plant and equipment	7,017	6,896
Amortisation of intangible assets	789	845
	<b>7,806</b>	<b>7,741</b>
<b>2.17 Finance costs</b>		
<b>Particulars</b>	<b>For the year ended 31 March 2019</b>	<b>For the year ended 31 March 2018</b>
Interest on long-term borrowings	172	113
Interest on other borrowings	396	515
	<b>568</b>	<b>628</b>
<b>2.18 Selling and other expenses</b>		
<b>Particulars</b>	<b>For the year ended 31 March 2019</b>	<b>For the year ended 31 March 2018</b>
Consumption of stores, spares and other materials	4,242	5,080
Clinical trial expenses	1,270	2,662
Other research and development expenses	3,819	4,312
Advertisements	56	147
Commission on sales	162	163
Carriage outward	2,587	2,091
Other selling expenses	8,860	8,534
Legal and professional	2,991	3,141
Power and fuel	2,958	2,973
Repairs and maintenance		
Buildings	255	367
Plant and machinery	706	677
Others	1,420	1,780
Insurance	185	182
Travel and conveyance	766	786
Rent	162	154
Rates and taxes	329	228
Corporate Social Responsibility and donations <sup>(1)</sup>	444	494
Allowance for credit losses, net (Refer note 2.4 B)	212	(12)
Allowance for doubtful advances, net	(351)	(36)
Non-Executive Directors' remuneration	80	61
Auditors' remuneration (Refer note 2.20)	15	15
Loss on sale of non-current investments	-	341
Provision/(reversal of provision) relating to non-current investments	359	(525)
Loss on sale/disposal of property, plant and equipment and other intangibles, net	-	55
Other general expenses	2,034	1,884
	<b>33,561</b>	<b>35,554</b>

<sup>(1)</sup> Details of Corporate Social Responsibility expenditure in accordance with section 135 of the Companies Act, 2013:

<b>Particulars</b>	<b>In cash</b>	<b>Yet to be paid in cash</b>	<b>Total</b>
Gross amount required to be spent by the Company during the year			<b>236</b>
Amount spent during the year ending on 31 March 2019	262	-	262
Amount spent during the year ending on 31 March 2018	328	-*	328

\* Rounded off to millions.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.19 Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Employee benefits expense (included in note 2.15)	3,154	3,116
Other expenses (included in note 2.18)		
Clinical trial expenses	1,270	2,662
Materials and consumables	2,880	3,740
Power and fuel	172	155
Other research and development expenses	3,819	4,312
	<b>11,295</b>	<b>13,985</b>

## 2.20 Auditors' remuneration

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Audit fees	12	12
Other charges – Certification fee	1	1
Reimbursement of out of pocket expenses	2	2
	<b>15</b>	<b>15</b>

## 2.21 Earnings per share (EPS)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Earnings</b>		
Profit attributable to equity share holders of the Company	<b>12,773</b>	<b>5,669</b>
<b>Shares</b>		
Number of equity shares at the beginning of the year	165,910,907	165,741,713
Effect of treasury shares held	(100,672)	-
Effect of equity shares issued on exercise of stock options	103,801	103,695
Weighted average number of equity shares – Basic	<b>165,914,036</b>	<b>165,845,408</b>
Dilutive effect of stock options outstanding <sup>(i)</sup>	278,718	340,144
Weighted average number of equity shares – Diluted	<b>166,192,754</b>	<b>166,185,552</b>
<b>Earnings per share of par value ₹ 5/- – Basic (₹)</b>	<b>76.98</b>	<b>34.19</b>
<b>Earnings per share of par value ₹ 5/- – Diluted (₹)</b>	<b>76.85</b>	<b>34.12</b>

<sup>(i)</sup> As at 31 March 2019, 272,700 options were excluded from the diluted weighted average number of equity shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of stock options was based on quoted market prices for the year during which the options were outstanding.

## 2.22 Related parties

a) List of all subsidiaries, joint ventures and other consolidating entities:

### Subsidiaries including step down subsidiaries

1	Aurigene Discovery Technologies (Malaysia) SDN BHD, Malaysia
2	Aurigene Discovery Technologies Inc., USA
3	Aurigene Discovery Technologies Limited, India
4	beta Institut gemeinnützige GmbH, Germany
5	betapharm Arzneimittel GmbH, Germany
6	Cheminor Investments Limited, India
7	Chirotech Technology Limited, UK
8	Dr. Reddy's Bio-sciences Limited, India
9	Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil
10	Dr. Reddy's Laboratories (Australia) Pty. Limited, Australia
11	Dr. Reddy's Laboratories (EU) Limited, UK
12	Dr. Reddy's Laboratories (Proprietary) Limited, South Africa
13	Dr. Reddy's Laboratories (UK) Limited, UK
14	Dr. Reddy's Laboratories Canada, Inc., Canada
15	Dr. Reddy's Laboratories Chile SPA., Chile (from 16 June 2017)
16	Dr. Reddy's Laboratories Inc., USA
17	Dr. Reddy's Laboratories International SA, Switzerland
18	Dr. Reddy's Laboratories Japan KK, Japan

# NOTES TO FINANCIAL STATEMENTS

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

2.22	Related parties (continued)
19	Dr Reddy's Laboratories Kazakhstan, Kazakhstan
20	Dr. Reddy's Laboratories LLC, Ukraine
21	Dr. Reddy's Laboratories Louisiana LLC, USA
22	Dr. Reddy's Laboratories Malaysia Sdn. Bhd., Malaysia (from 10 July 2017)
23	Dr. Reddy's Laboratories New York, Inc., USA
24	Dr. Reddy's Laboratories Romania S.R.L., Romania
25	Dr. Reddy's Laboratories SA, Switzerland
26	Dr. Reddy's Laboratories SAS, Colombia
27	Dr. Reddy's Laboratories Taiwan Limited, Taiwan (from 23 February 2018)
28	Dr. Reddy's Laboratories Tennessee, LLC, USA (till 1 October 2018)
29	Dr. Reddy's New Zealand Limited, New Zealand
30	Regkinetics Services Limited, India (formerly Dr. Reddy's Pharma SEZ Limited)
31	Dr. Reddy's Research and Development B.V. (formerly Octopus BV)
32	Dr. Reddy's Singapore PTE Limited, Singapore (under liquidation)
33	Dr. Reddy's Srl, Italy
34	Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd, China (from 2 June 2017)
35	Dr. Reddy's Venezuela, C.A., Venezuela
36	DRL Impex Limited, India
37	Eurobridge Consulting B.V., Netherlands
38	Idea2Enterprises (India) Private Limited, India
39	Imperial Credit Private Limited, India (Acquired w.e.f. from 22 February 2017)
40	Industrias Quimicas Falcon de Mexico, S.A.de C.V, Mexico
41	Lacock Holdings Limited, Cyprus
42	Dr. Reddy's Philippines Inc., Philippines (from 9 May 2018)
43	Dr. Reddy's (Thailand) Limited, Thailand (from 13 June 2018)
44	OOO Dr. Reddy's Laboratories Limited, Russia
45	OOO DRS LLC, Russia
46	Promius Pharma LLC, USA
47	Reddy Antilles N.V., Netherlands
48	Reddy Holding GmbH, Germany
49	Reddy Netherlands B.V., Netherlands
50	Reddy Pharma Iberia SA, Spain
51	Reddy Pharma Italia S.R.L, Italy
52	Reddy Pharma SAS, France

## Joint ventures

53	Kunshan Rotam Reddy Pharmaceutical Company Limited ("Reddy Kunshan"), China	Enterprise over which the Company exercises joint control with other joint venture partners and holds 51.33% of equity shares
54	DRANU LLC, USA	Enterprise over which the Company's step down subsidiary exercises joint control with other joint venture partner and holds 50% of equity shares
55	DRSS Solar Power Private Limited, India (liquidated during the year ended 31 March 2018)	Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares
56	DRES Energy Private Limited, India	Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares

## Other consolidating entities

57	Cheminor Employees Welfare Trust, India	The Company does not have any equity interests in this entity, but has significant influence or control over it.
58	Dr. Reddy's Research Foundation, India	The Company does not have any equity interests in this entity, but has significant influence or control over it.
59	Dr. Reddy's Employees ESOS Trust, India (from 27 July 2018)	The Company does not have any equity interests in this entity, but has significant influence or control over it.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.22 Related parties (continued)

### b) List of other related parties with whom transactions have taken place during the current and/or previous year:

1	Dr. Reddy's Institute of Life Sciences	Enterprise over which whole-time directors have significant influence
2	Stamlo Hotels Limited	Enterprise controlled by whole-time directors
3	Green Park Hotels and Resorts Limited	Enterprise controlled by relative of a whole-time director
4	K Samrajyam	Mother of Chairman
5	G Anuradha	Spouse of Chief Executive Officer
6	Deepti Reddy	Spouse of Chairman
7	G Mallika Reddy	Daughter of Chief Executive Officer
8	G V Sanjana Reddy	Daughter of Chief Executive Officer
9	Akhil Ravi (from 5 March 2018)	Son-in-law of Chief Executive Officer
10	Dr. Reddy's Foundation	Enterprise over which whole-time directors and their relatives have significant influence
11	Pudami Educational Society	Enterprise over which whole-time directors and their relatives have significant influence
12	Indus Projects Private Limited	Enterprise over which relatives of whole-time directors have significant influence
13	CERG Advisory Private Limited	Enterprise controlled by Key Managerial Personnel
14	Green Park Hospitality Services Private Limited	Enterprise controlled by relative of a whole-time director

Further, the Company contributes to the Dr. Reddy's Laboratories Gratuity Fund, which maintains the plan assets of the Company's Gratuity Plan for the benefit of its employees. Refer note 2.24 of these financial statements for information on transactions between the Company and the Gratuity Fund

c) In accordance with the provisions of Ind AS 24, *Related Party Disclosures* and the Companies Act, 2013, Company's Directors, members of the Company's Management Council and Company Secretary are considered as Key Management Personnel.

### List of Key Management Personnel of the Company is as below:

1	K Satish Reddy	Whole-time director
2	G V Prasad	Whole-time director
3	Anupam Puri	Independent director
4	Bharat Narotam Doshi	Independent director
5	Dr. Ashok Ganguly (till 28 July 2017)	Independent director
6	Dr. Bruce LA Carter	Independent director
7	Dr. Omkar Goswami	Independent director
8	Hans Peter Hasler (till 14 June 2018)	Independent director
9	Leo Puri (from 25 October 2018)	Independent director
10	Kalpana Morparia	Independent director
11	Allan Oberman (from 26 March 2019)	Independent director
12	Shikha Sharma (from 31 January 2019)	Independent director
13	Sridar Iyengar	Independent director
14	Prasad R Menon (from 30 October 2017)	Independent director
15	Abhijit Mukherjee (till 31 March 2018)	Management council
16	Alok Sonig (till 7 September 2018)	Management council
17	Anil Nambodiripad	Management council
18	Archana Bhaskar (from 15 June 2017)	Management council
19	Deepak Sapra (from 1 October 2018)	Management council
20	Dr. Amit Biswas (till 21 June 2018)	Management council
21	Dr. Cartikeya Reddy (till 30 September 2018)	Management council
22	Dr. Chandrasekhar Sripada (till 31 July 2017)	Management council
23	Dr. K V S Ram Rao (till 1 October 2018)	Management council
24	Dr. Raymond de Vre (from 1 June 2018)	Management council
25	Erez Israeli (from 2 April 2018)	Management council
26	Ganadhish Kamat	Management council
27	J Ramachandran (till 31 October 2017)	Management council
28	Marc Kikuchi (from 1 Feb 2019)	Management council
29	M V Ramana	Management council
30	P. Yougandhar (from 1 April 2018)	Management council
31	Samiran Das (till 31 January 2018)	Management council
32	Sanjay Sharma (from 1 August 2017)	Management council
33	Saumen Chakraborty	Management council
34	Sauri Gudlavalleti (from 1 April 2018)	Management council
35	Sandeep Poddar	Company secretary

# NOTES TO FINANCIAL STATEMENTS

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

## 2.22 Related parties (continued)

### d) Particulars of related party transactions

The following is a summary of significant related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Revenues from</b>		
<i>Subsidiaries including step down subsidiaries</i>		
Dr. Reddy's Laboratories Inc.	31,953	31,750
OOO Dr. Reddy's Laboratories Limited	11,553	9,581
Dr. Reddy's Laboratories SA	5,500	4,845
Others	11,350	6,377
<b>Total</b>	<b>60,356</b>	<b>52,553</b>
<i>Joint Ventures</i>		
Kunshan Rotam Reddy Pharmaceutical Company	23	-
<b>Total</b>	<b>23</b>	<b>-</b>
<b>Interest income from subsidiaries including step down subsidiaries</b>		
Industrias Quimicas Falcon de Mexico S.A. de C.V.	74	147
Dr. Reddy's Farmaceutica Do Brasil Ltda.	19	17
<b>Total</b>	<b>93</b>	<b>164</b>
<b>Service income from subsidiaries including step down subsidiaries</b>		
Dr. Reddy's Laboratories Inc.	116	141
Dr. Reddy's Laboratories SA	9	9
<b>Total</b>	<b>125</b>	<b>150</b>
<b>Licence fees from subsidiaries including step down subsidiaries</b>		
Dr. Reddy's Laboratories Inc.	40	34
Dr. Reddy's Laboratories SA	11	(7)
<b>Total</b>	<b>51</b>	<b>27</b>
<b>Commission on guarantee to Dr. Reddy's Laboratories SA</b>	89	78
<b>Rent from Aurigene Discovery Technologies Limited</b>	14	14
<b>Reimbursement of operating expenses by Aurigene Discovery Technologies Limited</b>	42	35
<b>Purchases and services from</b>		
<i>Subsidiaries including step down subsidiaries</i>		
OOO Dr. Reddy's Laboratories Limited	2,990	3,114
Dr. Reddy's Research and Development B.V.	978	1,020
Dr. Reddy's Laboratories Inc.	796	856
Dr. Reddy's Laboratories LLC, Ukraine	546	491
Dr. Reddy's Laboratories (EU) Limited	438	582
Others	1,315	744
<b>Total</b>	<b>7,063</b>	<b>6,807</b>
<i>Other related parties</i>		
Dr. Reddy's Institute of Life Sciences	97	98
Indus Projects Private Limited	106	-
Others	1	-
<b>Total</b>	<b>204</b>	<b>98</b>
<b>Purchase of assets from subsidiaries including step down subsidiaries</b>		
Dr. Reddy's Laboratories Louisiana LLC	6	-
Dr. Reddy's Laboratories (UK) Limited	4	-
<b>Total</b>	<b>10</b>	<b>-</b>
<b>Contributions towards social development</b>		
Dr. Reddy's Foundation	192	203
Pudami Educational Society	28	35
<b>Total</b>	<b>220</b>	<b>238</b>

# NOTES TO FINANCIAL STATEMENTS

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

## 2.22 Related parties (continued)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Catering services from Green Park Hospitality Services Private Limited</b>	270	178
<b>Hotel expenses</b>		
Green Park Hotels and Resorts Limited	21	41
Stamlo Hotels Private Limited	5	8
<b>Total</b>	<b>26</b>	<b>49</b>
<b>Lease rentals paid under cancellable operating leases to</b>		
<b>Key Management Personnel</b>		
K Satish Reddy	13	13
<b>Relatives of Key Management Personnel</b>		
G Anuradha	12	12
K Deepti Reddy	3	3
K Samrajyam	2	2
G Mallika Reddy	2	2
G V Sanjana Reddy	2	2
<b>Total</b>	<b>34</b>	<b>34</b>
<b>Salaries to relatives of Key Managerial Personnel</b>	5	1
<b>Remuneration to Key Management Personnel</b>		
Salaries and other benefits <sup>(1)</sup>	556	387
Contributions to defined contribution plans	35	38
Commission to directors	243	153
Share-based payments expense	101	116
<b>Total</b>	<b>935</b>	<b>694</b>

<sup>(1)</sup> 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.

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Investment made/(disposed) in</b>		
<b>Subsidiaries</b>		
Reddy Antilles N.V.	359	-
Regkinetics Services Limited	-	200
Reddy Pharma Iberia SA	-	(566)
Cheminor Investments Limited	-	-*
<b>Total</b>	<b>359</b>	<b>(366)</b>
<b>Joint Ventures</b>		
DRSS Solar Power Private Limited (Liquidated during the year ended 31 March 2018)	-	-*
<b>Total</b>	<b>-</b>	<b>-*</b>

\* Rounded off to millions.

### Impairment/(reversal of impairment) in the value of non-current investments

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Subsidiaries</b>		
Reddy Antilles N.V.	359	52
Reddy Pharma Iberia SA	-	(566)
Dr. Reddy's Farmaceutica Do Brasil Ltda.	-	(12)
<b>Total</b>	<b>359</b>	<b>(526)</b>
<b>Joint Ventures</b>		
DRSS Solar Power limited (liquidated during the year ending 31 March 2018)	-	-*
<b>Total</b>	<b>-</b>	<b>-*</b>

\* Rounded off to millions.

### Proceeds on disposal of investments from

Dr. Reddy's Laboratories SA*	-	224
* Sale of investment in Reddy Pharma Iberia SA	-	-
<b>Total</b>	<b>-</b>	<b>224</b>

# NOTES TO FINANCIAL STATEMENTS

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

## 2.22 Related parties (continued)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Loans and advances given/(repaid by), net</b>		
<i>Subsidiaries including step down subsidiaries</i>		
Industrias Quimicas Falcon de Mexico S.A. de C.V.	(1,790)	10
Dr. Reddy's Farmaceutica Do Brasil Ltda.	(10)	(74)
Reddy Antilles N.V.	(359)	-
<b>Total</b>	<b>(2,159)</b>	<b>(64)</b>
<i>Joint ventures</i>		
DRES Energy Private Limited	20	-
<b>Total</b>	<b>20</b>	<b>-</b>
* Loans given/(repaid by) is inclusive of accrued interest.		
<b>Movement in other receivables from subsidiaries including step down subsidiaries</b>		
Reddy Antilles N.V.	17	-
<b>Provision made/(reversed) on loans given to subsidiaries including step down subsidiaries</b>		
Reddy Antilles N.V.*	(359)	179
Dr. Reddy's Farmaceutica Do Brasil Ltda.	-	(246)
<b>Total</b>	<b>(359)</b>	<b>(67)</b>
<b>Provision made/(reversed) in other receivables from subsidiaries including step down subsidiaries</b>		
Reddy Antilles N.V.	(17)	19
<b>Guarantee given/(released) on behalf of Dr. Reddy's Laboratories SA</b>	<b>-</b>	<b>16,294</b>

### e) The Company has the following amounts due from/to related parties:

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Due from related parties</b>		
<i>Subsidiaries including step down subsidiaries (included in trade receivables)</i>		
Dr. Reddy's Laboratories Inc.	14,800	21,082
OOO Dr. Reddy's Laboratories Limited	4,729	6,156
Others	8,762	10,689
<b>Total</b>	<b>28,291</b>	<b>37,927</b>
<i>Others</i>		
Greenpark Hospitality Services Private Limited	75	40
Rental deposit to Key Management Personnel and their relatives	8	8
<b>Total</b>	<b>83</b>	<b>48</b>
<b>Provision outstanding at the end of the year towards dues from subsidiaries including step down subsidiaries (included in trade receivables)</b>		
Dr. Reddy's Venezuela, C.A.	-	3,474
Others	-	92
<b>Total</b>	<b>-</b>	<b>3,566</b>
<b>Due to related parties (included in trade payables and other current liabilities)</b>		
<i>Subsidiaries including step down subsidiaries and other consolidating entities</i>		
OOO Dr. Reddy's Laboratories Limited	1,064	2,457
Dr. Reddy's Laboratories Inc.	458	713
Promius Pharma LLC, USA	370	163
Dr. Reddy's Research and Development B.V.	128	209
Dr. Reddy's Laboratories (EU) Limited	172	174
Others	447	438
<b>Total</b>	<b>2,639</b>	<b>4,154</b>

# NOTES TO FINANCIAL STATEMENTS

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

## 2.22 Related parties (continued)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Due to related parties (included in trade payables and other current liabilities) (continued)</b>		
<i>Others</i>		
Dr. Reddy's Institute of Life Sciences	10	10
Greenpark Hospitality Services Private Limited	63	3
Green Park Hotels & Resorts Limited	-*	1
Indus Projects Private Limited	7	-
Stamlo Hotels Private Limited	-	-*
<b>Total</b>	<b>80</b>	<b>14</b>
* Rounded off to millions.		
<b>Outstanding Guarantee given on behalf of Dr. Reddy's Laboratories SA</b>	<b>17,289</b>	<b>16,294</b>

Equity held in subsidiaries and joint venture has been disclosed under "Financial assets-Investments" (Note 2.4 A). Loans and advances to subsidiaries and joint venture have been disclosed under "Loans" (Note 2.4 C). Other receivables from subsidiaries and joint venture have been disclosed under "Other financial assets" (Note 2.4 D).

## 2.23 Employee stock incentive plans

### Dr. Reddy's Employees Stock Option Plan -2002 (the "DRL 2002 Plan"):

The Company instituted the DRL 2002 Plan for all eligible employees pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The DRL 2002 Plan covers all employees 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") administer the DRL 2002 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2002 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2002 Plan, as amended at annual general meetings of shareholders held on 28 July 2004 and on 27 July 2005, provides for stock option grants in two categories:

**Category A:** 300,000 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

**Category B:** 1,995,478 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Under the DRL 2002 Plan, the exercise price of the fair market value options granted under Category A above is determined based on the average closing price for 30 days prior to the grant in the stock exchange where there is highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after obtaining the approval of the shareholders in the annual general meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

After the stock split effected in the form of stock dividend issued by the Company in August 2006, the DRL 2002 Plan provides for stock option grants in the above two categories as follows:

Particulars	Number of options reserved under category A	Number of options reserved under category B	Total
Options reserved under original plan	300,000	1,995,478	2,295,478
Options exercised prior to stock dividend date (A)	94,061	147,793	241,854
Balance of shares that can be allotted on exercise of options (B)	205,939	1,847,685	2,053,624
Options arising from stock dividend (C)	205,939	1,847,685	2,053,624
<b>Options reserved after stock dividend (A+B+C)</b>	<b>505,939</b>	<b>3,843,163</b>	<b>4,349,102</b>

The term of the DRL 2002 plan was extended for a period of 10 years effective as of 29 January 2012 by the shareholders at the Company's Annual General Meeting held on 20 July 2012.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.23 Employee stock incentive plans (continued)

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended 31 March 2019 and 31 March 2018 is as follows:

**Category A —Fair Market Value Options:** There was no stock options activity under this category during the year 31 March 2019 and 31 March 2018 and there were no stock options outstanding under this category as of 31 March 2019 and 31 March 2018.

Particulars	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	320,544	5.00	5.00	70
Granted during the year	122,372	5.00	5.00	90
Expired/forfeited during the year	(50,651)	5.00	5.00	-
Exercised during the year	(122,124)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>270,141</b>	<b>5.00</b>	<b>5.00</b>	<b>73</b>
<b>Exercisable at the end of the year</b>	<b>32,836</b>	<b>5.00</b>	<b>5.00</b>	<b>42</b>

Particulars	For the year ended 31 March 2018			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	330,142	5.00	5.00	69
Granted during the year	158,112	5.00	5.00	90
Expired/forfeited during the year	(23,318)	5.00	5.00	-
Exercised during the year	(144,392)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>320,544</b>	<b>5.00</b>	<b>5.00</b>	<b>70</b>
<b>Exercisable at the end of the year</b>	<b>47,383</b>	<b>5.00</b>	<b>5.00</b>	<b>49</b>

The weighted average grant date fair value of options granted during the years ended 31 March 2019 and 31 March 2018 was ₹ 2,195 and ₹ 2,546 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2019 and 31 March 2018 was ₹ 2,302 and ₹ 2,375 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2019 and 31 March 2018 was ₹ 281 and ₹ 342, respectively. As of 31 March 2019, options outstanding had an aggregate intrinsic value of ₹ 750 and options exercisable had an aggregate intrinsic value of ₹ 91.

### Dr. Reddy's Employees ADR Stock Option Plan, 2007 (the "DRL 2007 Plan"):

The Company instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2005. The DRL 2007 Plan became effective upon its approval by the Board of Directors on 22 January 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). The Committee administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2007 Plan provides for option grants in two categories:

**Category A:** 382,695 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

**Category B:** 1,148,084 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

# NOTES TO FINANCIAL STATEMENTS

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

## 2.23 Employee stock incentive plans (continued)

Stock option activity under the DRL 2007 Plan for the two categories of options during the years ended 31 March 2019 and 31 March 2018 is as follows:

Particulars	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	149,160	1,982.00/ 2,607.00	2,176.00	90
Expired/forfeited during the year	(3,100)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>146,060</b>	<b>1,982.00/ 2,607.00</b>	<b>2,166.00</b>	<b>81</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The weighted average grant date fair value of options granted during the year ended 31 March 2019 was ₹ 515 per option.

As of 31 March 2019, options outstanding had an aggregate intrinsic value of ₹ 90.

Particulars	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	107,308	5.00	5.00	73
Granted during the year	70,730	5.00	5.00	90
Expired/forfeited during the year	(29,966)	5.00	5.00	-
Exercised during the year	(32,917)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>115,155</b>	<b>5.00</b>	<b>5.00</b>	<b>73</b>
<b>Exercisable at the end of the year</b>	<b>9,229</b>	<b>5.00</b>	<b>5.00</b>	<b>43</b>

Particulars	For the year ended 31 March 2018			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	88,141	5.00	5.00	74
Granted during the year	63,304	5.00	5.00	90
Expired/forfeited during the year	(19,335)	5.00	5.00	-
Exercised during the year	(24,802)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>107,308</b>	<b>5.00</b>	<b>5.00</b>	<b>73</b>
<b>Exercisable at the end of the year</b>	<b>11,034</b>	<b>5.00</b>	<b>5.00</b>	<b>47</b>

The weighted average grant date fair value of options granted during the years ended 31 March 2019 and 31 March 2018 was ₹ 2,056 and ₹ 2,540 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2019 and 31 March 2018 was ₹ 2,445 and ₹ 2,295 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2019 and 31 March 2018 was ₹ 80 and ₹ 57, respectively. As of 31 March 2019, options outstanding had an aggregate intrinsic value of ₹ 320 and options exercisable had an aggregate intrinsic value of ₹ 26.

### Dr. Reddy's Employees Stock Option Scheme, 2018 (the "DRL 2018 Plan"):

The Company instituted the DRL 2018 Plan for all eligible employees pursuant to the special resolution approved by the shareholders at the Annual General Meeting held on 27 July 2018. The DRL 2018 Plan covers all employees and directors (excluding independent and promoter directors) of the Company and its subsidiaries (collectively, "eligible employees"). Upon the exercise of options granted under the DRL 2018 Plan, the applicable equity shares may be issued directly by the Company to the eligible employee or may be transferred from the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") to the eligible employee. The ESOS Trust may acquire such equity shares through primary issuances by the Company and/or by way of secondary market acquisitions funded through loans from the Company. The Nomination, Governance and Compensation Committee of the Board of the Company (the "Compensation Committee") administers the DRL 2018 Plan and grants stock options to eligible employees, but may delegate functions and powers relating to the administration of the DRL 2018 Plan to the ESOS Trust. The Compensation Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2018 Plan vest in periods ranging between the end of one and five years, and generally have a maximum contractual term of five years.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.23 Employee stock incentive plans (continued)

The DRL 2018 Plan provides for option grants having an exercise price equal to the fair market value of the underlying equity shares on the date of grant as follows:

Particulars	Number of securities to be acquired from secondary market	Number of securities to be issued by the Company	Total
Options reserved against equity shares	2,500,000	1,500,000	4,000,000
Options reserved against ADRs	-	1,000,000	1,000,000
<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>5,000,000</b>

As at 31 March 2019, the ESOS Trust purchased 217,976 shares from secondary market for an aggregate consideration of ₹ 535.

Stock option activity under the DRL 2018 Plan during the year ended 31 March 2019 is as follows:

Fair Market Value Options	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	235,700	2,607.00	2,607.00	90
Expired/forfeited during the year	(6,100)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>229,600</b>	<b>2,607.00</b>	<b>2,607.00</b>	<b>84</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The weighted average grant date fair value of options granted during the year ended 31 March 2019 was ₹ 667 per option.

As of 31 March 2019, options outstanding had an aggregate intrinsic value of ₹ 40.

### Valuation of stock options:

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted. The fair value of stock options granted under the DRL 2002 Plan, the DRL 2007 Plan and the DRL 2018 Plan has been measured using the Black-Scholes-Merton model at the date of the grant.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options granted, the expected term of an option (or "option life") is estimated based on the vesting term and contractual term, as well as the expected exercise behavior of the employees receiving the option. In respect of fair market value options granted, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock-based compensation expense could be materially impacted in future years.

The estimated fair value of stock options is recognised in the statement of profit and loss on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

The weighted average inputs used in computing the fair value of options granted during the years ended 31 March 2019 and 31 March 2018 were as follows:

Particulars	Grants made on					
	31 January 2019	21 September 2018	26 July 2018	21 May 2018	10 July 2017	11 May 2017
Expected volatility	32.92%	33.98%	34.89%	32.97%	30.86%	31.08%
Exercise price	₹ 5.00	₹ 5.00/ ₹ 2,607.00	₹ 5.00	₹ 5.00/ ₹ 1,982.00	₹ 5.00	₹ 5.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	7.00%	7.90%	7.47%	7.46%	6.48%	6.69%
Expected dividends	0.74%	0.78%	0.94%	1.06%	0.77%	0.77%
Grant date share price	₹ 2,720.80	₹ 2,556.25	₹ 2,132.75	₹ 1,893.05	₹ 2,726.20	₹ 2,594.00

# NOTES TO FINANCIAL STATEMENTS

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

## 2.23 Employee stock incentive plans (continued)

### Share-based payment expense

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Equity settled share-based payment expense <sup>(1)</sup>	389	454
Cash settled share-based payment expense <sup>(2)</sup>	13	-
	<b>402</b>	<b>454</b>

<sup>(1)</sup> As of 31 March 2019, there was ₹ 519 of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 2.09 years.

<sup>(2)</sup> 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 one to four years. The amount of cash payment is determined based on the price of the Company's ADs at the time of vesting. As of 31 March 2019, there was ₹ 18 of total unrecognised compensation cost related to unvested awards. This cost is expected to be recognised over a weighted-average period of 1.92 years. This Scheme does not involve dealing in or subscribing to or purchasing securities of the Company, directly or indirectly.

## 2.24 Employee benefits

Total employee benefit expenses, including share-based payments, incurred during the years ended 31 March 2019 and 31 March 2018 amounted to ₹ 19,319 and ₹ 18,430, respectively.

### Gratuity benefits provided by the Company

In accordance with applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Effective 1 September 1999, the Company established the Dr. Reddy's Laboratories Gratuity Fund (the "Gratuity Fund") to fund the Gratuity Plan. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund. Trustees administer the contributions made to the Gratuity Fund. Amounts contributed to the Gratuity Fund are invested in bonds issued by the Government of India and in debt securities and equity securities of Indian companies.

The components of gratuity cost recognised in the statement of profit and loss for the years ended 31 March 2019 and 31 March 2018 consist of the following:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Current service cost	265	252
Interest on net defined benefit liability	(2)	6
<b>Gratuity cost recognised in statement of profit and loss</b>	<b>263</b>	<b>258</b>

Details of the employee benefits obligations and plan assets are provided below:

Particulars	As at 31 March 2019	As at 31 March 2018
Present value of funded obligations	2,200	2,007
Fair value of plan assets	(2,174)	(1,958)
<b>Net defined benefit liability recognised</b>	<b>26</b>	<b>49</b>

Details of changes in the present value of defined benefit obligations are as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Defined benefit obligations at the beginning of the year	2,007	1,840
Current service cost	265	252
Interest on defined obligations	145	125
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	28	(121)
Actuarial loss/(gain) due to demographic assumptions	-*	11
Actuarial loss/(gain) due to experience changes	-*	62
Benefits paid	(245)	(162)
<b>Defined benefit obligations at the end of the year</b>	<b>2,200</b>	<b>2,007</b>

\* Rounded off to millions.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.24 Employee benefits (continued)

Details of changes in the fair value of plan assets are as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Fair value of plan assets at the beginning of the year	1,958	1,687
Employer contributions	294	313
Interest on plan assets	147	121
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	20	(1)
Benefits paid	(245)	(162)
<b>Plan assets at the end of the year</b>	<b>2,174</b>	<b>1,958</b>

Sensitivity Analysis:

Particulars	As at 31 March 2019
Defined benefit obligation without effect of projected salary growth	1,276
Add: Effect of salary growth	924
Defined benefit obligation with projected salary growth	2,200
Defined benefit obligation, using discount rate minus 50 basis points	2,282
Defined benefit obligation, using discount rate plus 50 basis points	2,123
Defined benefit obligation, using salary growth rate plus 50 basis points	2,280
Defined benefit obligation, using salary growth rate minus 50 basis points	2,123

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Gratuity Plan are as follows:

*The assumptions used to determine benefit obligations:*

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Discount rate	7.45%	7.75%
Rate of compensation increase	8% per annum for the first year and 9% per annum thereafter	7% per annum for the first year and 9% per annum thereafter

*The assumptions used to determine gratuity cost:*

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Discount rate	7.75%	7.20%
Rate of compensation increase	7% per annum for the first year and 9% per annum thereafter	7% per annum for the first year and 9% per annum thereafter

Contributions: The Company expects to contribute ₹ 26 to the Gratuity Plan during the year ending 31 March 2020.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation at 31 March 2019 and 31 March 2018, by asset category, was as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Funds managed by insurers	99%	99%
Others	1%	1%

The expected future cash flows in respect of gratuity as at 31 March 2019 were as follows:

Particulars	Amount
<b>Expected contributions</b>	
During the year ended 31 March 2020 (estimated)	26
<b>Expected future benefit payments</b>	
31 March 2020	306
31 March 2021	218
31 March 2022	220
31 March 2023	225
31 March 2024	220
Thereafter	3,111

# NOTES TO FINANCIAL STATEMENTS

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

## 2.24 Employee benefits (continued)

### Provident fund benefits

Certain categories of employees of the Company receive benefits from a provident fund, a defined contribution plan. Both the employee and employer each make monthly contributions to a government administered fund equal to 12% of the covered employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 710 and ₹ 707 to the provident fund plan during the years ended 31 March 2019 and 31 March 2018, respectively.

### Superannuation benefits

Certain categories of employees of the Company participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. The Company makes monthly contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 84 and ₹ 88 to the superannuation plan during the years ended 31 March 2019 and 31 March 2018, respectively.

### Compensated absences

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded by the Company towards this obligation was ₹ 821 and ₹ 797 as at 31 March 2019 and 31 March 2018, respectively.

## 2.25 Income taxes

### a) Income tax expense/(benefit) recognised in the statement of profit and loss

Income tax expense recognised in the statement of profit and loss consists of the following:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Current taxes	2,818	1,381
Deferred taxes expense/(benefit)	1,416	(80)
<b>Total income tax expense recognised in the statement of profit and loss</b>	<b>4,234</b>	<b>1,301</b>

### b) Income tax expense/(benefit) recognised directly in equity

Income tax expense/(benefit) recognised directly in equity consist of the following:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Tax effect on effective portion of change in fair value of cash flow hedges	73	(46)
Tax effect on actuarial gains/losses on defined benefit obligations	(3)	16
<b>Total income tax expense/(benefit) recognised in the equity</b>	<b>70</b>	<b>(30)</b>

### c) Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended 31 March 2019 and 31 March 2018:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Profit before income taxes	17,007	6,970
Enacted tax rate in India	34.94%	34.61%
Computed expected tax expense	5,942	2,413
<i>Effect of:</i>		
Unrecognised deferred tax assets	398	1,417
Reversal of earlier year's tax provisions	(133)	(67)
Income exempt from income taxes	(1,146)	(816)
Incremental deduction allowed for research and development costs <sup>(1)</sup>	(1,134)	(1,327)
Other items	307	(319)
<b>Income tax expense</b>	<b>4,234</b>	<b>1,301</b>
<b>Effective tax rate</b>	<b>24.90%</b>	<b>18.66%</b>

<sup>(1)</sup> India's Finance Act, 2016 incorporated an amendment that reduces the weighted deduction on eligible research and development expenditure in a phased manner from 200% to 150% commencing from 1 April 2017, and from 150% to 100% effective from 1 April 2020.

The Company's average effective tax rate for the years ended 31 March 2019 and 31 March 2018 were 24.90% and 18.66%, respectively.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.25 Income taxes (continued)

### d) Unrecognised deferred tax assets

The details of unrecognised deferred tax assets are summarised below:

Particulars	As at 31 March 2019	As at 31 March 2018
Taxable/Deductible temporary differences, net	4,989	4,591
	<b>4,989</b>	<b>4,591</b>

During the year ended 31 March 2019, the Company did not recognise deferred tax assets of ₹ 398, primarily on MAT credit entitlement, as the Company believes that availability of taxable profits is not probable. The above MAT credit expire at various dates ranging from 2031 through 2034.

### e) Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Deferred tax assets/(liabilities):</b>		
Minimum Alternate Tax*	1,630	1,630
Trade receivables	245	1,479
Operating tax loss/capital loss	-	9
Current liabilities and provisions	266	331
Loans	(65)	16
Property, plant and equipment	(2,549)	(2,518)
Investments	(82)	(16)
<b>Net deferred tax assets/(liabilities)</b>	<b>(555)</b>	<b>931</b>

\* 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 tax assets will be realised, management considers whether some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible differences and tax loss carry forwards. Recoverability of deferred tax assets is based on estimates of future taxable income. Any changes in such future taxable income would impact the recoverability of deferred tax assets.

### f) Movement in deferred tax assets and liabilities during the years ended 31 March 2019 and 31 March 2018

The details of movement in deferred tax assets and liabilities are summarised below:

Particulars	As at 1 April 2018	Recognised in the statement of profit and loss	Recognised in equity	As at 31 March 2019
<b>Deferred tax assets/(liabilities)</b>				
Minimum Alternate Tax	1,630	-	-	1,630
Trade receivables	1,479	(1,234)	-	245
Operating tax loss/capital loss	9	(9)	-	-
Current liabilities and provisions	331	5	(70)	266
Loans	16	(81)	-	(65)
Property, plant and equipment	(2,518)	(31)	-	(2,549)
Investments	(16)	(66)	-	(82)
<b>Net deferred tax assets/(liabilities)</b>	<b>931</b>	<b>(1,416)</b>	<b>(70)</b>	<b>(555)</b>

# NOTES TO FINANCIAL STATEMENTS

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

## 2.25 Income taxes (continued)

Particulars	As at 1 April 2017	Recognised in the statement of profit and loss	Recognised in equity	As at 31 March 2018
<b>Deferred tax assets/(liabilities)</b>				
Minimum Alternate Tax	1,636	(6)	-	1,630
Trade receivables	1,469	10	-	1,479
Operating tax loss/capital loss	257	(248)	-	9
Current liabilities and provisions	437	(136)	30	331
Loans	29	(13)	-	16
Property, plant and equipment	(2,517)	(1)	-	(2,518)
Investments	(490)	474	-	(16)
<b>Net deferred tax assets/(liabilities)</b>	<b>821</b>	<b>80</b>	<b>30</b>	<b>931</b>

## 2.26 Operating leases

The Company has leased offices and vehicles under various operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under these leases was ₹ 278 and ₹ 280 for the years ended 31 March 2019 and 31 March 2018, respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

Particulars	As at 31 March 2019	As at 31 March 2018
Less than one year	118	128
Between one and five years	114	148
<b>Total</b>	<b>232</b>	<b>276</b>

## 2.27 Finance lease

There are no assets taken on finance lease as on 31 March 2019 and 31 March 2018.

## 2.28 Financial instruments

### Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, bonds, equity and debt securities, trade receivables, cash and cash equivalents, loans and borrowings, and trade payables.

### Derivative financial instruments

The Company uses derivative contracts like forwards, options and interest rate swaps to mitigate its risk of changes in foreign currency exchange rates and interest rates.

The carrying value and fair value of financial instruments as at 31 March 2019 and 31 March 2018 were as follows:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Total carrying value	Total fair value/ amortised cost	Total carrying value	Total fair value/ amortised cost
<b>Financial assets</b>				
Cash and cash equivalents	1,132	1,132	1,207	1,207
Investments <sup>(i)</sup>	39,335	39,335	36,365	36,365
Trade receivables	37,290	37,290	42,207	42,207
Loans	332	332	1,991	1,991
Derivative instruments	335	335	17	17
Other financial assets	1,139	1,139	946	946
<b>Total</b>	<b>79,563</b>	<b>79,563</b>	<b>82,733</b>	<b>82,733</b>
<b>Financial liabilities</b>				
Trade payables	10,316	10,316	10,610	10,610
Long-term borrowings	3,454	3,454	4,880	4,880
Short-term borrowings	5,463	5,463	21,008	21,008
Derivative instruments	45	45	85	85
Other financial liabilities	10,160	10,160	11,386	11,386
<b>Total</b>	<b>29,438</b>	<b>29,438</b>	<b>47,969</b>	<b>47,969</b>

<sup>(i)</sup> Interest accrued but not due on investments is included in other financial assets.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.28 Financial instruments (continued)

### Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2019:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	14,900	-	-	14,900
FVTOCI - Financial asset - Investment in equity securities	38	-	-	38
Derivative financial instruments – net gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts <sup>(i)</sup>	-	290	-	290

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2018:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	13,317	-	-	13,317
FVTOCI - Financial asset - Investment in equity securities	30	-	-	30
Derivative financial instruments - gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts <sup>(i)</sup>	-	(67)	-	(67)

<sup>(i)</sup> The Company enters into derivative financial instruments with various counterparties, principally financial institutions and banks. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward option and swap contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black-Scholes-Merton models (for option valuation), using present value calculations. The models incorporate various inputs including foreign exchange forward rates, interest rate curves and forward rate curves.

As at 31 March 2019 and 31 March 2018, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

### Derivative financial instruments

The Company had a derivative financial asset and derivative financial liability of ₹ 335 and ₹ 45, respectively, as at 31 March 2019 as compared to derivative financial asset and derivative financial liability of ₹ 17 and ₹ 85, respectively, as at 31 March 2018 towards these derivative financial instruments.

### Details of gain/(loss) recognised in respect of derivative contracts

The following table presents details in respect of the gain/(loss) recognised in respect of derivative contracts during the applicable year ended:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Net gain/(loss) recognised as part of foreign exchange gain and losses in respect of foreign exchange derivative contracts	(35)	491
Net gain/(loss) recognised in equity in respect of hedges of highly probable forecast transactions	209	(133)
Net gain/(loss) recognised as component of revenue	(529)	653

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a gain of ₹ 205 as at 31 March 2019, as compared to a loss of ₹ 4 as at 31 March 2018.

### Outstanding foreign exchange derivative contracts

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2019:

Category	Instrument	Currency	Cross Currency <sup>(i)</sup>	Amount in millions	Buy/Sell
Hedges of recognised assets and liabilities	Forward contract	US\$	INR	US\$ 261	Sell
	Forward contract	RUB	INR	RUB 2,710	Sell
	Forward contract	GBP	INR	GBP 18	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 1,350	Sell
	Option contract	US\$	INR	US\$ 300	Sell

<sup>(i)</sup> "INR" means Indian Rupees, "RUB" means Russian roubles, "GBP" means U.K pounds sterling and "US\$" means United States dollars.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.28 Financial instruments (continued)

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2018:

Category	Instrument	Currency	Cross Currency <sup>(i)</sup>	Amounts in millions	Buy/Sell
Hedges of recognised assets and liabilities	Forward contract	US\$	INR	US\$ 72	Sell
	Forward contract	US\$	RUB	US\$ 14	Buy
	Option contract	US\$	INR	US\$ 65	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 1,080	Sell
	Option contract	US\$	INR	US\$ 240	Sell

<sup>(i)</sup> "INR" means Indian Rupees, "RUB" means Russian roubles, "GBP" means U.K pounds sterling and "US\$" means United States dollars.

The table below summarises the periods when the cash flows associated with highly probable forecast transactions that are classified as cash flow hedges are expected to occur:

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Cash flows in United States dollars</b>		
Not later than one month	2,420	1,955
Later than one month and not later than three months	4,841	3,911
Later than three months and not later than six months	7,261	5,866
Later than six months and not later than one year	6,225	3,910
	<b>20,747</b>	<b>15,642</b>
<b>Cash flows in Russian roubles</b>		
Not later than one month	161	102
Later than one month and not later than three months	320	204
Later than three months and not later than six months	480	306
Later than six months and not later than one year	480	611
	<b>1,441</b>	<b>1,223</b>

### 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 recognised as part of finance cost.

As at 31 March 2019 and 31 March 2018, the Company had no outstanding interest rate swap arrangements.

## 2.29 Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimise potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

### a) Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short-term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

#### Foreign exchange risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in United States dollars, Russian roubles, U.K pounds sterling and Euros) and foreign currency borrowings (in United States dollars). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in Indian rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. Consequently, the Company uses both derivative and non-derivative financial instruments, such as foreign exchange forward contracts, option contracts, currency swap contracts and foreign currency financial liabilities, to mitigate the risk of changes in foreign currency exchange rates in respect of its highly probable forecast transactions and recognised assets and liabilities.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.29 Financial risk management (continued)

The details in respect of the outstanding foreign exchange forward and option contracts are given in note 2.28 above.

In respect of the Company's forward contracts and option contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- a ₹ 1,884/(1,363) increase/(decrease) in the Company's hedging reserve and a ₹ 2,256/(2,256) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2019;
- a ₹ 1,277/(1,338) increase/(decrease) in the Company's hedging reserve and a ₹ 843/(749) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2018;

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2019:

(All figures in equivalent Indian Rupees millions)

Particulars	United States dollars	Euros	Russian roubles	Others <sup>(1)</sup>	Total
<b>Assets</b>					
Cash and cash equivalents	78	19	6	19	122
Trade receivables	27,159	823	5,525	1,225	34,732
Other financial assets	415	17	3	124	559
<b>Total</b>	<b>27,652</b>	<b>859</b>	<b>5,534</b>	<b>1,368</b>	<b>35,413</b>
<b>Liabilities</b>					
Trade payables	1,704	753	-	132	2,589
Long-term borrowings	3,454	-	-	-	3,454
Short-term borrowings	5,463	-	-	-	5,463
Other financial liabilities	3,915	86	1,146	221	5,368
<b>Total</b>	<b>14,536</b>	<b>839</b>	<b>1,146</b>	<b>353</b>	<b>16,874</b>

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2018:

(All figures in equivalent Indian Rupees millions)

Particulars	United States dollars	Euros	Russian roubles	Others <sup>(1)</sup>	Total
<b>Assets</b>					
Cash and cash equivalents	35	9	-	29	73
Trade receivables	30,089	441	6,541	2,597	39,668
Other financial assets	357	102	10	1,669	2,138
<b>Total</b>	<b>30,481</b>	<b>552</b>	<b>6,551</b>	<b>4,295</b>	<b>41,879</b>
<b>Liabilities</b>					
Trade payables	1,664	925	-	193	2,782
Long-term Borrowings	4,880	-	-	-	4,880
Short-term borrowings	17,923	-	1,585	-	19,508
Other financial liabilities	2,449	266	2,505	102	5,322
<b>Total</b>	<b>26,916</b>	<b>1,191</b>	<b>4,090</b>	<b>295</b>	<b>32,492</b>

<sup>(1)</sup> Others include currencies such as Mexican pesos, U.K pounds sterling and Swiss francs.

For the years ended 31 March 2019 and 31 March 2018, every 10% depreciation/appreciation in the exchange rate between the Indian rupee and the respective currencies for the above mentioned financial assets/liabilities would affect the Company's net profit by ₹ 1,854 and ₹ 939, respectively.

### Interest rate risk

As of 31 March 2019 and 31 March 2018, the Company had ₹ 10,650 of loans carrying a floating interest rate of 1 Month LIBOR plus 25 bps to 1 Month LIBOR plus 82.7 bps and ₹ 22,811 of loans carrying a floating interest rate of 1 Month LIBOR minus 30 bps to 1 Month LIBOR plus 82.7 bps. These loans expose the Company to risk of changes in interest rates. The Company's treasury department monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary.

For details of the Company's short-term and long-term loans and borrowings, including interest rate profiles, refer to note 2.8A and 2.8B of these financial statements.

For the years ended 31 March 2019 and 31 March 2018, 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 ₹ 27 and ₹ 42, respectively.

The carrying value of the Company's borrowings, interest component of which designated in a cash flow hedge was ₹ Nil as of 31 March 2019.

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.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.29 Financial risk management (continued)

### Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of 31 March 2019, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

### b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for credit losses and impairment that represents its estimate of expected losses in respect of trade and other receivables and investments.

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

#### Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

#### Details of financial assets – not due, past due and impaired

None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) with banks, were past due or impaired as at 31 March 2019. The Company's credit period for trade receivables payable by its customers generally ranges from 20 - 180 days.

The ageing of trade receivables is given below:

Particulars	As at 31 March 2019	As at 31 March 2018
Neither past due nor impaired	30,349	35,390
Past due but not impaired		
Less than 365 days	7,019	6,817
More than 365 days	389	3,943
<b>Total</b>	<b>37,757</b>	<b>46,150</b>
Less: Allowance for credit losses	(467)	(3,943)
<b>Net trade receivables</b>	<b>37,290</b>	<b>42,207</b>

Refer note 2.4 B of these financial statements for the activity in the allowance for credit losses.

#### Loans and advances

Loans and advances are predominantly given to subsidiaries for the purpose of working capital and other business requirements.

Refer note 2.4 C of these financial statements for the activity in the allowance for doubtful advances.

Other than trade receivables and loans and advances, the Company has no significant class of financial assets that is past due but not impaired.

### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

As at 31 March 2019 and 31 March 2018, the Company had uncommitted lines of credit from banks of ₹ 33,327 and ₹ 14,209 respectively.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.29 Financial risk management (continued)

As at 31 March 2019, the Company had working capital of ₹ 58,539, including cash and cash equivalents of ₹ 1,132, investments in term deposits with banks (i.e., deposits having original maturities of more than 3 months) of ₹ 513, investments in bonds of ₹ 5,272, investment in commercial paper of ₹ 459 and investments measured at fair value through profit and loss ("FVTPL") of ₹ 14,900.

As at 31 March 2018, the Company had working capital of ₹ 43,186, including cash and cash equivalents of ₹ 1,207, investments in bonds of ₹ 3,279, investment in commercial paper of ₹ 232 and investments measured at fair value through profit and loss ("FVTPL") of ₹ 13,317.

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long-term loans, borrowings and obligations under finance leases, which have been disclosed in note 2.8 A to these financial statements) as at 31 March 2019:

Particulars	2020	2021	2022	2023	Thereafter	Total
Trade payables	10,316	-	-	-	-	10,316
Short-term borrowings	5,463	-	-	-	-	5,463
Other financial liabilities	10,160	-	-	-	-	10,160
Derivative instruments – liabilities	45	-	-	-	-	45

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long-term loans, borrowings and obligations under finance leases, which have been disclosed in note 2.8 A to these financial statements) as at 31 March 2018:

Particulars	2019	2020	2021	2022	Thereafter	Total
Trade payables	10,610	-	-	-	-	10,610
Short-term borrowings	21,008	-	-	-	-	21,008
Other financial liabilities	11,386	-	-	-	-	11,386
Derivative instruments – liabilities	85	-	-	-	-	85

## 2.30 Contingent liabilities and commitments

### A. Contingent liabilities (claims against the Company not acknowledged as debts)

The Company is involved in disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. The more significant matters are discussed below. Most of the claims involve complex issues. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. This is due to a number of factors, including: the stage of the proceedings (in many cases trial dates have not been set) and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. In these cases, the Company discloses information with respect to the nature and facts of the case. The Company also believes that disclosure of the amount sought by plaintiffs, if that is known, would not be meaningful with respect to those legal proceedings.

Although there can be no assurance regarding the outcome of any of the legal proceedings or investigations referred to in this note, the Company does not expect them to have a materially adverse effect on its financial position, as it believes that the likelihood of loss in excess of amounts accrued (if any) is not probable. However, if one or more of such proceedings were to result in judgements against the Company, such judgements could be material to its results of operations in a given period.

### (i) Product and patent related matters

#### Matters relating to National Pharmaceutical Pricing Authority

##### Norfloxacin, India litigation

The Company manufactures and distributes Norfloxacin, a formulations product, and in limited quantities, the active pharmaceutical ingredient norfloxacin. Under the Drugs Prices Control Order (the "DPCO"), the National Pharmaceutical Pricing Authority (the "NPPA") established by the Government of India had the authority to designate a pharmaceutical product as a "specified product" and fix the maximum selling price for such product. In 1995, the NPPA issued a notification and designated Norfloxacin as a "specified product" and fixed the maximum selling price. In 1996, the Company filed a statutory Form III before the NPPA for the upward revision of the maximum selling price and a writ petition in the Andhra Pradesh High Court (the "High Court") challenging the validity of the designation on the grounds that the applicable rules of the DPCO were not complied with while fixing the maximum selling price. The High Court had previously granted an interim order in favour of the Company; however it subsequently dismissed the case in April 2004.

The Company filed a review petition in the High Court in April 2004 which was also dismissed by the High Court in October 2004. Subsequently, the Company appealed to the Supreme Court of India, New Delhi (the "Supreme Court") by filing a Special Leave Petition.

During the year ended 31 March 2006, the Company received a notice from the NPPA demanding the recovery of the price charged by the Company for sales of Norfloxacin in excess of the maximum selling price fixed by the NPPA, which was ₹ 285 including interest.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.30 Contingent liabilities and commitments (continued)

The Company filed a writ petition in the High Court challenging this demand order. The High Court admitted the writ petition and granted an interim order, directing the Company to deposit 50% of the principal amount claimed by the NPPA, which was ₹ 77. The Company deposited this amount with the NPPA in November 2005. In February 2008, the High Court directed the Company to deposit an additional amount of ₹ 30, which was deposited by the Company in March 2008. In November 2010, the High Court allowed the Company's application to include additional legal grounds that the Company believed strengthened its defense against the demand. For example, the Company added as grounds that trade margins should not be included in the computation of amounts overcharged, and that it was necessary for the NPPA to set the active pharmaceutical ingredient price before the process of determining the ceiling on the formulation price. In October 2013, the Company filed an additional writ petition before the Supreme Court challenging the inclusion of Norfloxacin as a "specified product" under the DPCO. In January 2015, the NPPA filed a counter affidavit stating that the inclusion of Norfloxacin was based upon the recommendation of a committee consisting of experts in the field. On 20 July 2016, the Supreme Court remanded the matters concerning the inclusion of Norfloxacin as a "specified product" under the DPCO back to the High Court for further proceedings. During the three months ended 30 September 2016, the Supreme Court dismissed the Special Leave Petition pertaining to the fixing of prices for Norfloxacin formulations.

During the three months ended 31 December 2016, a writ petition pertaining to Norfloxacin was filed by the Company with the Delhi High Court. The matter is adjourned to 11 September 2019 for hearing.

Based on its best estimate, the Company has recorded a provision for potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

### *Litigation relating to Cardiovascular and Anti-diabetic formulations*

In July 2014, the NPPA, pursuant to the guidelines issued in May 2014 and the powers granted by the Government of India under the Drugs (Price Control) Order, 2013, issued certain notifications regulating the prices for 108 formulations in the cardiovascular and anti-diabetic therapeutic areas. The Indian Pharmaceutical Alliance ("IPA"), in which the Company is a member, filed a writ petition in the Bombay High Court challenging the notifications issued by the NPPA on the grounds that they were ultra vires, ex facie and ab initio void. The Bombay High Court issued an order to stay the writ in July 2014. On 26 September 2016, the Bombay High Court dismissed the writ petition filed by the IPA and upheld the validity of the notifications/orders passed by the NPPA in July 2014. Further, on 25 October 2016, the IPA filed a Special Leave Petition with the Supreme Court, which was dismissed by the Supreme Court.

During the three months ended 31 December 2016, the NPPA issued show-cause notices relating to allegations that the Company exceeded the notified maximum prices for 11 of its products. The Company has responded to these notices.

On 20 March 2017, the IPA filed an application before the Bombay High Court for the recall of the judgement of the Bombay High Court dated 26 September 2016. This recall application filed by the IPA was dismissed by the Bombay High Court on 4 October 2017. Further, on 13 December 2017, the IPA filed a Special Leave Petition, with the Supreme Court for the recall of the judgement of the Bombay High Court dated 4 October 2017, which was dismissed by Supreme Court on 10 January 2018.

During the three months ended 31 March 2017, the NPPA issued notices to the Company demanding payments relating to the foregoing products for the allegedly overcharged amounts, along with interest. On 13 July 2017, in response to a writ petition which the Company had filed, the Delhi High Court set aside all the demand notices of the NPPA and directed the NPPA to provide a personal hearing to the Company and pass a speaking order. A personal hearing in this regard was held on 21 July 2017. On 27 July 2017, the NPPA passed a speaking order along with the demand notice directing the Company to pay an amount of ₹ 776. On 3 August 2017, the Company filed a writ petition challenging the speaking order and the demand notice.

Upon hearing the matter on 8 August 2017, the Delhi High Court stayed the operation of the demand order and directed the Company to deposit ₹ 100 and furnish a bank guarantee for ₹ 676. Pursuant to the order, the Company deposited ₹ 100 on 13 September 2017 and submitted a bank guarantee of ₹ 676 dated 15 September 2017 to the Registrar General, Delhi High Court. On 22 November 2017, the Delhi High Court directed the Union of India to file a final counter affidavit within six weeks, subsequent to which the Company could file a rejoinder. On 10 May 2018, the counter affidavit was filed by the Union of India. The Company subsequently filed a rejoinder and both were taken on record by the Delhi High Court. The matter has been adjourned to 22 July 2019 for hearing.

Based on its best estimate, the Company has recorded a provision of ₹ 342 under "selling and other expenses" as a potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

However, if the Company is unsuccessful in such litigation, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and could potentially include penalties, which amounts are not readily ascertainable.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.30 Contingent liabilities and commitments (continued)

### *Class Action and Other Civil Litigation on Pricing/Reimbursement Matters*

On 30 December 2015 and on 4 February 2016, respectively, a class action complaint (the "First Pricing Complaint") and another complaint (not a class action) (the "Second Pricing Complaint") were filed against the Company and eighteen other pharmaceutical defendants in State Court in the Commonwealth of Pennsylvania. In these actions, the class action plaintiffs allege that the Company and other defendants, individually or in some cases in concert with one another, have engaged in pricing and price reporting practices in violation of various Pennsylvania state laws. More specifically, the plaintiffs allege that: (1) the Company provided false and misleading pricing information to third party drug compendia companies for the Company's generic drugs, and such information was relied upon by private third party payers that reimbursed for drugs sold by the Company in the United States, and (2) the Company acted in concert with certain other defendants to unfairly raise the prices of generic divalproex sodium ER (bottle of 80, 500 mg tablets ER 24H) and generic pravastatin sodium (bottle of 500, 10 mg tablets).

The First Pricing Complaint was removed to the U.S. District Court for the Eastern District of Pennsylvania (the "E.D.P.A. Federal Court") and, pending the outcome of the First Pricing Complaint, the Second Pricing Complaint was stayed. On 25 September 2017, the E.D.P.A. Federal Court dismissed all the claims of the plaintiffs in the First Pricing Complaint and denied leave to amend such complaint as futile. Subsequent to this decision, the plaintiffs right to appeal the dismissal of the First Pricing Complaint expired.

Further, on 17 November 2016, certain class action complaints were filed against the Company and a number of other pharmaceutical companies as defendants in the E.D.P.A Federal Court. Subsequently, these complaints were consolidated into one amended complaint as part of a multi-district, multi-product litigation pending with the E.D.P.A. Federal Court. These complaints allege that the Company and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets and divalproex sodium extended-release tablets in the United States.

In March 2017, plaintiffs agreed by stipulation to dismiss Dr. Reddy's Laboratories Inc. and Dr. Reddy's Laboratories Limited from the actions related to pravastatin sodium tablets without prejudice. The Company denies any wrong doing and intends to vigorously defend against these allegations.

In response to the consolidated new complaint, the Company filed a motion to dismiss in October 2017. The plaintiffs filed opposition to the motion to dismiss in December 2017 and a reply was filed by the Company in January 2018. In October 2018, the Court denied the motion to dismiss on the grounds that the allegations pled leave open the possibility of conspiracy. Therefore, discovery will proceed to look into this possibility.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Also any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in the financial statements of the Company.

### (ii) Civil litigation with Mezzion

On 13 January 2017, Mezzion Pharma Co. Ltd. and Mezzion International LLC (collectively, "Mezzion") filed a complaint in the New Jersey Superior Court against the Company and its wholly owned subsidiary in the United States. The complaint pertains to the production and supply of the active pharmaceutical ingredient ("API") for udenafil (a patented compound) and an udenafil finished dosage product during a period from calendar years 2007 to 2015. Mezzion alleges that the Company failed to comply with the U.S. FDA's current Good Manufacturing Practices ("cGMP") at the time of manufacture of the API and finished dosage forms of udenafil and, consequently, that this resulted in a delay in the filing of a NDA for the product by Mezzion. In this regard, the Company filed a motion to dismiss Mezzion's complaint on the technical grounds that the Court lacks jurisdiction over the Company. In January 2018, the Court denied the Company's motion to dismiss the complaint on the jurisdictional matter. The Company's interlocutory appeal of the said denial, was also denied.

The Commercial Court, Hyderabad has accepted the request of the Company to withdraw the suit, in view of the Court granting the Company's motion of Dr. Reddy's to file a Counterclaim in U.S. Action.

The Company denies any wrongdoing or liability in this regard, and intends to vigorously defend against the claims asserted in Mezzion's complaint. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in the financial statements of the Company.

### (iii) Securities Class Action Litigation

On 25 August 2017, a securities class action lawsuit was filed against the Company, its Chief Executive Officer, and its Chief Financial Officer in the United States District Court for the District of New Jersey. The Company's Co-Chairman, its Chief Operating Officer, and Dr. Reddy's Laboratories, Inc., were also subsequently named as defendants in the case. The operative complaint alleges that the Company made false or misleading statements or omissions in its public filings, in violation of U.S. federal securities laws, and that the Company's share price dropped and its investors were affected. On 9 May 2018, the Company and other defendants filed a motion to dismiss the complaint in the United States District Court for the District of New Jersey.

On 25 June 2018, the plaintiffs filed an opposition to the motion to dismiss and, on 25 July 2018, a further reply in support of the motion to dismiss was filed by the Company. In August 2018, oral argument on the motion to dismiss was heard by the Court.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.30 Contingent liabilities and commitments (continued)

On 21 March 2019, the District Court issued its decision granting in part and denying in part the motion to dismiss. Pursuant to that decision, the Court dismissed the plaintiff's claims with respect to seventeen out of the twenty two alleged misstatements and omissions.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in the financial statements of the Company.

### (iv) Glenmark Litigation

In November 2017, the Company received a letter from Glenmark Farmaceutica Ltda and Glenmark Pharmaceuticals Limited (collectively "Glenmark"), for invocation of arbitration under a distribution agreement and a deed of assignment relating to a product between the Company and Glenmark. Glenmark alleged that the non-supply of the product by the Company severely affected the value of the intellectual Property and goodwill and asserted claims to recover the loss along with interest and penalties from the Company.

In March 2018, an arbitrator was appointed by the Supreme Court of India at Glenmark's request. In July 2018, Glenmark filed a claim statement against the Company and in September 2018, the Company filed a reply against the claim along with a counter claim.

Glenmark filed a reply to the counter claim of the Company in November 2018 and the issues were finalised, inspection of documents along with the filing of the statement of Admissions and Denials was completed in December 2018. The Company was asked to submit the list of witnesses by 5 March 2019.

Affidavits in chief examination were filed by witnesses of the Company and Glenmark. The cross examination of the witnesses of Glenmark commenced and is anticipated to continue until July 2019.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Any liability that may arise on account of these claims is unascertainable. No provision was made in the financial statements of the Company.

### (v) Environmental matters

#### Land pollution

The Indian Council for Environmental Legal Action filed a writ in 1989 under Article 32 of the Constitution of India against the Union of India and others in the Supreme Court of India for the safety of people living in the Patancheru and Bollaram areas of Medak district of the then existing undivided state of Andhra Pradesh. The Company has been named in the list of polluting industries. In 1996, the Andhra Pradesh District Judge proposed that the polluting industries compensate farmers in the Patancheru, Bollaram and Jeedimetla areas for discharging effluents which damaged the farmers' agricultural land. The compensation was fixed at ₹ 0.0013 per acre for dry land and ₹ 0.0017 per acre for wet land. Accordingly, the Company has paid a total compensation of ₹ 3. The Andhra Pradesh High Court disposed of the writ petition on 12 February 2013 and transferred the case to the National Green Tribunal ("NGT"), Chennai, India. The interim orders passed in the writ petitions will continue until the matter is decided by the NGT. The NGT has, through its order dated 30 October 2015, constituted a Fact Finding Committee. The NGT has also permitted the alleged polluting industries to appoint a person on their behalf in the Fact Finding Committee. However, the Company along with the alleged polluting industries has challenged the constitution and composition of the Fact Finding Committee. The NGT has directed that until all the applications challenging the constitution and composition of the Fact Finding Committee are disposed of, the Fact Finding Committee shall not commence its operation.

The NGT, Chennai in a judgement dated 24 October 2017, disposed of the matter. The Bulk Drug Manufacturers Association of India ("BDMAI"), in which the Company is a member, subsequently filed a review petition against the judgement on various aspects.

The NGT, Delhi, in a judgement dated 16 November 2017, in another case in which the Company is not a party, stated that the moratorium imposed in the Patancheru and Bollaram areas shall continue until the Ministry of Environment, Forest and Climate Change passes an order keeping in view the needs of the environment and public health. The Company filed an appeal challenging this judgement.

The High Court of Hyderabad heard the Company's appeal challenging this judgement in July 2018 and directed the respondents to file their response within a period of four weeks. During the three months ended 30 September 2018, the respondents filed counter affidavits and the matter has now been adjourned for final hearing.

The appeal came up for hearing before the High Court of Hyderabad on 25 October 2018 and has been adjourned for further hearing.

On 24 April 2019, based upon the judgement of the NGT, Chennai dated 24 October 2017, the Government of Telangana has issued GO.Ms. No 24 of 2019 that allows for expansion of production of all kinds of existing industrial units located within the stretch of Patancheru – Bollaram upon depositing an amount equivalent to 1% of the annual turnover of the respective unit for the concluded financial year i.e., 31 March 2019. Accordingly, the Company made a provision of ₹ 29, representing the probable cost of expansion, during the year ended 31 March 2019.

The Company believes that any additional liability that might arise in this regard is not probable. Accordingly, no provision relating to these claims has been made in the financial statements.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.30 Contingent liabilities and commitments (continued)

### Water pollution and air pollution

During the year ended 31 March 2012, the Company, along with 14 other companies, received a notice from the Andhra Pradesh Pollution Control Board (the "APP Control Board") to show cause as to why action should not be initiated against them for violations under the Indian Water Pollution Act and the Indian Air Pollution Act. Furthermore, the APP Control Board issued orders to the Company to (i) stop production of all new products at the Company's manufacturing facilities in Hyderabad, India without obtaining a "Consent for Establishment", (ii) cease manufacturing products at such facilities in excess of certain quantities specified by the APP Control Board and (iii) furnish a bank guarantee to assure compliance with the APP Control Board's orders.

The Company appealed the APP Control Board orders to the Andhra Pradesh Pollution Appellate Board (the "APP Appellate Board"). The APP Appellate Board, on the basis of a report of a fact-finding advisory committee, recommended to the Andhra Pradesh Government to allow expansion of units fully equipped with Zero-Liquid Discharge ("ZLD") facilities and otherwise found no fault with the Company (on certain conditions).

The APP Appellate Board's decision was challenged by one of the petitioners in the National Green Tribunal and the matter is currently pending before it.

The challenge to the APP Appellate Board's decision is transferred to the NGT, Delhi for a final hearing, the date for which has not yet been notified. No provision relating to these claims has been made in the financial statements.

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.

### (vi) Indirect taxes related matters

#### Distribution of input service tax credits

The Central Excise Authorities have issued various demand notices to the Company objecting to the Company's methodology of distributing input service tax credits claimed for one of the Company's facilities. The below table shows the details of each such demand notice, the amount demanded and the current status of the Company's responsive actions.

Period covered under the notice	Amount demanded	Status
March 2008 to September 2009	₹ 102 plus penalties of ₹ 102 and interest	The Company has filed an appeal before the CESTAT
October 2009 to March 2011	₹ 125 plus penalties of ₹ 100 and interest	The Company has filed an appeal before the CESTAT
April 2011 to March 2012	₹ 51 plus penalties of ₹ 5 and interest	The Company has filed an appeal before the CESTAT
April 2012 to March 2013	₹ 54 plus penalties of ₹ 5 and interest	The Company has filed an appeal before the CESTAT
April 2013 to March 2014	₹ 69 plus penalties of ₹ 6 and interest	The Company has filed an appeal before the CESTAT
April 2014 to March 2015	₹ 108 plus penalties of ₹ 11 and interest	The Company has filed an appeal before the CESTAT
April 2015 to March 2016	₹ 157 plus interest and penalties	The Company has submitted reply hearing awaited
April 2016 to June 2017	₹ 307 plus interest and penalties	The Company is in the process of responding to the notice

The Company believes that the likelihood of any liability that may arise on account of the allegedly inappropriate distribution of input service tax credits is not probable. Accordingly, no provision relating to these claims has been made in these financial statements as of 31 March 2019.

#### Value Added Tax ("VAT") matter

The Company has received various demand notices from the Government of Telangana's Commercial Taxes Department objecting to the Company's methodology of calculation of VAT input credit. The below table shows the details of each of such demand notice, the amount demanded and the current status of the Company's responsive actions.

Period covered under the notice	Amount demanded	Status
April 2006 to March 2009	₹ 66 plus 10% penalty	The State VAT Appellate Tribunal has remanded the matter to the assessing authority to re-compute the eligibility and penalty orders are set-aside
April 2009 to March 2011	₹ 59 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal. The matter was remanded to the original adjudicating authority with a direction to re-calculate the eligibility for the year ended 31 March 2010.
April 2011 to March 2013	₹ 16 plus 10% penalty	The Appellate Deputy Commissioner issued an order partially in favour of the Company

The Company has recorded a provision of ₹ 51 as of 31 March 2019, 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.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.30 Contingent liabilities and commitments (continued)

### Others

Additionally, the Company is in receipt of various demand notices from the Indian Sales and Service Tax authorities. The disputed amount is ₹ 297. The Company has responded to such demand notices and believes that the chances of any liability arising from such notices are less than probable. Accordingly, no provision is made in these financial statements as of 31 March 2019.

### (vii) Fuel Surcharge Adjustments

The Andhra Pradesh Electricity Regulatory Commission (the "APERC") passed various orders approving the levy of Fuel Surcharge Adjustment ("FSA") charges for the period from 1 April 2008 to 31 March 2013 by power distribution companies from all the consumers of electricity in the then existing undivided state of Andhra Pradesh, India where the Company's headquarters and principal manufacturing facilities are located. Separate writ petitions filed by the Company for various periods, challenging and questioning the validity and legality of this levy of FSA charges by the APERC, are pending before the High Court of Andhra Pradesh and the Supreme Court of India.

The total amount approved by APERC for collection by the power distribution companies from the Company in respect of FSA charges for the period from 1 April 2008 to 31 March 2013 is ₹ 482. After taking into account all of the available information and legal provisions, the Company has recorded ₹ 219 as the potential liability towards FSA charges. However, the Company has paid, under protest, an amount of ₹ 354 as demanded by the power distribution companies as part of monthly electricity bills. The Company remains exposed to additional financial liability should the orders passed by the APERC be upheld by the Courts.

During the three months ended 30 June 2016, the Supreme Court of India dismissed the Special Leave Petition filed by the Company in this regard for the period from 1 April 2012 to 31 March 2013. As a result, for the quarter ended 30 June 2016, the Company recognised an expenditure of ₹ 55 (by de-recognising the payments under protest) representing the FSA charges for the period from 1 April 2012 to 31 March 2013.

### (viii) Direct taxes related matters

The Company is contesting various disallowances by the Indian Income Tax authorities. The associated tax impact is ₹ 2,008. The Company believes that the chances of an unfavourable outcome in each of such disallowances are less than probable and, accordingly, no provision is made in these financial statements as of 31 March 2019.

The Company believes that possibility of any liability that may arise on account of this litigation is not probable. Accordingly, no provision has been made in these financial statements as of 31 March 2019.

### (ix) Others

On 28 February 2019, the Supreme Court of India issued a judgement which provided further guidance for companies in determining which components of their employees' compensation are subject to statutory withholding obligations, and matching employer contribution obligations, for Provident Fund contributions under Indian law. There are numerous interpretative issues relating to this judgement. However, the Company has made a provision on a prospective basis from the date of the Supreme Court's judgement. The Company will evaluate the same and update its provision, if any on receiving further clarity on the subject.

Additionally, the Company is involved in other disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. Except as discussed above, the Company does not believe that there are any such contingent liabilities that are expected to have any material adverse effect on its financial statements.

## B. Commitments

Particulars	As at 31 March 2019	As at 31 March 2018
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)	2,423	3,477

## 2.31 Dividend remittance in foreign currency

The Company does not make any direct remittances of dividends in foreign currencies to American Depository Receipts (ADRs) holders. The Company remits the equivalent of the dividends payable to the ADR holders in Indian Rupees to the custodian, which is the registered shareholder on record for all owners of the Company's ADRs. The custodian purchases the foreign currencies and remits it to the depository bank which in turn remits the dividends to the ADR holders.

## 2.32 Segment reporting

In accordance with Ind AS 108, *Operating Segments*, segment information has been given in the consolidated financial statements of Dr. Reddy's Laboratories Limited and therefore no separate disclosure on segment information is given in these financial statements.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.33 Receipt of warning letter from the U.S. FDA

The Company received a warning letter dated 5 November 2015 from the U.S. FDA relating to current Good Manufacturing Practices ("cGMPs") deviations at its active pharmaceutical ingredient ("API") manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The contents of the warning letter emanated from Form 483 observations that followed inspections of these sites by the U.S. FDA in November 2014, January 2015 and February-March 2015.

Tabulated below are the further updates with respect to the aforementioned sites:

Month and year	Update
February, March and April 2017	The U.S. FDA completed the re-inspection of the aforementioned manufacturing facilities. During the re-inspections, the U.S. FDA issued three observations with respect to the API manufacturing facility at Miryalaguda, two observations with respect to the API manufacturing facility at Srikakulam and thirteen observations with respect to the Company's oncology formulation manufacturing facility at Duvvada.
June 2017	The U.S. FDA issued an Establishment Inspection Report ("EIR") which indicated that the inspection of the Company's API manufacturing facility at Miryalaguda was successfully closed.
November 2017	The Company received EIRs from the U.S. FDA for the oncology manufacturing facility at Duvvada which indicated that the inspection status of this facility remains unchanged.
February 2018	The Company received EIRs from the U.S. FDA for API manufacturing facility at Srikakulam which indicated that the inspection status of this facility remains unchanged.
June 2018	The Company requested the U.S. FDA to schedule a re-inspection of the oncology formulation manufacturing facility at Duvvada.
October 2018	The re-inspection was completed for the oncology formulation manufacturing facility at Duvvada and the U.S. FDA issued a Form 483 with eight observations.
November 2018	The Company responded to the observations identified by the U.S. FDA for the oncology formulation manufacturing facility at Duvvada in October 2018.
February 2019	The U.S. FDA issued an EIR indicating successful closure of the audit of the oncology formulation manufacturing facility at Duvvada.

With respect to the API manufacturing facility at Srikakulam, subsequent to the receipt of EIR in February, the Company was asked, in October 2018, to carry out certain detailed investigations and analyses and the Company submitted the results of the investigations and analyses. As part of the review of the response by the U.S. FDA, certain additional follow on queries have been received by the Company. The Company responded to all queries in January 2019 to the U.S. FDA. In February 2019, the Company received certain follow on questions from the U. S. FDA and the Company responded in March 2019. Based on the discussion with U.S. FDA, a meeting would be conducted prior to re-inspection of the site.

## Inspection of other facilities

Tabulated below are the details of the U.S. FDA inspections carried out during the financial year ended 31 March 2019:

Month and year	Unit	Details of observations
June 2018	API Srikakulam Plant (SEZ)	No observations were noted. An EIR indicating the closure of audit for this facility was issued by the U.S. FDA in August 2018.
November 2018	Srikakulam Plant (SEZ) Unit II	No observations were noted. An EIR indicating the closure of audit for this facility was issued by the U.S. FDA in February 2019.
January-April 2019	Srikakulam Plant (SEZ) Unit I	Four observations were noted. The Company responded to the observations and an EIR indicating the closure of audit for this facility was issued by the U.S. FDA in April 2019.
January 2019	API manufacturing Plant at Miryalaguda, Nalgonda	One observation was noted. The Company responded to the observation identified by the U.S. FDA, and awaiting to receive the EIR from agency.
January-April 2019	Formulations manufacturing facility at Bachupally, Hyderabad	Eleven observations were noted. The Company responded to the observations in January 2019. In April 2019, based on the Company's responses and follow-up actions, the U.S. FDA has determined the inspection classification of this facility as Voluntary Action Initiated ("VAT").

## 2.34 Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt. The capital gearing ratio as on 31 March 2019 and 31 March 2018 was 8% and 18%, respectively.

# NOTES TO FINANCIAL STATEMENTS

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

## 2.35 Property, plant and equipment and intangible assets used for research and development (included in note 2.1 and note 2.3)

Particulars	Gross carrying value			Accumulated depreciation/amortisation				Net carrying value		
	As at 1 April 2018	Additions (a)	Disposals (b)	As at 31 March 2019	As at 1 April 2018	For the year (a)	Disposals (b)	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
<b>Property, plant and equipment</b>										
Land	70	-	-	70	-	-	-	-	70	70
Buildings	997	83	2	1,078	332	38	2	368	710	665
Plant and machinery	5,633	540	224	5,949	3,440	532	195	3,777	2,172	2,193
Furniture and fixtures	219	18	1	236	174	14	1	187	49	45
Office equipment	414	36	37	413	343	50	37	356	57	71
<b>Total (A)</b>	<b>7,333</b>	<b>677</b>	<b>264</b>	<b>7,746</b>	<b>4,289</b>	<b>634</b>	<b>235</b>	<b>4,688</b>	<b>3,058</b>	<b>3,044</b>
<b>Intangible assets</b>										
Softwares	227	22	-	249	167	35	-	202	47	60
Others	102	-	-	102	33	9	-	42	60	69
<b>Total (B)</b>	<b>329</b>	<b>22</b>	<b>-</b>	<b>351</b>	<b>200</b>	<b>44</b>	<b>-</b>	<b>244</b>	<b>107</b>	<b>129</b>
<b>Total (A+B)</b>	<b>7,662</b>	<b>699</b>	<b>264</b>	<b>8,097</b>	<b>4,489</b>	<b>678</b>	<b>235</b>	<b>4,932</b>	<b>3,165</b>	<b>3,173</b>
Previous year	7486	455	279	7,662	3,987	722	220	4,489	3,173	

- a) Additions include transfers from non-research and development group to research and development group. The gross carrying value of such transferred assets is ₹ 62 (31 March 2018: ₹ 46) and accumulated depreciation/amortisation is ₹ 13 (31 March 2018: ₹ 36).
- b) Disposals include transfers from research and development group to non-research and development group. The gross carrying value of such transferred assets is ₹ 57 (31 March 2018: ₹ 99) and accumulated depreciation/amortisation is ₹ 38 (31 March 2017: ₹ 43).

## 2.36 Subsequent events

### Agreement with Celgene

The Company has entered into a settlement agreement with Celgene, pursuant to which the Company received a one-time payment of US\$ 50 million in settlement of any claim the Company or its affiliates may have had for damages under section 8 of the Canadian Patented Medicines (Notice of Compliance) Regulations in regard to the Company's ANDS for a generic version of REVLIMID brand capsules, (Lenalidomide) pending before Health Canada.

As per our report of even date attached

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership No.: 53315

Place : Hyderabad

Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

**K Satish Reddy**

**G V Prasad**

**Saumen Chakraborty**

**Sandeep Poddar**

Chairman

Co-Chairman & Chief Executive Officer

Chief Financial Officer

Company Secretary

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# CONSOLIDATED FINANCIAL STATEMENTS

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## INDEPENDENT AUDITORS' REPORT

To the members of Dr. Reddy's Laboratories Limited

### Report on the Audit of the Consolidated Ind AS Financial Statements

#### Opinion

We have audited the accompanying consolidated Ind AS financial statements of Dr. Reddy's Laboratories Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and joint ventures comprising of the Consolidated Balance sheet as at 31 March 2019, the Consolidated Statement of Profit and Loss, including other comprehensive income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, and joint ventures as at 31 March 2019, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the Consolidated Ind AS Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated Ind AS financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended 31 March 2019. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
<p><b>Carrying value of intangible assets, intangible assets under development and goodwill</b> (as described in note 1.3(g) and 1.3(j) of the significant accounting policies, and note 2.2, 2.3 and 2.4 for details and movement in goodwill, intangible assets and intangible assets under development in the consolidated Ind AS financial statements)</p> <p>As at 31 March 2019, the Company has ₹ 18,124 million of intangible assets, ₹ 24,610 million of intangible assets under development and ₹ 4,659 million of goodwill. The carrying value of these intangible assets are based on future cash flows and there is a risk that the assets may be impaired if cash flows are not in line with projections.</p> <p>Valuation of goodwill and intangible assets is subject to management's assessment of recoverable amount, being the higher of the value in use and fair value less costs to sell, involving significant judgment and are based on number of variables and estimates including projection of future sales, operating costs and profit margins; appropriate discount rate and terminal value growth rate; and probability of technical and regulatory success factors in applying discounted cash flow valuation methodology.</p>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>We evaluated the design and tested the operating effectiveness of management's controls in assessing the carrying value of goodwill and intangible assets.</li> <li>We assessed the Group's methodology applied in determining the CGUs to which goodwill is allocated.</li> <li>We assessed the Company's valuation methodology applied in deriving the recoverable value.</li> <li>We evaluated the assumptions applied to key inputs such as discount rates, sales volume and prices, long term growth rates and terminal values, which included comparing these inputs with assumptions made by the management in prior years.</li> <li>We discussed potential changes in key drivers as compared to previous year / actual performance with management to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable.</li> <li>We tested the arithmetical accuracy of the models.</li> <li>We also assessed the recoverable value headroom by performing sensitivity testing of key assumptions used.</li> <li>We evaluated the adequacy of financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.</li> </ul>

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Key audit matters

### How our audit addressed the key audit matter

**Contingencies, including litigations and tax** (as described in note 1.3(l) of the significant accounting policies, and note 2.33(A) containing details of contingencies in the consolidated Ind AS financial statements)

The Company and certain of its subsidiaries are involved in disputes, lawsuits, claims, anti-trust, governmental and / or regulatory inspections, inquiries, investigations and proceedings, including patent, tax and commercial matters that arise from time to time in the ordinary course of business. Most of the claims involve complex issues. The Company, assisted by their external legal counsel assesses the need to make provision or disclose a contingency on a case-to-case basis considering the underlying facts of each litigation. The aforesaid assessment may result in an incorrect disclosure or provision in the books of account.

This area is significant to our audit, since the accounting and disclosure for contingent legal and tax liabilities is complex and judgemental (due to the difficulty in predicting the outcome of the matter and estimating the potential impact if the outcome is unfavourable), and the amounts involved are, or can be, material to the consolidated Ind AS financial statements.

#### Our audit procedures included the following:

- We evaluated the design and tested the operating effectiveness of controls relating to identification and evaluation of claims, proceedings and investigations at different levels in the group, and the measurement of provisions for disputes, potential claims and litigation, contingent liabilities and disclosures.
- We obtained a list of ongoing litigations from the Company's in house legal counsel. We selected a sample of litigations based on materiality and performed inquiries with the said counsel on the legal evaluation of these litigations. We have compared the said evaluation with the provision or disclosure in the consolidated Ind AS financial statements. We have tested the underlying computation of the management in relation to the measurement of provision or the contingency.
- We solicited legal letters from the Company's external legal advisors with respect to the matters included in the summary. Where appropriate we examined correspondences connected with the cases.
- We obtained the details of tax assessments and demands as at the year ended 31 March 2019. We inspected relevant communication with tax authorities. We involved tax experts in assessing the nature and amount of the tax exposures and assessed management's conclusions on whether exposures are probable, contingent or remote. Where exposures are assessed as probable, we evaluated the amounts provided with respect to those exposures.
- We also evaluated the disclosures in the consolidated Ind AS financial statements.

**Rebates, discounts and chargebacks, etc. in Revenue** (as described in note 1.3(m) of the significant accounting policies in the consolidated Ind AS financial statements and note 2.13 of the consolidated Ind AS financial statements)

Revenue is recognised net of accrual for sales returns and chargeback, rebates & discounts, etc. The estimates relating to the accruals are important given the significance of revenue and also considering the distinctive terms of arrangement with customers. These estimates are complex and requires significant judgement and estimation by the Company for establishing an appropriate accrual. Accuracy of revenues may deviate on account of change in judgements and estimates. Accordingly, the same has been considered as a key audit matter.

#### Our audit procedures included the following:

- We assessed and performed test of controls over the completeness, recognition and measurement of accruals.
- We obtained Management's calculations for accruals and assessed the assumptions used by reference to the company's stated commercial policies, the terms of the applicable contracts.
- We assessed management analysis of the historical pattern of charge back rates and the inventory information in order to validate management's assumption for creation of such provisions.
- We compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns, where relevant and to current payment trends. We also considered the historical accuracy of the management's estimates in prior years.
- We have also performed procedures to test recording of revenue in appropriate period which includes:
  - Performing trend analysis over sales levels as compared to previous periods.
  - Testing management's monitoring process over distributors' stocking levels.
  - Verifying sample sales transactions near period-end.
  - Evaluating the level of returns following the period end and compared to previous periods.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matter
<p><b>Recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115, Revenue from Contracts with Customers</b> (as described in note 1.3(a) of the significant accounting policies of consolidated Ind AS financial statements)</p> <p>The Group has adopted Ind AS 115, <i>Revenue from Contracts with Customers</i>, starting 1 April 2018. The adoption of the new revenue accounting standard involves application of certain key principles relating to identification of performance obligations, determination of transaction price of the identified performance obligations, the timing of transfer of control for recognition of revenue or the appropriateness of the basis used to measure revenue recognized over a period. Additionally, new revenue accounting standard contains new disclosures.</p>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>● We considered the group's revenue recognition accounting policies based on the principles in Ind AS 115.</li> <li>● We evaluated the design, implementation and effective operation of the internal controls relating to implementation of the new revenue accounting standard.</li> <li>● We selected samples of continuing and new contracts and performed the following procedures: <ul style="list-style-type: none"> <li>○ Read, analysed and identified the distinct performance obligations in these contracts.</li> <li>○ Compared these performance obligations with that identified and recorded by the Company.</li> <li>○ Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue.</li> <li>○ Evaluated management assessment of point of recognition of revenue based on transfer of control or satisfaction of obligations over time.</li> </ul> </li> <li>● We evaluated the adequacy of financial statement disclosures, pursuant to new revenue accounting standard.</li> </ul>

### Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises, Statutory reports, corporate governance and Board's report included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and Corporate Overview and letter from Chairman and Co-Chairman included in the Annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group and joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of the Group and of its joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its joint ventures are also responsible for overseeing the financial reporting process of the Group and of its joint ventures.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Auditors' Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint ventures of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated Ind AS financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended 31 March 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Other Matters

We did not audit the financial statements and other financial information, in respect of two subsidiaries, whose Ind AS financial statements include total assets of ₹19,515 million as at 31 March 2019, and total revenues of ₹ 21,954 million and net cash outflows of ₹10 million for the year ended on that date. These Ind AS financial statement and other financial information have been audited by other auditors, which financial statements, other financial information and auditors' reports have been furnished to us. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the report(s) of such other auditors.

These subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

### Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

- a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, and joint ventures incorporated in India, none of the directors of the Group's companies, its joint ventures incorporated in India is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary companies, and joint ventures incorporated in India, refer to our separate Report in "Annexure 1" to this report;
- g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, and joint ventures incorporated in India, the managerial remuneration for the year ended 31 March 2019 has been paid / provided by the Holding Company, its subsidiaries, and joint ventures incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

- h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:
- (i) The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, and joint ventures in its consolidated Ind AS financial statements – Refer note 2.33(A) to the consolidated Ind AS financial statements;
  - (ii) Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
  - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, and joint ventures incorporated in India during the year ended 31 March 2019.

for **S.R. Batliboi & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 101049W/E300004

**per S Balasubrahmanyam**

*Partner*

Membership Number: 53315

Place : Hyderabad

Date : 17 May 2019

## **ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the consolidated Ind AS financial statements of Dr. Reddy's Laboratories Limited as of and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting of Dr. Reddy's Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, and joint ventures, which are companies incorporated in India, as of that date.

#### **Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the Holding Company, its subsidiary companies, and joint ventures, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.

#### **Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements**

A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated Ind AS financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF DR. REDDY'S LABORATORIES LIMITED (CONTINUED)

### Opinion

In our opinion, the Holding Company, its subsidiary companies, and joint ventures, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, insofar as it relates to the subsidiary companies, and a joint venture, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary, and joint ventures incorporated in India.

for **S.R. Batliboi & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 101049W/E300004

per **S Balasubrahmanyam**

*Partner*

Membership Number: 53315

Place : Hyderabad

Date : 17 May 2019

# CONSOLIDATED BALANCE SHEET

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

Particulars	Note	As at 31 March 2019	As at 31 March 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2.1	49,127	49,733
Capital work-in-progress		4,725	7,678
Goodwill	2.2	4,659	5,331
Other intangible assets	2.3	18,124	14,616
Intangible assets under development	2.4	24,610	27,027
Investment in equity accounted investees	2.5	2,529	2,104
<b>Financial assets</b>			
Investments	2.6 A	813	2,549
Trade receivables	2.6 B	113	169
Other financial assets	2.6 C	731	756
Deferred tax assets, net	2.29	4,317	5,405
Tax assets, net		3,400	4,567
Other non-current assets	2.7 A	407	524
		<b>113,555</b>	<b>120,459</b>
<b>Current assets</b>			
Inventories	2.8	33,579	29,089
<b>Financial assets</b>			
Investments	2.6 A	22,529	18,330
Trade receivables	2.6 B	39,869	40,527
Derivative instruments	2.31	360	105
Cash and cash equivalents	2.6 D	2,228	2,638
Other financial assets	2.6 C	2,112	1,533
Other current assets	2.7 B	10,424	12,762
		<b>111,101</b>	<b>104,984</b>
<b>Total assets</b>		<b>224,656</b>	<b>225,443</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Equity share capital	2.9	830	830
Other equity		139,406	124,886
		<b>140,236</b>	<b>125,716</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	2.10 A	22,000	25,089
Other financial liabilities	2.10 C	102	144
Provisions	2.11 A	793	817
Deferred tax liabilities, net	2.29	473	1,950
Other non-current liabilities	2.12 A	2,079	2,789
		<b>25,447</b>	<b>30,789</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	2.10 B	12,125	25,562
Trade payables	2.10 D		
Total outstanding dues of micro enterprises and small enterprises		77	93
Total outstanding dues of creditors other than micro enterprises and small enterprises		13,594	13,252
Derivative instruments	2.31	68	85
Other financial liabilities	2.10 C	22,670	19,497
Liabilities for current tax, net		181	1,530
Provisions	2.11 B	4,789	4,387
Other current liabilities	2.12 B	5,469	4,532
		<b>58,973</b>	<b>68,938</b>
<b>Total equity and liabilities</b>		<b>224,656</b>	<b>225,443</b>

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership No.: 53315

Place : Hyderabad

Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited****K Satish Reddy****G V Prasad****Saumen Chakraborty****Sandeep Poddar**

Chairman

Co-Chairman &amp; Chief Executive Officer

Chief Financial Officer

Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Income</b>			
Sales	2.13	148,706	138,022
Service income and License fees	2.13	5,145	4,006
Other operating income	2.14	631	782
<b>Total revenue from operations</b>		<b>154,482</b>	<b>142,810</b>
Other income	2.15	3,375	1,552
<b>Total income</b>		<b>157,857</b>	<b>144,362</b>
<b>Expenses</b>			
Cost of materials consumed		28,894	26,309
Purchase of stock-in-trade		18,808	14,501
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.16	(2,754)	(415)
Employee benefits expense	2.17	33,562	32,149
Depreciation and amortisation expense	2.18	11,348	10,772
Finance costs	2.19	889	788
Selling and other expenses	2.20	44,190	46,754
<b>Total expenses</b>		<b>134,937</b>	<b>130,858</b>
<b>Profit before tax</b>		<b>22,920</b>	<b>13,504</b>
Tax expense	2.29		
Current tax		4,707	1,753
Deferred tax		(849)	2,627
<b>Net profit for the year before share of profit of equity accounted investees</b>		<b>19,062</b>	<b>9,124</b>
Share of profit of equity accounted investees, net of tax		438	344
<b>Profit for the year</b>		<b>19,500</b>	<b>9,468</b>
<b>Other comprehensive income (OCI)</b>			
Items that will not be reclassified subsequently to profit or loss		(379)	(3,710)
Income tax on items that will not be reclassified subsequently to profit or loss		(673)	874
		(1,052)	(2,836)
Items that will be reclassified subsequently to profit or loss		19	(23)
Income tax on items that will be reclassified subsequently to profit or loss		(54)	23
		(35)	0
<b>Total other comprehensive income/(loss) for the year, net of tax</b>		<b>(1,087)</b>	<b>(2,836)</b>
<b>Total comprehensive income for the year</b>		<b>18,413</b>	<b>6,632</b>
<b>Profit for the year</b>			
<i>Attributable to:</i>			
Equity holders of the parent		19,500	9,468
Non-controlling interests		-	-
<b>Total comprehensive income for the year</b>			
<i>Attributable to:</i>			
Equity holders of the parent		18,413	6,632
Non-controlling interests		-	-
<b>Earnings per share:</b>	2.23		
Basic earnings per share of ₹ 5/- each		117.53	57.08
Diluted earnings per share of ₹ 5/- each		117.33	56.96
The accompanying notes are an integral part of the consolidated financial statements.			

As per our report of even date attached  
for **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004  
per **S Balasubrahmanyam**

Partner  
Membership No.: 53315  
Place : Hyderabad  
Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

**K Satish Reddy**  
**G V Prasad**  
**Saumen Chakraborty**  
**Sandeep Poddar**

Chairman  
Co-Chairman & Chief Executive Officer  
Chief Financial Officer  
Company Secretary



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

- (1) Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2018, the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") was formed to support the Dr. Reddy's Employees Stock Option Scheme, 2018 by acquiring, including through secondary market acquisitions, equity shares which are used for issuance to eligible employees upon exercise of stock options thereunder. Refer to note 2.28 of these consolidated financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.
- (2) Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013.
- (3) Share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 2.28 for further details of these plans.
- (4) The Company recognises profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments to capital reserve.
- (5) As per Companies Act, 2013, capital redemption reserve is created when company purchases its own shares out of free reserves or securities premium. A sum equal to the nominal value of the shares so purchased is transferred to capital redemption reserve. The reserve is utilised in accordance with the provisions of Section 69 of the Companies Act, 2013.
- (6) The general reserve is a free reserve which is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to consolidated statement of profit and loss.
- (7) The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to consolidated statement of profit and loss in the period in which the hedged transaction occurs.
- (8) This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income (FVTOCI), net of amounts reclassified to retained earnings when those assets have been disposed off.
- (9) Remeasurements of the net defined benefits plan reserve comprises the cumulative net gains/ losses on actuarial valuation of post-employment obligations. Refer note 2.27 for further details.
- (10) The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is recognised in other comprehensive income, net of taxes and is presented within equity in the foreign currency translation reserve.

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership No.: 53315

Place : Hyderabad

Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

**K Satish Reddy**

Chairman

**G V Prasad**

Co-Chairman & Chief Executive Officer

**Saumen Chakraborty**

Chief Financial Officer

**Sandeep Poddar**

Company Secretary

# CONSOLIDATED STATEMENT OF CASH FLOWS

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Cash flows from/(used in) operating activities</b>		
<b>Profit before tax</b>	<b>22,920</b>	<b>13,504</b>
Adjustments:		
Depreciation and amortisation expense	11,348	10,772
Impairment loss on other intangible assets	116	53
Equity settled share-based payment expense	389	454
Fair value gain on financial instruments at fair value through profit or loss	(307)	(75)
Profit on sale of mutual funds, net	(466)	(806)
Foreign exchange loss/(gain), net	(1,574)	(281)
(Gain)/loss on sale/disposal of property, plant and equipment and other intangible assets, net	(1,257)	55
Interest income	(770)	(540)
Finance costs	889	788
Refund liability	3,592	2,702
Inventory write-downs	4,016	2,946
Allowances for credit losses, net	371	169
Allowances for doubtful advances, net	49	16
<i>Changes in operating assets and liabilities:</i>		
Trade receivables	1,797	(2,097)
Inventories	(8,496)	(3,233)
Trade payables	398	2,550
Other assets and other liabilities, net	530	(6,186)
Cash generated from operations	<b>33,545</b>	<b>20,791</b>
Income tax paid, net	(4,841)	(2,761)
<b>Net cash from operating activities</b>	<b>28,704</b>	<b>18,030</b>
<b>Cash flows from/(used in) investing activities</b>		
Proceeds from sale of property, plant and equipment	1,265	139
Proceeds from sale of other intangible assets	885	-
Expenditures on property, plant and equipment	(6,955)	(9,291)
Expenditures on other intangible assets	(1,421)	(1,752)
Purchase of investments	(78,573)	(68,291)
Proceeds from sale of investments	76,291	64,038
Interest income received	781	274
<b>Net cash used in investing activities</b>	<b>(7,727)</b>	<b>(14,883)</b>
<b>Cash flows from/(used in) financing activities</b>		
Proceeds from issuance of equity shares	-*	1
Purchase of treasury shares	(535)	-
Proceeds from/(repayment of) short-term loans and borrowings, net (Refer note 2.9 (h))	(15,126)	(18,025)
Proceeds from/(repayment of) long-term loans and borrowings, net (Refer note 2.9 (h))	(56)	18,907
Dividends paid (including corporate dividend tax)	(4,002)	(3,992)
Interest paid	(1,607)	(1,331)
<b>Net cash used in financing activities</b>	<b>(21,326)</b>	<b>(4,440)</b>
Net decrease in cash and cash equivalents	(349)	(1,293)
Effect of exchange rate changes on cash and cash equivalents	35	57
Cash and cash equivalents at the beginning of the year (Refer note 2.6 D)	2,542	3,778
<b>Cash and cash equivalents at the end of the year (Refer note 2.6 D)</b>	<b>2,228</b>	<b>2,542</b>
* Rounded off to millions.		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership No.: 53315

Place : Hyderabad

Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited****K Satish Reddy****G V Prasad****Saumen Chakraborty****Sandeep Poddar**

Chairman

Co-Chairman &amp; Chief Executive Officer

Chief Financial Officer

Company Secretary

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## NOTE 1 DESCRIPTION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Description of the Group

Dr. Reddy's Laboratories Limited (the "parent company") together with its subsidiaries and joint ventures (collectively, "the Company" or "the Group"), is a leading India-based pharmaceutical company headquartered and having its registered office in Hyderabad, Telangana, India. Through its three businesses - Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products – the Company offers a portfolio of products and services, including Active Pharmaceutical Ingredients ("APIs"), Custom Pharmaceutical Services ("CPS"), generics, biosimilars and differentiated formulations.

The Company's principal research and development facilities are located in the states of Telangana and Andhra Pradesh in India, Cambridge in the United Kingdom and Leiden in the Netherlands; its principal manufacturing facilities are located in the states of Telangana, Andhra Pradesh and Himachal Pradesh in India, Cuernavaca-Cuautla in Mexico, Mirfield in the United Kingdom, and Louisiana in the United States; and its principal markets are in India, Russia, the United States, the United Kingdom, and Germany. The Company's shares trade on the Bombay Stock Exchange and the National Stock Exchange in India and on the New York Stock Exchange in the United States.

Please refer note 2.26 for list of subsidiaries, step-down subsidiaries and joint ventures of the parent company.

### 1.2 Basis of preparation of consolidated financial statements

#### a) Statement of compliance

These consolidated financial statements as at and for the year ended 31 March 2019 have been prepared in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015 and as amended from time to time.

These consolidated financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective or elected for early adoption at the Company's annual reporting date, 31 March 2019. These consolidated financial statements were authorised for issuance by the Company's Board of Directors on 17 May 2019.

#### b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- derivative financial instruments are measured at fair value;
- financial assets are measured either at fair value or at amortised cost, depending on the classification;
- employee defined benefit assets/(liabilities) are recognised as the net total of the fair value of plan assets, adjusted for actuarial gains/(losses) and the present value of the defined benefit obligation;
- long-term borrowings, except obligations under finance leases, are measured at amortised cost using the effective interest rate method;
- assets held for sale are measured at fair value less costs to sell;
- share-based payments are measured at fair value; and
- 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 realised from sale 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## d) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2(c) — Assessment of functional currency;
- Note 1.3(b) — Evaluation of joint arrangements;
- Note 1.3(d) — Financial instruments;
- Note 1.3(e) — Business combinations;
- Notes 1.3(f) and 1.3(g) — Useful lives of property, plant and equipment and intangible assets;
- Note 1.3(i) — Valuation of inventories;
- Note 1.3(j) — Measurement of recoverable amounts of cash-generating units;
- Note 1.3(k) — Assets and obligations relating to employee benefits;
- Note 1.3(k) — Share-based payments;
- Note 1.3(l) — Provisions and other accruals;
- Note 1.3(m) — Measurement of transaction price in a revenue transaction (Sales returns, rebates and chargeback provisions);
- Note 1.3(o) — Evaluation of recoverability of deferred tax assets; and
- Note 1.3(l) — Contingencies

## e) Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, *Presentation of Financial Statements*.

### Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within twelve months after the reporting date; or
- d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

### Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within twelve months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities include the current portion of non-current assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 1.3 Significant accounting policies

### a) New Standards adopted by the Company

#### Ind AS 115, *Revenue from Contracts with Customers*

In March 2018, the Ministry of Corporate Affairs ("MCA") has notified Ind AS 115, *Revenue from Contracts with Customers*, which is effective for accounting periods beginning on or after 1 April 2018. This comprehensive new standard supersedes Ind AS 18, *Revenue*, Ind AS 11, *Construction contracts* and related interpretations. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted Ind AS 115 effective as of 1 April 2018. The impacts of the adoption of the new standard are summarised below:

#### Revenue

The Company's revenue is derived from sale of goods, service income and income from licensing arrangements, each as more particularly described below. Most of such revenue (approximately 97%) is generated from the sale of goods.

#### Sale of goods

Revenue from sale of goods consists of the sale of generic and branded products and the sale of active pharmaceutical ingredients and intermediates. Revenue from sale of goods is recognised where control is transferred to the Company's customers at the time of shipment to or receipt of goods by the customers. There was no change in the point of recognition of revenue upon adoption of Ind AS 115.

#### Service income

Service income, which primarily relates to revenue from contract research, is recognised as and when the underlying services are performed. There was no change in the point of recognition of revenue upon adoption of Ind AS 115. Upfront non-refundable payments received under these arrangements continue to be deferred and are recognised over the expected period that related services are to be performed.

#### License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. The adoption of Ind AS 115 did not significantly change the timing or amount of revenue recognised by the Company from these arrangements, nor did it change accounting for these royalty arrangements, as the standard's royalty exception is applied for intellectual property licenses. Upfront non-refundable payments received under these arrangements continue to be deferred and are recognised over the expected period that related services are to be performed.

#### Profit share revenues and milestone payments

Revenues from sale of goods also include revenues from profit sharing arrangements with business partners for sales of the Company's products in certain markets. Furthermore, the Company receives milestone payments related to out-licensing of the intellectual property.

Under Ind AS 115, the profit share amount is recognised only to the extent that it is highly probable that a significant reversal in the amount of profit share will not occur when the uncertainty associated with the profit share is subsequently resolved. The adoption of Ind AS 115 did not significantly change the timing or amount of revenue recognised by the Company under these arrangements.

The Company applied the modified retrospective method upon adoption of Ind AS 115 on 1 April 2018. This method requires the recognition of the cumulative effect of initially applying Ind AS 115 to retained earnings and not to restate prior years.

Overall, the application of this standard did not have a material impact on the Company's revenue streams from the sale of goods, service income, license fees, profit share revenues and milestone payments, and associated rebates and sales returns provisions.

### b) Basis of consolidation

#### Subsidiaries

Subsidiaries are all entities (including special purpose entities) that are controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests ("NCI") in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

For the purpose of preparing these consolidated financial statements, the accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## Joint arrangements (equity accounted investees)

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

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

With respect to joint operations, the Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

Investments in joint ventures are accounted for using the equity method and are initially recognised at cost. The carrying value of the Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Company does not consolidate entities where the NCI holders have certain significant participating rights that provide for effective involvement in significant decisions in the ordinary course of business of such entities. Investments in such entities are accounted by the equity method of accounting. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

For the purpose of preparing these consolidated financial statements, the accounting policies of joint ventures have been changed where necessary to align them with the policies adopted by the Company. Furthermore, the financial statements of the joint ventures are prepared for the same reporting period as of the Company.

## Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements. Unrealised gains or losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee.

## Acquisition of NCI

Acquisition of some or all of the NCI is accounted for as a transaction with equity holders in their capacity as equity holders. Consequently, the difference arising between the fair value of the purchase consideration paid and the carrying value of the NCI is recorded as an adjustment to retained earnings that is attributable to the parent company. The associated cash flows are classified as financing activities. No goodwill is recognised as a result of such transactions.

## Loss of Control

Upon loss of control, the Company derecognises the assets and liabilities of the subsidiary, any NCIs and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit and loss. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, depending on the level of influence retained, it is accounted for as an equity-accounted investee or as an investment measured at fair value through other comprehensive income ("FVTOCI") or fair value through profit and loss account ("FVTPL"), under Ind AS 109.

## c) Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the consolidated statement of profit and loss in the period in which they arise.

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

- certain debt instruments classified as measured at fair value through other comprehensive income;
- certain equity instruments where the Company had made an irrevocable election to present in other comprehensive income subsequent changes in the fair value;
- a financial liability designated as a hedge of the net investment in a foreign operation, to the extent that the hedge is effective; and
- qualifying cash flow hedges, to the extent that the hedges are effective.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

## Foreign operations

Foreign exchange gains and losses arising from a monetary item receivable from a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation and are recognised in OCI and presented within equity as a part of foreign currency translation reserve ("FCTR").

In case of foreign operations whose functional currency is different from the parent company's functional currency, the assets and liabilities of such foreign operations, including goodwill and fair value adjustments arising upon acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of such foreign operations are translated to the reporting currency at the monthly average exchange rates prevailing during the year. Resulting foreign currency differences are recognised in OCI and presented within equity as part of FCTR. When a foreign operation is disposed of, in part or in full, such that control, significant influence or joint control is lost, the relevant amount in the FCTR is transferred to the consolidated statement of profit and loss.

## d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### *Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (e.g., regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under Ind AS 115.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost;
- Debt instruments at FVTOCI;
- Debt instruments, derivatives and equity instruments at FVTPL; and
- Equity instruments measured at FVTOCI.

#### *Debt instruments at amortised cost*

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

- a) the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b) contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the consolidated statement of profit and loss. The losses arising from impairment are recognised in the consolidated statement of profit and loss. This category generally applies to trade and other receivables.

#### *Debt instrument at FVTOCI*

A "debt instrument" is classified as at the FVTOCI if both of the following criteria are met:

- a) the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- b) the asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses and reversals and foreign exchange gain or loss in the consolidated statement of profit and loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the consolidated statement of profit and loss. Interest earned while holding a FVTOCI debt instrument is reported as interest income using the effective interest rate method.

## Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as an "accounting mismatch").

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the consolidated statement of profit and loss.

## Equity investments

All equity investments within the scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies, are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made upon initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the consolidated statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the consolidated statement of profit and loss.

## Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or
- Both (1) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and (2) either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

## Impairment of trade receivables and other financial assets

In accordance with Ind AS 109, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a "simplified approach" for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## Financial liabilities

### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains or losses are not subsequently transferred to the consolidated statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the consolidated statement of profit and loss. The Company has not designated any financial liability as fair value through profit and loss.

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit and loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit and loss.

#### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss.

#### Derivative financial instruments

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in US dollars, UK pounds sterling, Russian roubles, Brazilian reals, South African rands ("ZAR"), Romanian new leu ("RON") and Euros, and foreign currency debt in US dollars, Russian roubles, Ukrainian hryvnias and Euros.

The Company uses derivative financial instruments such as foreign exchange forward contracts, option contracts and swap contracts to mitigate its risk of changes in foreign currency exchange rates. The Company also uses non-derivative financial instruments as part of its foreign currency exposure risk mitigation strategy.

#### Hedges of highly probable forecasted transactions

The Company classifies its derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded in the Company's hedging reserve as a component of equity and re-classified to the consolidated statement of profit and loss as part of the hedged item in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the consolidated statement of profit and loss as finance costs immediately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company also designates certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions. Accordingly, the Company applies cash flow hedge accounting to such relationships. Remeasurement gain or loss on such non-derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and reclassified to the consolidated statement of profit and loss as part of the hedged item in the period corresponding to the occurrence of the forecasted transactions.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the consolidated statement of profit and loss.

#### Hedges of recognised assets and liabilities

Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the consolidated statement of profit and loss. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognised in the consolidated statement of profit and loss. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit and loss.

#### Hedges of changes in the interest rates

Consistent with its risk management policy, the Company uses interest rate swaps to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents relating to the consolidated statement of cash flows.

#### e) Business combinations

In accordance with the provisions of Ind AS 101, *First time adoption of Indian Accounting Standards*, the Company has elected to apply accounting for business combinations prospectively from transition date i.e., 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward.

The Company uses the acquisition method of accounting to account for business combinations. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognised amount of any NCI in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognised immediately in the OCI and accumulates the same in equity as capital reserve where there exists clear evidence of the underlying reasons for classifying the business combination as a bargain purchase else the gain is directly recognised in equity as capital reserve. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

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

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

On an acquisition-by-acquisition basis, the Company recognises any NCI in the acquiree either at fair value or at the NCI'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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## f) Property, plant and equipment

### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the consolidated statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the consolidated statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

### Depreciation

Depreciation is recognised in the consolidated statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. 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:

Particulars	Years
Buildings	
- Factory and administrative buildings	20 to 50
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalised as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognised as expense as incurred. The capitalised costs are amortised over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed as such under other non-current assets. Assets not ready for use are not depreciated but are tested for impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## g) Goodwill and other intangible assets

### Recognition and measurement

Goodwill	<p>Goodwill represents the excess of consideration transferred, together with the amount of NCI in the acquiree, over the fair value of the Company's share of identifiable net assets acquired.</p> <p>Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.</p>
Other intangible assets	<p>Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.</p>
Research and development	<p>Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognised in the consolidated statement of profit and loss when incurred.</p> <p>Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalised only if:</p> <ul style="list-style-type: none"> <li>• development costs can be measured reliably;</li> <li>• the product or process is technically and commercially feasible;</li> <li>• future economic benefits are probable; and</li> <li>• the Company intends to, and has sufficient resources to complete development and to use or sell the asset.</li> </ul> <p>The expenditures to be capitalised include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognised in the consolidated statement of profit and loss as incurred. As of 31 March 2019, none of the development expenditure amounts has met the aforesaid recognition criteria.</p>
Separate acquisition of intangible assets	<p>Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised. The Company's criteria for capitalisation of such assets are consistent with the guidance given in paragraph 25 of Indian Accounting Standard 38 ("Ind AS 38") (i.e., the receipt of economic benefits embodied in each intangible asset separately purchased or licensed in the transaction is considered to be probable).</p>
In-Process Research and Development assets ("IPR&D") or Intangible assets under development	<p>Acquired research and development intangible assets that are under development are recognised as In-Process Research and Development assets ("IPR&amp;D") or Intangible assets under development. IPR&amp;D assets are not amortised, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&amp;D assets is recorded in the consolidated statement of profit and loss.</p>

### Subsequent expenditure

Other intangible assets	<p>Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, is recognised in the consolidated statement of profit and loss as incurred.</p>
In-Process Research and Development assets ("IPR&D") or Intangible assets under development	<p>Subsequent expenditure on an IPR&amp;D project acquired separately or in a business combination and recognised as an intangible asset is:</p> <ul style="list-style-type: none"> <li>• recognised as an expense when incurred, if it is a research expenditure;</li> <li>• recognised as an expense when incurred, if it is a development expenditure that does not satisfy the criteria for recognition as an intangible asset in paragraph 57 of Ind AS 38; and</li> <li>• added to the carrying amount of the acquired in-process research or development project, if it is a development expenditure that satisfies the recognition criteria in paragraph 57 of Ind AS 38.</li> </ul>

### Amortisation

Amortisation is recognised in the consolidated statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets that are not available for use are amortised from the date they are available for use.

The estimated useful lives are as follows:

Particulars	Years
Product related intangibles	3 to 15
Customer related intangibles	1 to 11
Other intangibles	3 to 15

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill, intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the consolidated statement of profit and loss.

## De-recognition of intangible assets

Intangible assets are de-recognised either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the consolidated statement of profit and loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as at the date of de-recognition.

## h) Leases

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

### Finance leases

A finance lease is recognised as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalised and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding lease liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Operating leases

Other leases are operating leases, and the leased assets are not recognised on the Company's consolidated balance sheet. Payments made under operating leases are recognised in the consolidated statement of profit and loss on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognised as a reduction of rental expense on a straight line basis over the lease term.

## i) Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

## j) Impairment

### Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at 31 March.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised in the consolidated statement of profit and loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognised in the consolidated statement of profit and loss, and reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

## k) Employee benefits

### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Defined contribution plans

The Company's contributions to defined contribution plans are charged to the consolidated statement of profit and loss as and when the services are received from the employees.

### Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market interest rates on government bonds are used. The current service cost of the defined benefit plan, recognised in the consolidated statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised immediately in the consolidated statement of profit and loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in OCI in the period in which they arise.

When the benefits under a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the consolidated statement of profit and loss. The Company recognises gains or losses on the settlement of a defined benefit plan obligation when the settlement occurs.

### Termination benefits

Termination benefits are recognised as an expense in the consolidated statement of profit and loss when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense in the consolidated statement of profit and loss if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### Other long-term employee benefits

The Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognised in the consolidated statement of profit and loss in the period in which they arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## Compensated absences

The Company's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Company measures the expected cost of accumulating compensated absences as the additional amount that the Company incurs as a result of the unused entitlement that has accumulated at the reporting date. Such measurement is based on actuarial valuation as at the reporting date carried out by a qualified actuary.

## Equity settled share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense in the consolidated statement of profit and loss, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and performance conditions at the vesting date. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognised in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

## Cash settled share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognised as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment.

The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognised in the consolidated statement of profit and loss.

## l) Provisions

A provision is recognised in the consolidated statement of profit and loss if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### Restructuring

A provision for restructuring is recognised in the consolidated statement of profit and loss when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

### Onerous contracts

A provision for onerous contracts is recognised in the consolidated statement of profit and loss when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

### Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised in the consolidated statement of profit and loss only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

### Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the consolidated financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## m) Revenue

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods.

Accounting policies relating to revenue for the periods after 31 March 2018 are as follows:

### Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method.

Presented below are the points of recognition of revenue with respect to the Company's sale of goods:

Particulars	Point of recognition of revenue
Sales of generic products in India	Upon delivery of products to distributors by clearing and forwarding agents of the Company. Control over the generic products is transferred by the Company when the goods are delivered to distributors from clearing and forwarding agents.
Sales of active pharmaceutical ingredients and intermediates in India	Upon delivery of products to customers (generally formulation manufacturers), from the factories of the Company.
Export sales and other sales outside of India	Upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

### Profit share revenues

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base purchase price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

### Out licensing arrangements, milestone payments and royalties

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue upon delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognised over the period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognised as revenues either on achievement of such milestones, over the performance period depending on the terms of the contract. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Royalty income earned through a license is recognised when the underlying sales have occurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 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 refund liability concurrent with the recognition of revenue at the time of a product sale. This liability is based on the Company's estimate of expected sales returns. The Company deals in various products and operates in various markets. Accordingly, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors. At the time of recognising the refund liability, the Company also recognises an asset, (i.e., the right to the returned goods) which is included in inventories for the products expected to be returned. The Company initially measures this asset at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

Along with re-measuring the refund liability at the end of each reporting period, the Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

## Services

Revenue from services rendered, which primarily relate to contract research, is recognised in the consolidated statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

## License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Accounting policies relating to revenue for periods ending on or prior to 31 March 2018 are as follows:

### Sale of goods

Revenue is recognised 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 relevant taxes 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 recognised 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 recognised upon 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 recognised when the significant risks and rewards of ownership of products are transferred to the customers. Such transfer 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 recognised once all such activities are completed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 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 recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised 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 recognised 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 authorises the issuance of its 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 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 recognised over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognised 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 and 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 concurrently 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 recognised in the consolidated statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

## Export entitlements

Export entitlements from government authorities are recognised in the consolidated statement of profit and loss as a reduction from "Cost of material consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## License fee

The Company from time to time enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

## Shipping and handling costs

Shipping and handling costs incurred to transport products to customers, and internal transfer costs incurred to transport the products from the Company's factories to its various points of sale, are included in selling and other expenses.

## n) Other income and finance cost

Other income consists of interest income on funds invested, dividend income and gains on the disposal of assets. Interest income is recognised in the consolidated statement of profit and loss as it accrues, using the effective interest method. Dividend income is recognised in the consolidated statement of profit and loss on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the consolidated statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognised in the consolidated statement of profit and loss using the effective interest method. The associated cash flows are classified as financing activities in the consolidated statement of cash flows.

Foreign currency gains and losses are reported on a net basis within other income and / or selling and other expenses. These primarily include: exchange differences arising on the settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

## o) Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the consolidated statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealised inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognised using the tax rate of the jurisdiction in which such inventories are held. Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 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 recognises government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to income are deducted in reporting the related expense in the consolidated statement of profit and loss.

Export entitlements from government authorities are recognised in the consolidated statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

## r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief executive officer of the Company is responsible for allocating resources and assessing performance of the operating segments and accordingly is identified as the chief operating decision maker.

## s) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the securities premium.

## t) Recent accounting pronouncements

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

### Ind AS 116, *Leases*

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, *Leases* as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, *Leases* with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the consolidated statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The undiscounted and non-cancellable operating lease commitments of ₹ 1,291 and ₹ 1,929 as at 31 March 2019 and 31 March 2018, respectively, as disclosed in note 2.30 to these consolidated financial statements, provide an indicator of the impact of implementation of Ind AS 116 on the consolidated financial statements of the Company. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its consolidated financial statements.

### Appendix C, *Uncertainty over Income Tax Treatments*, to Ind AS 12, *Income Taxes*

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, *Income taxes* by including Appendix C, *Uncertainty over Income Tax Treatments*. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The amendment is effective for annual reporting periods beginning on or after 1 April 2019. An entity can, on initial application, elect to apply this amendment either:

- retrospectively applying Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, if possible without the use of hindsight; or
- retrospectively, with the cumulative effect of initially applying the interpretation recognised 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 believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its consolidated financial statements.

## u) Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest million currency units unless otherwise stated.

## 1.4 Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### a) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

### b) Intangible assets

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method. Under this method, value is estimated as the present value of the benefits anticipated from ownership of the intangible assets in excess of the returns required or the investment in the contributory assets necessary to realise those benefits.

### c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

### d) Investments in equity and debt securities and units of mutual funds

The fair value of marketable equity and debt securities is determined by reference to their quoted market price at the reporting date. For debt securities where quoted market prices are not available, fair value is determined using pricing techniques such as discounted cash flow analysis.

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

### e) Derivatives

The fair value of foreign exchange forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of foreign currency option and swap contracts and interest rate swap contracts is determined based on the appropriate valuation techniques, considering the terms of the contract.

### f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## g) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

## NOTE 2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Property, plant and equipment

Particulars	Land	Buildings		Plant and machinery		Furniture, fixtures and office equipment		Vehicles		Total
		Owned	Leasehold	Owned	Leasehold	Owned	Leasehold	Owned	Leasehold	
<b>Gross carrying value</b>										
Balance as at 1 April 2017	3,948	20,263	835	61,742	16	5,065	1	390	345	92,605
Additions	324	1,031	-	5,457	-	508	-	293	-	7,613
Disposals	(7)	(40)	-	(1,063)	-	(154)	-	(4)	(256)	(1,524)
Effect of changes in foreign exchange rates	35	33	114	374	-	35	-	1	-	592
<b>Balance as at 31 March 2018</b>	<b>4,300</b>	<b>21,287</b>	<b>949</b>	<b>66,510</b>	<b>16</b>	<b>5,454</b>	<b>1</b>	<b>680</b>	<b>89</b>	<b>99,286</b>
Balance as at 1 April 2018	4,300	21,287	949	66,510	16	5,454	1	680	89	99,286
Additions	3	1,476	-	6,002	-	707	-	122	3	8,313
Disposals <sup>(1)(2)</sup>	(75)	(797)	-	(2,260)	-	(427)	(1)	(25)	(60)	(3,645)
Effect of changes in foreign exchange rates	1	187	(97)	160	(1)	4	-	-	-	254
<b>Balance as at 31 March 2019</b>	<b>4,229</b>	<b>22,153</b>	<b>852</b>	<b>70,412</b>	<b>15</b>	<b>5,738</b>	<b>-</b>	<b>777</b>	<b>32</b>	<b>104,208</b>
<b>Accumulated Depreciation</b>										
Balance as at 1 April 2017	39	4,984	264	32,839	16	3,805	1	217	159	42,324
Depreciation for the year	-	923	45	6,445	-	573	-	88	176	8,250
Disposals	-	(30)	-	(992)	-	(86)	-	(4)	(255)	(1,367)
Effect of changes in foreign exchange rates	-	21	50	243	-	31	-	1	-	346
<b>Balance as at 31 March 2018</b>	<b>39</b>	<b>5,898</b>	<b>359</b>	<b>38,535</b>	<b>16</b>	<b>4,323</b>	<b>1</b>	<b>302</b>	<b>80</b>	<b>49,553</b>
Balance as at 1 April 2018	39	5,898	359	38,535	16	4,323	1	302	80	49,553
Depreciation for the year	-	989	57	6,481	-	615	-	163	7	8,312
Disposals <sup>(1)(2)</sup>	(39)	(537)	-	(1,870)	-	(320)	(1)	(29)	(59)	(2,855)
Effect of changes in foreign exchange rates	-	36	(16)	49	(1)	3	-	-	-	71
<b>Balance as at 31 March 2019</b>	<b>-</b>	<b>6,386</b>	<b>400</b>	<b>43,195</b>	<b>15</b>	<b>4,621</b>	<b>-</b>	<b>436</b>	<b>28</b>	<b>55,081</b>
<b>Net carrying value</b>										
As at 31 March 2018	4,261	15,389	590	27,975	-	1,131	-	378	9	49,733
<b>As at 31 March 2019</b>	<b>4,229</b>	<b>15,767</b>	<b>452</b>	<b>27,217</b>	<b>-</b>	<b>1,117</b>	<b>-</b>	<b>341</b>	<b>4</b>	<b>49,127</b>

<sup>(1)</sup> During the year ended 31 March 2019, the Company sold its subsidiary Dr. Reddy's Laboratories Tennessee, LLC and certain related assets to Neopharma Inc., resulting in the disposition of the Company's formulations manufacturing facility and related assets in Bristol, Tennessee. The aforesaid transaction pertains to the Company's Global Generics segment. An amount of ₹ 106 (including reclassification of cumulative amount of foreign exchange gain relating to the foreign operation from FCTR to consolidated statement of profit and loss of ₹ 79) representing the profit on sale of membership interest in Dr. Reddy's Laboratories Tennessee, LLC was included under the heading "other income".

<sup>(2)</sup> During the year ended 31 March 2019, the Company sold one of its API manufacturing business units located in Jeedimetla, Hyderabad to Therapiva Private Limited. This sale was done by way of slump sale basis (as defined under section 2(42C) of Indian Income Tax Act, 1961) including all related property, plant and equipment, current assets, current liabilities, and transfer of employees. An amount of ₹ 423 representing the profit on the sale of such business unit was included under the heading "other income".

As of 31 March 2019 and 31 March 2018, the Company was committed to spend ₹ 2,495 and ₹ 3,788, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchase commitments.

During the years ended 31 March 2019 and 31 March 2018, the Company capitalised interest cost of ₹ 74 and ₹ 71, respectively, with respect to qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2019 and 31 March 2018 was approximately 3.21% and 2.76% respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.2 Goodwill

Goodwill arising upon business combinations is not amortised but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired. Gross carrying value and accumulated amortisation with respect to goodwill represent Indian GAAP balances, that have been carried forward as such, relating to business combination entered before the transition date i.e., 1 April 2015.

Particulars	As at 31 March 2019	As at 31 March 2018
Gross carrying value		
Opening balance	37,479	33,000
Additions	-	-
Disposals	-	-
Effect of changes in foreign exchange rates	(2,322)	4,479
Closing balance	35,157	37,479
Accumulated amortisation		
Opening balance	32,148	28,237
Disposals	-	-
Effect of changes in foreign exchange rates	(1,650)	3,911
Closing balance	30,498	32,148
Net carrying value	4,659	5,331

For the purpose of impairment testing, goodwill is allocated to a cash generating unit, representing the lowest level within the Company at which goodwill is monitored for internal management purposes and which is not higher than the Company's operating segment.

The carrying amount of goodwill (other than those arising upon investment in a joint venture) was allocated to the cash generating units as follows:

Particulars	As at 31 March 2019
PSAI-Active Pharmaceutical Operations	153
Global Generics-Complex Injectables	1,747
Global Generics-North America Operations	303
Global Generics-Germany Operations	2,071
Global Generics-Branded Formulations	375
Others	10
	4,659

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:

- Estimated cash flows for five years, based on management's projections.
- 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.
- The after tax discount rates used are based on the Company's weighted average cost of capital.
- The after tax discount rates used range from 6.97% to 13.74% for various cash generating units. The pre-tax discount rates range from 7.56% to 16.63%.

The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.3 Other intangible assets

Particulars	Product related intangibles	Customer related intangibles	Others	Total
<b>Gross carrying value</b>				
Balance as at 1 April 2017	32,223	267	1,229	33,719
Additions	2,748	-	113	2,861
Disposals/De-recognitions	-	-	-	-
Effect of changes in foreign exchange rates	1,018	-	-	1,018
<b>Balance as at 31 March 2018</b>	<b>35,989</b>	<b>267</b>	<b>1,342</b>	<b>37,598</b>
Balance as at 1 April 2018	35,989	267	1,342	37,598
Additions	5,816	-	602	6,418
Disposals/De-recognitions <sup>(1)</sup>	(3,219)	(267)	-	(3,486)
Effect of changes in foreign exchange rates	588	-	1	589
<b>Balance as at 31 March 2019</b>	<b>39,174</b>	<b>-</b>	<b>1,945</b>	<b>41,119</b>
<b>Amortisation/impairment loss</b>				
Balance as at 1 April 2017	18,649	267	540	19,456
Amortisation for the year	2,309	-	213	2,522
Impairment loss <sup>(2)</sup>	53	-	-	53
Disposals/De-recognitions	-	-	-	-
Effect of changes in foreign exchange rates	951	-	-	951
<b>Balance as at 31 March 2018</b>	<b>21,962</b>	<b>267</b>	<b>753</b>	<b>22,982</b>
Balance as at 1 April 2018	21,962	267	753	22,982
Amortisation for the year	2,689	-	347	3,036
Disposals/De-recognitions <sup>(1)</sup>	(2,815)	(267)	-	(3,082)
Impairment loss <sup>(2)</sup>	116	-	-	116
Effect of changes in foreign exchange rates	(58)	-	1	(57)
<b>Balance as at 31 March 2019</b>	<b>21,894</b>	<b>-</b>	<b>1,101</b>	<b>22,995</b>
<b>Net carrying value</b>				
As at 31 March 2018	14,027	-	589	14,616
<b>As at 31 March 2019</b>	<b>17,280</b>	<b>-</b>	<b>844</b>	<b>18,124</b>

<sup>(1)</sup> Gain on disposal of assets for the year ended 31 March 2019 includes an amount of ₹ 682 representing the profit on sale of intangible assets forming part of the Company's Proprietary Products segment.

<sup>(2)</sup> As a result of the Company's decision to discontinue a few products pertaining to its Global Generics segment, product related intangibles of ₹ 116 and ₹ 53, were recorded as impairment loss for the years ended 31 March 2019 and 31 March 2018 respectively, under "selling and other expenses" in the consolidated statement of profit and loss.

### Details of significant intangible assets as at 31 March 2019:

Particulars	Acquired from	Carrying Cost
ANDAs	Teva and an affiliate of Allergan	24,489
Select portfolio of dermatology, respiratory and pediatric assets	UCB India Private Limited and affiliates	5,578
Intellectual property rights relating to PPC-06	Xenoport, Inc	3,527
Habitrol® brand	Novartis Consumer Health Inc.	2,421
Commercialisation rights for an anti-cancer biologic agent	Eisai Company Limited	1,620
Intellectual property rights relating to Xeglyze™ lotion	Hatchtech Pty Limited	1,072
OTC product brands	Ducere Pharma LLC	798
Intellectual property rights relating to fondaparinux sodium	Alchemia Limited	187
ANDAs	Gland Pharma Limited	332

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.4 Intangible assets under development

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Balance at the beginning of the year	27,027	27,150
Add: Additions during the year	1,171	523
Less: Capitalisations during the year <sup>(1)</sup>	(5,445)	(778)
Effect of changes in exchange rates	1,857	132
<b>Balance at end of the year</b>	<b>24,610</b>	<b>27,027</b>

<sup>(1)</sup> During the year ended 31 March 2019, the products buprenorphine and naloxone sublingual film and tobramycin were available for use and are subject to amortisation. Accordingly, the Company reclassified the amount from intangible assets under development to product related intangibles.

During the years ended 31 March 2019 and 31 March 2018, the Company capitalised interest cost of ₹ 655 and ₹ 458, respectively, with respect to certain qualifying assets. The rate for capitalisation of interest cost for the years ended 31 March 2019 and 31 March 2018 ranged from 1.98% to 4.12% and from 0.81% to 2.76%, respectively.

## 2.5 Investment in equity accounted investees

Particulars	As at 31 March 2019	As at 31 March 2018
Investment in unquoted equity shares		
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Company Limited, China <sup>(1)</sup>	2,464	2,029
8,580,000 (31 March 2018: 8,580,000) equity shares of ₹ 10/- each of DRES Energy Private Limited, India	65	76
	<b>2,529</b>	<b>2,105</b>

<sup>(1)</sup> Shares held in Kunshan Rotam Reddy Pharmaceutical Company Limited, China are not denominated in number of shares as per the laws of the country.

### Details of the Company's investment in Kunshan Rotam Reddy Pharmaceuticals Company Limited :

Kunshan Rotam Reddy Pharmaceuticals Company Limited ("Reddy Kunshan") is engaged in manufacturing and marketing of finished dosages in China. The Company's interest in Reddy Kunshan was 51.3% as of 31 March 2019 and 31 March 2018. Four directors of the Company are on the board of Reddy Kunshan, which consists of eight directors. Under the terms of the joint venture agreement, all major decisions with respect to operating activities, significant financing and other activities are taken by the approval of at least five of the eight directors of Reddy Kunshan's board. As the Company does not control Reddy Kunshan's board and the other partners have significant participation rights, the Company's interest in Reddy Kunshan has been accounted for under the equity method of accounting under Ind AS 111.

Summary financial information of Reddy Kunshan, as translated into the reporting currency of the Company and not adjusted for the percentage ownership held by the Company, is as follows:

Particulars	As at/ For the year ended 31 March 2019	As at/ For the year ended 31 March 2018
Ownership	51.3%	51.3%
Total current assets	6,195	4,933
Total non-current assets	374	347
<b>Total assets</b>	<b>6,569</b>	<b>5,280</b>
Equity	4,448	3,600
Total current liabilities	2,121	1,680
<b>Total equity and liabilities</b>	<b>6,569</b>	<b>5,280</b>
Revenues	7,436	5,482
Expenses	6,558	4,792
<b>Profit for the year</b>	<b>878</b>	<b>690</b>
Company's share of profits for the year	449	354
Carrying value of the Company's investment	2,464	2,029
Translation adjustment arising out of translation of foreign currency balances	241	255

### Details of the Company's investment in DRES Energy Private Limited :

Particulars	As at/ For the year ended 31 March 2019	As at/ For the year ended 31 March 2018
Carrying value of the Company's investment	65	76
Company's share of loss for the year	(11)	(10)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.6 Financial assets

### 2.6 A Investments

Investments consist of investments in units of mutual funds, equity securities, bonds, commercial paper, and term deposits with banks (i.e., certificates of deposit having an original maturity period exceeding 3 months).

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Investments at FVTOCI</b>		
Quoted equity shares ( <i>fully paid up</i> )		
5,465,693 (31 March 2018: 27,328,464) equity shares of US\$ 0.05/- each (31 March 2018: US\$ 0.01/- each) of Curis, Inc. (Refer note 2.31)	753	1,164
120,000 (31 March 2018: 120,000) equity shares of ₹ 1/- each of State Bank of India	38	30
<b>Total investments at FVTOCI (A)</b>	<b>791</b>	<b>1,194</b>
<b>Investments at FVTPL</b>		
I. Investment in unquoted equity shares		
8,859 (31 March 2018: 8,859) equity shares of ₹ 100/- each of Jeedimetla Effluent Treatment Limited, India	1	1
Ordinary shares of Biomed Russia Limited, Russia <sup>(1)</sup>	-	-
200,000 (31 March 2018: 200,000) equity shares of ₹ 10/- each of Aitek Engineering Limited, India	-	-
24,000 (31 March 2018: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	-	-
20,250 (31 March 2018: 20,250) equity shares of ₹ 10/- each of Shivalik Solid Waste Management Limited, India <sup>(2)</sup>	-	-
	<b>1</b>	<b>1</b>
II. Investment in unquoted mutual funds	16,240	14,778
<b>Total investments at FVTPL (I+II) (B)</b>	<b>16,241</b>	<b>14,779</b>
<b>Investments carried at amortised cost</b>		
I. Investment in term deposit with banks (original maturity more than 3 months)	558	41
II. Investment in bonds	5,272	4,633
III. Investment in commercial paper	459	232
IV. Others	21	-
<b>Total investments carried at amortised cost (C)</b>	<b>6,310</b>	<b>4,906</b>
<b>Total investments (A+B+C)</b>	<b>23,342</b>	<b>20,879</b>
Current	22,529	18,330
Non-current	813	2,549
	<b>23,342</b>	<b>20,879</b>
Aggregate carrying value of quoted investments	791	1,194
Aggregate market value of quoted investments	791	1,194
Aggregate carrying value of unquoted investments	22,551	19,685
Aggregate amount of impairment in value of investment in unquoted equity shares	-	-

<sup>(1)</sup> Shares held in Biomed Russia Limited, Russia are not denominated in number of shares as per the laws of the country.

<sup>(2)</sup> Rounded off to millions.

### 2.6 B Trade receivables

Particulars	As at 31 March 2019	As at 31 March 2018
Considered good, unsecured	40,136	40,696
Credit impaired	1,018	1,041
	<b>41,154</b>	<b>41,737</b>
Less: Allowance for credit losses	(1,172)	(1,041)
	<b>39,982</b>	<b>40,696</b>
Current	39,869	40,527
Non-current <sup>(1)</sup>	113	169
	<b>39,982</b>	<b>40,696</b>

<sup>(1)</sup> Represents amounts receivable pursuant to an out-licensing arrangement with a customer. As these amounts are not expected to be realised within twelve months from the end of the reporting date, they are disclosed as non-current.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.6 B Trade receivables (continued)

During the year ended 31 March 2019, the Company entered into an arrangement with a bank for sale of trade receivables. Under the arrangement, the Company sold to the Bank certain of its trade receivables forming part of its Global Generics segment, on a non-recourse basis. The receivables sold were mutually agreed with the Bank after considering the credit worthiness of the customers and also other contractual terms with the customer including any gross to net adjustments due to rebates, discounts etc. from the contracted amounts, such that the receivables sold are generally lower than the net amount receivables from trade receivables. The Company has transferred substantially all the risks and rewards of ownership of such receivables sold to the Bank and accordingly, the same are derecognised in the consolidated balance sheet. As on 31 March 2019, the amount of trade receivables de-recognised pursuant to the aforesaid arrangement was ₹ 7,592 (US\$ 110 million).

In accordance with Ind AS 109, the Company uses the expected credit loss ("ECL") model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers. The details of changes in allowance for credit losses during the year ended 31 March 2019 and 31 March 2018 are as follows:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Balance at the beginning of the year	1,041	935
Provision made during the year, net of reversals	371	169
Trade receivables written off during the year and effect of changes in the foreign exchange rates	(240)	(63)
<b>Balance at the end of the year</b>	<b>1,172</b>	<b>1,041</b>

## 2.6 C Other financial assets

Particulars	As at 31 March 2019	As at 31 March 2018
<b>I. Non-current assets</b>		
<i>Considered good, unsecured</i>		
Security deposits	562	664
Other assets	169	92
	<b>731</b>	<b>756</b>
<b>II. Current assets</b>		
<i>Considered good, unsecured</i>		
Claims receivable	102	362
Other assets <sup>(1)</sup>	2,010	1,171
	<b>2,112</b>	<b>1,533</b>

<sup>(1)</sup> Others primarily includes security deposits, interest accrued but not due on investments and other advances.

## 2.6 D Cash and cash equivalents

Particulars	As at 31 March 2019	As at 31 March 2018
Balances with banks		
In current accounts	1,958	1,375
In EEFC accounts	33	7
In term deposit with banks (original maturities less than 3 months)	111	1,168
Cash on hand	2	2
Other bank balances		
In unclaimed dividend accounts	84	56
In unclaimed fractional share pay order accounts	1	1
In unclaimed debentures and debenture interest account	27	15
LC and Bank guarantee margin money	12	14
<b>Cash and cash equivalents in the consolidated balance sheet</b>	<b>2,228</b>	<b>2,638</b>
Less: Bank overdraft used for cash management purposes (Refer note 2.10 B)	-	(96)
<b>Cash and cash equivalents in the consolidated statement of cash flow (including restricted cash)</b>	<b>2,228</b>	<b>2,542</b>
Restricted cash balances included above		
Balance in unclaimed dividend and debenture interest account	112	72
Other restricted cash balances	12	14

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.7 Other assets

Particulars	As at 31 March 2019	As at 31 March 2018
<b>A. Non-current assets</b>		
<i>Considered good, unsecured</i>		
Capital advances	192	248
Others	215	276
	<b>407</b>	<b>524</b>
<b>B. Current assets</b>		
<i>Considered good, unsecured</i>		
Balances and receivables from statutory authorities <sup>(1)</sup>	4,398	6,741
Export benefits receivable <sup>(2)</sup>	2,363	2,842
Prepaid expenses	951	761
Others <sup>(3)</sup>	2,712	2,418
<i>Considered doubtful, unsecured</i>		
Other advances	104	86
	<b>10,528</b>	<b>12,848</b>
Less: Allowance for doubtful advances	(104)	(86)
	<b>10,424</b>	<b>12,762</b>

<sup>(1)</sup> Balances and receivables from statutory authorities primarily consist of amounts receivable from the goods and service tax ("GST"), excise duty, value added tax and customs authorities of India and the unutilised GST input tax credits, excise duty, service tax and value added tax input credits (subsumed under GST input tax credits effective as of 1 July 2017) on purchases. These are regularly utilised to offset the GST liability (or, prior to 1 July 2017, liability for excise duty, value added tax, etc.) on goods produced by and services provided by the Company. Accordingly, these balances have been classified as current assets.

<sup>(2)</sup> Export benefits receivables primarily consist of amounts receivable from various government authorities of India towards incentives on export sales made by the Company.

<sup>(3)</sup> Others primarily includes advances given to vendors, employees and other advances.

## 2.8 Inventories

Particulars	As at 31 March 2019	As at 31 March 2018
Raw materials (includes in transit ₹ 43; 31 March 2018: ₹ 18)	8,920	7,279
Work-in-progress	7,201	7,190
Finished goods	7,127	6,875
Stock-in-trade	7,842	5,351
Packing material, stores and spares	2,489	2,394
	<b>33,579</b>	<b>29,089</b>

During the year ended 31 March 2019, the Company recorded inventory write-down of ₹ 4,016 (31 March 2018 : ₹ 2,946) in the consolidated statement of profit and loss.

## 2.9 Share capital

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Authorised share capital</b>		
240,000,000 equity shares of ₹ 5/- each (31 March 2018: 240,000,000)	1,200	1,200
<b>Issued equity capital</b>		
166,066,148 equity shares of ₹ 5/- each fully paid-up (31 March 2018: 165,911,107)	830	830
<b>Subscribed and fully paid-up</b>		
166,066,148 equity shares of ₹ 5/- each fully paid-up (31 March 2018: 165,910,907)	830	830
Add: Forfeited share capital (e)	-	-
	<b>830</b>	<b>830</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.9 Share capital (continued)

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

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares/share capital	165,910,907	830	165,741,713	829
Add: Equity shares issued pursuant to employee stock option plan <sup>(1)</sup>	155,041	-*	169,194	1
<b>Closing number of equity shares/share capital</b>	<b>166,065,948</b>	<b>830</b>	<b>165,910,907</b>	<b>830</b>
Treasury shares <sup>(2)</sup>	217,976	535	-	-

\* Rounded off to millions.

(1) During the years ended 31 March 2019 and 31 March 2018, equity shares were issued as a result of the exercise of vested options granted to employees pursuant to the Dr. Reddy's Employees Stock Option Plan, 2002 and Dr. Reddy's Employees Stock Option Plan, 2007. All of the options exercised had an exercise price of ₹ 5, being equal to the par value of the underlying shares. Upon the exercise of such options, the amount of compensation cost (computed using the grant date fair value) previously recognised in the "share-based payment reserve" was transferred to "securities premium" in the consolidated statement of changes in equity.

(2) Pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2018, the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") was formed to support the Dr. Reddy's Employees Stock Option Scheme, 2018 by acquiring, including through secondary market acquisitions, equity shares which are used for issuance to eligible employees upon exercise of stock options thereunder. As at 31 March 2019, the ESOS Trust purchased 217,976 shares from secondary market for an aggregate consideration of ₹ 535. Refer note 2.28 of these financial statements for further details on the Dr. Reddy's Employees Stock Option Scheme, 2018.

### b) Terms/rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company as on the record date set for the shareholders meeting, shall have one vote in respect of each share held. Should the Company declare and pay any dividends, such dividends will be paid in Indian rupees to each holder of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. Indian law on foreign exchange governs the remittance of dividends outside India. 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 details of dividends paid by the Company are as follows:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Dividend per share (in absolute ₹)	20	20
Dividend distribution tax on the dividend paid	682	675
Dividend paid during the year	3,320	3,317

At the Company's Board of Directors' meeting held on 17 May 2019, the Board proposed a dividend of ₹ 20 per share and aggregating to ₹ 3,321, which is subject to the approval of the Company's shareholders. Upon such approval, there will be an additional cash outflow of ₹ 683 for payment of dividend distribution tax thereon.

### c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
Dr. Reddy's Holdings Limited	41,325,300	24.88	41,083,500	24.76
First State Investments Management (UK) Limited, Commonwealth Bank of Australia, Stewart Investors and their associates*	11,838,598	7.13	10,726,942	6.47

\* Does not include ADR holding.

d) 270,141 (31 March 2018: 320,544) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Plan, 2002", 261,215 (31 March 2018: 107,308) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees ADR Stock Option Plan, 2007" and 229,600 (31 March 2018: Nil) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Scheme, 2018" (Refer note 2.28).

e) Represents 200 equity shares of ₹ 5/- each, amount paid-up ₹ 500/- (rounded off to millions in the note above) forfeited due to non-payment of allotment money.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.9 Share capital (continued)

f) During the year ended 31 March 2017, the Company bought-back and extinguished 5,077,504 equity shares under the buy-back of equity shares plan approved by the shareholders on 1 April 2016

Aggregate number of shares bought back during the period of five years immediately preceding the reporting date:

Particulars	Year ended 31 March				
	2019	2018	2017	2016	2015
Ordinary shares of ₹ 5 each	-	-	5,077,504	-	-

## 2.10 Financial Liabilities

### 2.10 A Non-current borrowings

Particulars	As at 31 March 2019	As at 31 March 2018
<i>Unsecured</i>		
Long-term loans from banks	21,448	24,459
<i>Secured</i>		
Long-term maturities of obligations under finance leases	552	630
	<b>22,000</b>	<b>25,089</b>

### 2.10 B Current borrowings

Particulars	As at 31 March 2019	As at 31 March 2018
<i>From Banks</i>		
<i>Unsecured</i>		
Pre-shipment credit	5,463	21,008
Other foreign currency borrowings	6,662	4,458
Bank overdraft	-	96
	<b>12,125</b>	<b>25,562</b>

a) Summary of non-current borrowings is as follows:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Non-Current	Current	Non-Current	Current
Foreign currency borrowing by the parent company	3,454	1,729	4,880	-
Foreign currency borrowing by the Swiss Subsidiary <sup>(1)</sup>	15,819	1,383	16,185	-
Foreign currency borrowing by the German Subsidiary <sup>(2)</sup>	2,175	1,087	3,394	-
Obligations under finance leases	552	57	630	63
	<b>22,000</b>	<b>4,256</b>	<b>25,089</b>	<b>63</b>

<sup>(1)</sup> Swiss subsidiary refers to Dr. Reddy's Laboratories, SA

<sup>(2)</sup> German subsidiary refers to Reddy Holding GMBH

All the foregoing loan agreements impose various financial covenants on the Company. As of 31 March 2019, the Company was in compliance with all such financial covenants.

b) The interest rate profiles of long-term borrowings (other than obligations under finance leases) as at 31 March 2019 and 31 March 2018 were as follows:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Currency <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Currency <sup>(1)</sup>	Interest Rate <sup>(2)</sup>
Foreign currency borrowings	US\$	1 Month LIBOR + 70 to 105 bps	US\$	1 Month LIBOR + 45 to 82.7 bps
	EUR	0.81%	EUR	0.81%

<sup>(1)</sup> "US\$" means United States dollars and "EUR" means Euros.

<sup>(2)</sup> "LIBOR" means the London Inter-bank Offered Rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.10 A & B Borrowings (continued)

c) The aggregate maturities of long-term loans and borrowings, based on contractual maturities, as of 31 March 2018 and 31 March 2019 were as follows:

Particulars	As at 31 March 2019		
	Foreign currency loan	Obligations under finance leases	Total
<b>Maturing in the year ending 31 March<sup>(1)</sup></b>			
2020	4,199	57	4,256
2021	6,621	65	6,686
2022	1,087	66	1,153
2023	13,831	70	13,901
2024	-	63	63
Thereafter	-	288	288
	<b>25,738</b>	<b>609</b>	<b>26,347</b>

<sup>(1)</sup> Long-term debt obligations disclosed in the above table do not reflect any netting of transaction costs amounting to ₹ 91.

Particulars	As at 31 March 2018		
	Foreign currency loan	Obligations under finance leases	Total
<b>Maturing in the year ending 31 March<sup>(1)</sup></b>			
2019	-	63	63
2020	4,064	59	4,123
2021	6,346	61	6,407
2022	1,131	66	1,197
2023	13,035	71	13,106
Thereafter	-	373	373
	<b>24,576</b>	<b>693</b>	<b>25,269</b>

<sup>(1)</sup> Long-term debt obligations disclosed in the above table do not reflect any netting of transaction costs amounting to ₹ 117.

d) The Company has leased buildings and vehicles under finance leases. Future minimum lease payments under finance leases as at 31 March 2019 were as follows:

Particulars	Present value of minimum lease payments	Interest	Future minimum lease payments
Not later than one year	60	49	109
Between one and five years	264	127	391
More than five years	285	38	323
	<b>609</b>	<b>214</b>	<b>823</b>

Future minimum lease payments under finance leases as at 31 March 2018 were as follows:

Particulars	Present value of minimum lease payments	Interest	Future minimum lease payments
Not later than one year	63	57	120
Between one and five years	257	159	416
More than five years	373	66	439
	<b>693</b>	<b>282</b>	<b>975</b>

e) Short-term borrowings primarily consist of "pre-shipment credit" drawn by the parent company which are repayable within 6 to 12 months from the date of drawdown and other unsecured loans drawn by certain of its subsidiaries in Switzerland, the United States, Russia, Mexico, Ukraine and South Africa which are repayable in the next financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.10 A & B Borrowings (continued)

f) The interest rate profile of short-term borrowings from banks is given below:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Currency <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Currency <sup>(1)</sup>	Interest Rate <sup>(2)</sup>
Pre-shipment credit	US\$	1 Month LIBOR + 25 to 40 bps	US\$	1 Month LIBOR + (30) to 30 bps
	-	-	INR	6.00%
	-	-	RUB	6.75%
Other foreign currency borrowings	US\$	1 Month LIBOR + 65 to 95 bps	US\$	1 Month/3 Months LIBOR + 65 to 85 bps
	UAH	21.50%	UAH	18.00%
	MXN	TIEE + 1.25%	-	-
	ZAR	1 Month JIBAR + 120 Bps	-	-
	RUB	8.22%	RUB	8.20%

<sup>(1)</sup> "INR" means Indian rupees, "US\$" means United States dollars, "RUB" means Russian roubles, "MXN" means Mexican pesos, "UAH" means Ukrainian hryvnia and "ZAR" means South African rand.

<sup>(2)</sup> "LIBOR" means the London Inter-bank Offered Rate, "TIEE" means the Equilibrium Inter-banking Interest Rate (Tasa de Interés Interbancaria de Equilibrio) and "JIBAR" means the Johannesburg Interbank Average Rate.

g) The Company had uncommitted lines of credit of ₹ 47,134 and ₹ 24,046 as of 31 March 2019 and 31 March 2018, respectively, from its banks for working capital requirements. The Company has the right to draw upon these lines of credit based on its working capital requirements.

h) Reconciliation of liabilities arising from financing activities

Particulars	Non-current borrowings <sup>(1)</sup>	Current borrowings	Total
Opening balance at the beginning of the year	25,152	25,466	50,618
Borrowings made during the year	-	42,907	42,907
Borrowings repaid during the year	(56)	(58,033)	(58,089)
Effect of changes in foreign exchange rates	1,128	1,785	2,913
Others	32	-	32
<b>Closing balance at the end of the year</b>	<b>26,256</b>	<b>12,125</b>	<b>38,381</b>

<sup>(1)</sup> Does not include movement in bank overdraft and includes current portion.

## 2.10 C Other financial liabilities

Particulars	As at 31 March 2019	As at 31 March 2018
I. Other long-term liabilities	102	144
	<b>102</b>	<b>144</b>
II. Other current financial liabilities		
Current maturities of long-term debt	4,199	-
Current maturities of finance lease obligations	57	63
Due to capital creditors	882	2,723
Interest accrued but not due on loans	15	37
Accrued expenses	15,178	14,682
Trade and security deposits received	179	190
Unclaimed dividends, debentures and debenture interest <sup>(1)</sup>	111	71
Others	2,049	1,731
	<b>22,670</b>	<b>19,497</b>
Current	22,670	19,497
Non-current	102	144
	<b>22,772</b>	<b>19,641</b>

<sup>(1)</sup> Unclaimed amounts are transferred to Investor Protection and Education Fund after seven years from the due date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.10 D Trade payables

Particulars	As at 31 March 2019	As at 31 March 2018
Due to micro, small and medium enterprises	77	93
Others	13,594	13,252
	<b>13,671</b>	<b>13,345</b>

For details regarding the Company's exposure to currency and liquidity risks, see note no. 2.32 of these consolidated financial statements under "Liquidity risk".

## 2.11 Provisions

Particulars	As at 31 March 2019	As at 31 March 2018
<b>A. Non-current provisions</b>		
Provision for employee benefits (Refer note 2.27)		
Long service award benefit plan	49	49
Pension, seniority and severance indemnity plans	160	188
Compensated absences	532	527
Other provisions (a)	52	53
	<b>793</b>	<b>817</b>
<b>B. Current provisions</b>		
Provision for employee benefits (Refer note 2.27)		
Gratuity	40	67
Long service award benefit plan	14	13
Pension, seniority and severance indemnity plans	12	9
Compensated absences	557	566
Other provisions (a)		
Refund liability	3,581	3,210
Others	585	522
	<b>4,789</b>	<b>4,387</b>

a) Details of changes in other provisions during the year ended 31 March 2019 are as follows:

Particulars	Refund liability <sup>(1)</sup>	Environmental liability <sup>(2)</sup>	Legal and others <sup>(3)</sup>	Total
Balance at the beginning of the year	3,210	53	522	3,785
Provision made during the year, net of reversals	3,592	-	63	3,655
Provision used during the year	(3,324)	-	-	(3,324)
Effect of changes in foreign exchange rates	103	(1)	-	102
<b>Balance at end of the year</b>	<b>3,581</b>	<b>52</b>	<b>585</b>	<b>4,218</b>
Current	3,581	-	585	4,166
Non-current	-	52	-	52
	<b>3,581</b>	<b>52</b>	<b>585</b>	<b>4,218</b>

<sup>(1)</sup> Refund liability is accounted for by recording a provision based on the Company's estimate of expected sales returns. See note 1.3 (m) of these consolidated financial statements for the Company's accounting policy on refund liability.

<sup>(2)</sup> As a result of the acquisition of a unit of The Dow Chemical Company in April 2008, the Company assumed a liability for contamination of the Mirfield site acquired of ₹ 39 (carrying value ₹ 52). The seller is required to indemnify the Company for this liability. Accordingly, a corresponding asset has also been recorded in the consolidated balance sheet.

<sup>(3)</sup> Primarily consists of provision recorded towards the potential liability arising out of a litigation relating to cardiovascular and anti-diabetic formulations. Refer to note 2.33 of these consolidated financial statements under "Product and patent related matters - Matters relating to National Pharmaceutical Pricing Authority - Litigation relating to Cardiovascular and Anti-diabetic formulations" for further details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.12 Other liabilities

Particulars	As at 31 March 2019	As at 31 March 2018
<b>A. Non-current liabilities</b>		
Deferred revenue	2,002	2,697
Other non-current liabilities	77	92
	<b>2,079</b>	<b>2,789</b>
<b>B. Current liabilities</b>		
Salary and bonus payable	3,178	2,434
Statutory dues payable	722	915
Deferred revenue	590	622
Advance from customers	761	360
Others	218	201
	<b>5,469</b>	<b>4,532</b>

## 2.13 Revenue from contracts with customers and trade receivables

### Revenue from contracts with customers:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales <sup>(1)</sup>	148,706	138,022
Service income	2,129	1,534
License fees <sup>(2)</sup>	3,016	2,472
	<b>153,851</b>	<b>142,028</b>
Excise duty included in revenues <sup>(1)</sup>	-	173

<sup>(1)</sup> Effective 1 July 2017, Goods and Services Tax ("GST") was introduced in India replacing the excise duty and various other taxes. Following the principles of Ind AS 115, Revenue from Contracts with Customers, sales is disclosed net of GST. For periods prior to 1 July 2017, the excise duty amount was recorded as part of revenues. Accordingly, sales for the year ended 31 March 2019 are not comparable with those of the previous year presented.

<sup>(2)</sup> License fees for the year ended 31 March 2019 and 31 March 2018, primarily includes out-licensing revenue from Encore Dermatology Inc. (Refer to note 2.38 of these consolidated financial statements for further details).

### Analysis of revenues by segments:

The following table shows the analysis of revenues (excluding other operating income) by segments:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Global Generics	122,903	114,014
PSAI	24,140	21,992
Proprietary products	4,750	4,245
Others	2,058	1,777
	<b>153,851</b>	<b>142,028</b>

### Analysis of revenues within the Global Generics segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's Global Generics segment is given below:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Gastrointestinal	19,250	19,153
Oncology	18,357	16,999
Cardiovascular	15,106	16,501
Pain Management	13,806	12,898
Central Nervous System	15,909	12,509
Anti-Infective	7,073	6,557
Others	33,402	29,397
	<b>122,903</b>	<b>114,014</b>

### Analysis of revenues within the PSAI segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's PSAI segment is given below:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cardiovascular	7,019	6,191
Pain Management	3,364	3,228
Central Nervous System	2,741	2,331
Anti-Infective	1,247	1,968
Dermatology	1,622	1,606
Oncology	2,212	1,650
Others	5,935	5,018
	<b>24,140</b>	<b>21,992</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.13 Revenue from contracts with customers and trade receivables (continued)

### Analysis of revenues by geography:

The following table shows the distribution of the Company's revenues (excluding other operating income) by country, based on the location of the customers:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
India	28,804	25,209
United States	69,299	68,124
Russia	15,299	12,610
Others	40,449	36,085
	<b>153,851</b>	<b>142,028</b>

### Information about major customers:

Revenues from two customers of the Company's Global Generics segment were ₹10,639 and ₹ 10,024, representing approximately 7% each, of the Company's total revenues for the year ended 31 March 2019.

Revenues from two customers of the Company's Global Generics segment were ₹ 13,486 and ₹ 10,755, representing approximately 9% and 8%, respectively, of the Company's total revenues for the year ended 31 March 2018.

### Details of significant gross to net adjustments relating to Company's North America operations (amounts in US\$ millions):

A roll-forward for each major accrual for the Company's North America operations for the financial years ended 31 March 2018 and 31 March 2019 is as follows:

Particulars	All values in US\$ millions			
	Chargebacks	Rebates	Medicaid	Refund Liability
Balance as at 1 April 2017	191	186	13	36
Current provisions relating to sales during the year <sup>(1)</sup>	1,750	630	18	22
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,771)	(655)	(19)	(30)
<b>Balance as at 31 March 2018</b>	<b>170</b>	<b>161</b>	<b>12</b>	<b>28</b>
Balance as at 1 April 2018	170	161	12	28
Current provisions relating to sales during the year <sup>(2)</sup>	1,415	461	18	29
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,457)	(530)	(19)	(27)
<b>Balance as at 31 March 2019</b>	<b>128</b>	<b>92</b>	<b>11</b>	<b>30</b>

\* Currently, the Company does not separately track provisions and adjustments, in each case to the extent relating to prior years for chargebacks. However, the adjustments are expected to be non-material. The volumes used to calculate the closing balance of chargebacks represent approximately 1.1 months equivalent of sales, which corresponds to the pending chargeback claims yet to be processed.

\*\* Currently, the Company does not separately track the credits and payments, in each case to the extent relating to prior years for chargebacks, rebates, medicaid payments or refund liability.

<sup>(1)</sup> Chargebacks and rebates provisions for the year ended 31 March 2018 and payments for the year ended 31 March 2018 were each lower as compared to the year ended 31 March 2017, primarily as a result of lower pricing rates per unit for chargebacks, due to a reduction in the invoice price to wholesalers for certain of the Company's products, and due to certain product mix changes.

<sup>(2)</sup> Chargebacks and rebates provisions for the year ended 31 March 2019 and payments for the year ended 31 March 2019 were each lower as compared to the year ended 31 March 2018, primarily as a result of lower pricing rates per unit for chargebacks, and due to a reduction in the invoice price to wholesalers for certain of the Company's products.

The estimates of "gross-to-net" adjustments for the Company's operations in India and other countries outside of the United States relate mainly to refund liability in all such operations, and certain rebates to healthcare insurance providers are specific to the Company's German operations. The pattern of such refund liability is generally consistent with the Company's gross sales. In Germany, the rebates to healthcare insurance providers mentioned above are contractually fixed in nature and do not involve significant estimations by the Company.

The Company's overall refund liability as at 31 March 2019 relating to its North America operations was US\$ 30 million, as compared to a liability of US\$ 28 million as at 31 March 2018. This increase in the Company's liability was primarily attributable to a higher refund liability created for the year ended 31 March 2019 as compared to the year ended 31 March 2018, which allowance change was primarily based on certain product mix changes and recent trends in actual sales returns, together with the Company's historical experience, in the markets in which it operates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.13 Revenue from contracts with customers and trade receivables (continued)

### Details of refund liabilities:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Balance at the beginning of the year	3,210	3,784
Provision made during the year, net of reversals	3,592	2,702
Provision used during the year	(3,324)	(3,303)
Effect of changes in foreign exchange rates	103	27
<b>Balance at end of the year</b>	<b>3,581</b>	<b>3,210</b>
Current	3,581	3,210
Non-current	-	-
	<b>3,581</b>	<b>3,210</b>

### Details of contract asset:

As mentioned in the accounting policies for refund liability set forth in note 1.3 (m) of these consolidated financial statements, the Company recognises an asset, (i.e., right to the returned goods) which is included in inventories for the products expected to be returned. The Company initially measures this asset at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. Along with re-measuring the refund liability at the end of each reporting period, the Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

As on 31 March 2019 and 31 March 2018, the Company had ₹ 16 and ₹ 17, respectively, as contract assets representing the right to returned goods.

### Details of deferred revenue:

Tabulated below is the reconciliation of deferred revenue for the years ended 31 March 2019 and 31 March 2018:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Balance at the beginning of the year	3,319	3,675
Revenue recognised during the year	(815)	(507)
Milestone payment received during the year	88	151
<b>Balance at end of the year</b>	<b>2,592</b>	<b>3,319</b>
Current	590	622
Non-current	2,002	2,697
	<b>2,592</b>	<b>3,319</b>

### Details of contract liabilities:

Particulars	As at 31 March 2019	As at 31 March 2018
Advance from customers	761	360
	<b>761</b>	<b>360</b>

### Out-licensing agreement with CHD Biosciences Inc.:

In July 2017, the Company entered into an agreement with CHD Biosciences Inc for out-licensing the Phase III clinical trial candidate, DFA-02. As part of the agreement, the Company is entitled to receive equity shares in CHD valued at US\$ 30 million upon an initial public offering of CHD or, if no initial public offering occurs within 18 months of execution of the agreement, a cash payment of US\$ 30 million. The Company will also receive additional milestone payments of US\$ 40 million upon U.S. FDA approval. In addition, the Company is entitled to royalties on sales and certain other commercial milestone payments with respect to the product. At the time of execution, as the arrangement did not meet all of the revenue recognition criteria, no revenue has been recognised for the transaction during the year ended 31 March 2018. During the year ended 31 March 2019, the Company terminated the agreement with Armis Biopharma, Inc. (formerly known as CHD Bioscience, Inc.) and regained the world-wide rights to DFA-02.

## 2.14 Other operating income

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Sale of spent chemicals	356	297
Scrap sales	179	168
Miscellaneous income, net	96	317
	<b>631</b>	<b>782</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.15 Other income

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest income	770	540
Profit on sale of unit of mutual funds, net	466	806
Fair value gain on financial instruments measured at fair value through profit or loss	307	75
Gain on sale/disposal of property, plant and equipment and other intangible assets, net <sup>(i)</sup>	1,257	-
Foreign exchange gain, net	458	48
Miscellaneous income, net	117	83
	<b>3,375</b>	<b>1,552</b>

- <sup>(i)</sup> a) During the year ended 31 March 2019, the Company entered into an agreement with Neopharma Inc. for the sale of its formulations manufacturing facility and related assets in Bristol, Tennessee in the form of membership transfer. All the sale formalities were completed and the Company sold all of the issued and outstanding membership interests in Dr. Reddy's Laboratories Tennessee, LLC and certain related assets. (Refer note 2.1 of these consolidated financial statements for further details).
- b) During the year ended 31 March 2019, the Company sold one of its API manufacturing business units located in Jeedimetla, Hyderabad to Therapiva Private Limited. This sale was done by way of slump sale basis (as defined under section 2(42C) of Indian Income Tax Act, 1961) including all related property, plant and equipment, current assets, current liabilities, and transfer of employees. Gain on disposal of assets includes an amount of ₹ 423 representing the profit on sale of such business unit. (Refer note 2.1 of these consolidated financial statements for further details).
- c) Gain on disposal of assets for the year ended 31 March 2019 includes an amount of ₹ 423 representing the profit on sale of an intangible asset forming part of the Company's Proprietary Products segment. (Refer note 2.3 of these consolidated financial statements for further details).
- d) ₹ 259 representing the profit on sale of intangible assets as other income, before adjusting the associated costs of ₹ 100, forming part of the Company's Proprietary Products segment. (Refer note 2.3 of these consolidated financial statements for further details).

## 2.16 Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
<i>Opening</i>				
Work-in-progress	7,190		6,626	
Finished goods	6,875		8,364	
Stock-in-trade	5,351	19,416	4,011	19,001
<i>Closing</i>				
Work-in-progress	7,201		7,190	
Finished goods	7,127		6,875	
Stock-in-trade	7,842	22,170	5,351	19,416
		<b>(2,754)</b>		<b>(415)</b>

## 2.17 Employee benefits expense

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries, wages and bonus	28,617	27,210
Contribution to provident and other funds	2,438	2,487
Staff welfare expenses	2,033	1,970
Share-based payment expenses	474	482
	<b>33,562</b>	<b>32,149</b>

## 2.18 Depreciation and amortisation expense

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation of property, plant and equipment	8,312	8,250
Amortisation of other intangible assets	3,036	2,522
	<b>11,348</b>	<b>10,772</b>

## 2.19 Finance costs

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest on long-term borrowings	380	255
Interest on other borrowings	509	533
	<b>889</b>	<b>788</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.20 Selling and other expenses

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Consumption of stores, spares and other materials	4,524	5,629
Clinical trials and other R&D expenses	6,795	8,352
Advertisements	1,303	1,410
Commission on sales	229	219
Carriage outward	3,428	2,781
Other selling expenses	9,275	8,892
Legal and professional	4,395	4,396
Power and fuel	3,291	3,293
Repairs and maintenance		
Buildings	314	458
Plant and machinery	805	688
Others	1,910	2,338
Insurance	396	346
Travel and conveyance	1,698	1,676
Rent	776	629
Rates and taxes	757	635
Loss on sale/disposal of property , plant and equipment and other intangible assets, net	-	55
Corporate social responsibility and donations <sup>(i)</sup>	459	520
Allowance for credit losses, net (Refer note 2.6 B)	371	169
Allowance for doubtful advances, net	49	16
Non Executive Directors' remuneration	80	61
Auditors' remuneration (Refer note 2.22)	16	16
Other general expenses	3,319	4,175
	<b>44,190</b>	<b>46,754</b>

<sup>(i)</sup> Details of corporate social responsibility expenditure in accordance with section 135 of the Companies Act, 2013:

Particulars	In Cash	Yet to be paid in cash	Total
Gross amount required to be spent by the Company during the year			<b>244</b>
Amount spent during the year ending on 31 March 2019	269	-	269
Amount spent during the year ending on 31 March 2018	334	-*	334

\* Rounded off to millions.

## 2.21 Research and development expenses

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Employee benefits expense (included in note 2.17)	4,627	4,926
Other expenses (included in note 2.20)		
Materials and consumables	2,967	4,114
Clinical trials and other R&D expenses	6,795	8,352
	<b>14,389</b>	<b>17,392</b>

## 2.22 Auditors' remuneration

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Audit fees	13	13
Other charges- Certification fee	1	1
Reimbursement of out of pocket expenses	2	2
	<b>16</b>	<b>16</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.23 Earnings per share (EPS)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Earnings</b>		
Profit attributable to equity shareholders of the Company	19,500	9,468
<b>Shares</b>		
Number of equity shares at the beginning of the year	165,910,907	165,741,713
Effect of treasury shares held	(100,672)	-
Effect of equity shares issued on exercise of stock options	103,801	103,695
Weighted average number of equity shares – Basic	165,914,036	165,845,408
Dilutive effect of stock options outstanding <sup>(i)</sup>	278,718	340,144
Weighted average number of equity shares – Diluted	166,192,754	166,185,522
<b>Earnings per share of par value ₹ 5/- – Basic ( ₹ )</b>	<b>117.53</b>	<b>57.08</b>
<b>Earnings per share of par value ₹ 5/- – Diluted ( ₹ )</b>	<b>117.33</b>	<b>56.96</b>

<sup>(i)</sup> As at 31 March 2019, 272,700 options were excluded from the diluted weighted average number of equity shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of stock options was based on quoted market prices for the year during which the options were outstanding.

## 2.24 Related parties

a) In accordance with the provisions of Ind AS 24, *Related Party Disclosures* and the Companies Act, 2013, Company's Directors, members of the Company's Management Council and Company Secretary are considered as Key Management Personnel.

List of Key Management Personnel of the Company is as below:

1	K Satish Reddy	Whole-time director
2	G V Prasad	Whole-time director
3	Anupam Puri	Independent director
4	Kalpana Morparia	Independent director
5	Dr. Omkar Goswami	Independent director
6	Dr. Bruce LA Carter	Independent director
7	Sridar Iyengar	Independent director
8	Bharat Narotam Doshi	Independent director
9	Prasad R Menon (from 30 October 2017)	Independent director
10	Leo Puri (from 25 October 2018)	Independent director
11	Shikha Sharma (from 31 January 2019)	Independent director
12	Allan Oberman (from 26 March 2019)	Independent director
13	Dr. K V S Ram Rao (till 1 October 2018)	Management council
14	Hans Peter Hasler (till 14 June 2018)	Independent director
15	Dr. Ashok Ganguly (till 28 July 2017)	Independent director
16	M V Ramana	Management council
17	Saumen Chakraborty	Management council
18	Ganadhish Kamat	Management council
19	Anil Nambodiripad	Management council
20	Archana Bhaskar (from 15 June 2017)	Management council
21	Sanjay Sharma (from 1 August 2017)	Management council
22	Sauri Gudlavalleti (from 1 April 2018)	Management council
23	P Yugandhar (from 1 April 2018)	Management council
24	Erez Israeli (from 2 April 2018)	Management council
25	Dr. Raymond de Vre (from 1 June 2018)	Management council
26	Deepak Sapra (from 1 October 2018)	Management council
27	Marc Kikuchi (from 1 February 2019)	Management council
28	Dr. Cartikeya Reddy (till 30 September 2018)	Management council
29	Alok Sonig (till 7 September 2018)	Management council
30	Dr. Amit Biswas (till 21 June 2018)	Management council
31	Abhijit Mukherjee (till 31 March 2018)	Management council
32	Samiran Das (till 31 January 2018)	Management council
33	J Ramachandran (till 31 October 2017)	Management council
34	Dr. Chandrasekhar Sripada (till 31 July 2017)	Management council
35	Sandeep Poddar	Company secretary

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.24 Related parties (continued)

### b) List of related parties with whom transactions have taken place during the current and/or previous year:

1	K Samrajyam	Mother of Chairman
2	K Deepti Reddy	Spouse of Chairman
3	G Anuradha	Spouse of Chief Executive Officer
4	G Mallika Reddy	Daughter of Chief Executive Officer
5	G V Sanjana Reddy	Daughter of Chief Executive Officer
6	Akhil Ravi (from 5 March 2018)	Son-in-law of Chief Executive Officer
7	Kunshan Rotam Reddy Pharmaceuticals Company Limited	Enterprise over which the Company exercises joint control with other joint venture partners and holds 51.33% of equity shares
8	DRES Energy Private Limited	Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares
9	Dr. Reddy's Institute of Life Sciences	Enterprise over which whole-time directors have significant influence
10	Stamlo Hotels Limited	Enterprise controlled by whole-time directors
11	Indus Projects Private Limited	Enterprise over which relatives of whole-time directors have significant influence
12	CERG Advisory Private Limited	Enterprise controlled by Key Managerial Personnel
13	Dr. Reddy's Foundation	Enterprise over which whole-time directors and their relatives have significant influence
14	Pudami Educational Society	Enterprise over which whole-time directors and their relatives have significant influence
15	Green Park Hospitality Services Private Limited	Enterprise controlled by relative of a whole-time director
16	Green Park Hotels and Resorts Limited	Enterprise controlled by relative of a whole-time director

Further, the Company contributes to the Dr. Reddy's Laboratories Gratuity Fund, which maintains the plan assets of the Company's Gratuity Plan for the benefit of its employees. Refer note 2.27 of these consolidated financial statements for information on transactions between the Company and the Gratuity Fund.

### c) The following is a summary of significant related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Research and development services received</b>		
Dr. Reddy's Institute of Life Sciences	97	98
<b>Research and development services provided</b>		
Kunshan Rotam Reddy Pharmaceuticals Company Limited	103	100
<b>Contributions towards social development</b>		
Dr. Reddy's Foundation	192	203
Pudami Educational Society	28	35
<b>Total</b>	<b>220</b>	<b>238</b>
<b>Catering services</b>		
Green Park Hospitality Services Private Limited	270	178
<b>Hotel expenses</b>		
Green Park Hotel and Resorts Limited	21	41
Stamlo Hotels Private Limited	5	8
<b>Total</b>	<b>26</b>	<b>49</b>
<b>Civil works</b>		
Indus Projects Private Limited	106	-
<b>Sales of goods</b>		
Kunshan Rotam Reddy Pharmaceuticals Company Limited	23	-
<b>Lease rentals paid under cancellable operating leases to Key Management Personnel</b>		
K Satish Reddy	13	13
<b>Relatives of Key Management Personnel</b>		
G Anuradha	12	12
K Deepti Reddy	3	3
K Samrajyam	2	2
G Mallika Reddy	2	2
G V Sanjana Reddy	2	2
<b>Total</b>	<b>34</b>	<b>34</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.24 Related parties

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Professional consulting services	1	-
Salaries to relatives of Key Management Personnel	5	1
<b>Remuneration to Key Management Personnel</b>		
Salaries and other benefits <sup>(1)</sup>	680	466
Contributions to defined contribution plans	35	38
Commission to directors	243	153
Share-based payments expense	101	116
<b>Total</b>	<b>1,059</b>	<b>773</b>

<sup>(1)</sup> 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.

d) The Company has the following amounts due from/ to related parties:

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Due from related parties</b>		
Key Management Personnel (towards rent deposits)	8	8
Green Park Hospitality Services Private Limited	75	40
Kunshan Rotam Reddy Pharmaceuticals Company Limited	11	108
DRES Energy Private Limited	20	-
<b>Total</b>	<b>114</b>	<b>156</b>
<b>Due to related parties</b>		
Dr. Reddy's Institute of Life Sciences	10	10
Green Park Hospitality Services Private Limited	63	3
Green Park Hotel and Resorts Limited	-*	1
Indus Projects Private Limited	7	-
Stamlo Hotels Private Limited	-	-*
<b>Total</b>	<b>80</b>	<b>14</b>

\* Rounded off to millions.

## 2.25 Segment reporting

The Chief Operating Decision Maker ("CODM") evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by operating segments. The CODM reviews revenue and gross profit as the performance indicator for all of the operating segments, and does not review the total assets and liabilities of an operating segment. The Chief Executive Officer is the CODM of the Company.

The Company's reportable operating segments are as follows:

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

**Global Generics:** This segment consists of the Company's business of manufacturing and marketing prescription and over-the-counter finished pharmaceutical products ready for consumption by the patient, marketed either under a brand name (branded formulations) or as generic finished dosages with therapeutic equivalence to branded formulations (generics). This segment includes the operations of the Company's biologics business.

**Pharmaceutical Services and Active Ingredients:** This segment primarily consists of the Company's business of manufacturing and marketing active pharmaceutical ingredients and intermediates, also known as "API", which are the principal ingredients for finished pharmaceutical products. Active pharmaceutical ingredients and intermediates become finished pharmaceutical products when the dosages are fixed in a form ready for human consumption such as a tablet, capsule or liquid using additional inactive ingredients. This segment also includes the Company's contract research services business and the manufacture and sale of active pharmaceutical ingredients and steroids in accordance with the specific customer requirements.

**Proprietary Products:** This segment consists of the Company's business that focuses on the research, development, and commercialisation of differentiated formulations. These novel products fall within the dermatology and neurology therapeutic areas and are marketed and sold through Promius<sup>®</sup> Pharma, LLC.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.25 Segment reporting (continued)

**Others:** This includes the operations of the Company's 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 the Company's consolidated financial statements.

### Segment information:

Reportable segments	For the year ended 31 March 2019				
	Global Generics	PSAI	Proprietary Products	Others	Total
Revenue from operations <sup>(1)</sup>	123,056	30,403	4,750	2,058	160,267
Less: Inter-segment revenue <sup>(2)</sup>	-	(5,785)	-	-	(5,785)
<b>Revenue from operations</b>	<b>123,056</b>	<b>24,618</b>	<b>4,750</b>	<b>2,058</b>	<b>154,482</b>
<b>Gross profit</b>	<b>71,924</b>	<b>6,158</b>	<b>4,182</b>	<b>1,196</b>	<b>83,460</b>
Less: Selling and other unallocable expense/ (income), net					60,540
<b>Profit before tax</b>					<b>22,920</b>
Tax expense					3,858
<b>Profit after tax</b>					<b>19,062</b>
Add: Share of profit of equity accounted investees, net of tax					438
<b>Profit for the year</b>					<b>19,500</b>

Reportable segments	For the year ended 31 March 2018				
	Global Generics	PSAI	Proprietary Products	Others	Total
Revenue from operations <sup>(1)</sup>	114,282	27,930	4,250	1,840	148,302
Less: Inter-segment revenue <sup>(2)</sup>	-	(5,492)	-	-	(5,492)
<b>Revenue from operations</b>	<b>114,282</b>	<b>22,438</b>	<b>4,250</b>	<b>1,840</b>	<b>142,810</b>
<b>Gross profit</b>	<b>67,190</b>	<b>4,477</b>	<b>3,799</b>	<b>869</b>	<b>76,335</b>
Less: Selling and other unallocable expense/ (income), net					62,831
<b>Profit before tax</b>					<b>13,504</b>
Tax expense					4,380
<b>Profit after tax</b>					<b>9,124</b>
Add: Share of profit of equity accounted investees, net of tax					344
<b>Profit for the year</b>					<b>9,468</b>

<sup>(1)</sup> Effective 1 July 2017, Goods and Services Tax ("GST") was introduced in India replacing the excise duty and various other taxes. Following the principles of Ind AS 115, *Revenue from Contracts with Customers*, revenue from operations is disclosed net of GST. For periods prior to 1 July 2017, the excise duty amount was recorded as part of revenue from operations. Accordingly, revenue from operations for the year ended 31 March 2019 are not comparable with those of the previous year presented.

Tabulated below are the details of excise duty included in revenue from operations:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Excise duty included in revenues	-	173

<sup>(2)</sup> Inter-segment revenue represents sale from PSAI to Global Generics at cost.

### Analysis of revenues within the Global Generics segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's Global Generics segment is given below:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Gastrointestinal	19,250	19,153
Oncology	18,357	16,999
Cardiovascular	15,106	16,501
Pain Management	13,806	12,898
Central Nervous System	15,909	12,509
Anti-Infective	7,073	6,557
Others	33,402	29,397
<b>Total</b>	<b>122,903</b>	<b>114,014</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.25 Segment reporting (continued)

### Analysis of revenues within the PSAI segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's PSAI segment is given below:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cardiovascular	7,019	6,191
Pain Management	3,364	3,228
Central Nervous System	2,741	2,331
Anti-Infective	1,247	1,968
Dermatology	1,622	1,606
Oncology	2,212	1,650
Others	5,935	5,018
<b>Total</b>	<b>24,140</b>	<b>21,992</b>

### Analysis of revenues by geography:

The following table shows the distribution of the Company's revenues (excluding other operating income) by country based on the location of the customers:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
India	28,804	25,209
United States	69,299	68,124
Russia	15,299	12,610
Others	40,449	36,085
<b>Total</b>	<b>153,851</b>	<b>142,028</b>

### Analysis of assets by geography:

The following table shows the distribution of the Company's non-current assets (other than financial instruments and deferred tax assets) by country, based on the location of assets:

Particulars	As at 31 March 2019	As at 31 March 2018
India	58,959	61,997
Switzerland	33,537	32,202
United States	6,446	8,483
Germany	2,901	2,968
Others	5,738	5,930
<b>Total</b>	<b>107,581</b>	<b>111,580</b>

The following table shows the distribution of the Company's property, plant and equipment including capital work in progress and intangible assets acquired during the year (other than goodwill arising on business combination) by country, based on the location of assets:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
India	5,347	8,093
Switzerland	1,112	1,100
United States	215	779
Others	830	1,830
<b>Total</b>	<b>7,504</b>	<b>11,802</b>

### Analysis of depreciation and amortisation, for arriving gross profit by reportable segments:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Global Generics	3,791	3,549
PSAI	2,876	2,887
Others	71	94
<b>Total</b>	<b>6,738</b>	<b>6,530</b>

### Information about major customers:

Revenues from two customers of the Company's Global Generics segment were ₹ 10,639 and ₹ 10,024 representing approximately 7 % each of the Company's total revenues for the year ended 31 March 2019.

Revenues from two customers of the Company's Global Generics segment were ₹ 13,486 and ₹ 10,755 representing approximately 9 % and 8 %, respectively of the Company's total revenues for the year ended 31 March 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.26 Description of the Group

A. Subsidiaries, step-down subsidiaries, joint ventures and other consolidating entities of the parent company are listed below:

Entity	Country of incorporation	% of Direct/Indirect Ownership Interest
<b>Subsidiaries</b>		
Aurigene Discovery Technologies Limited	India	100
Cheminor Investments Limited	India	100
Dr. Reddy's Bio-Sciences Limited	India	100
Dr. Reddy's Farmaceutica Do Brasil Ltda.	Brazil	100
Dr. Reddy's Laboratories SA	Switzerland	100
Idea2Enterprises (India) Private Limited	India	100
Imperial Credit Private Limited	India	100
Industrias Quimicas Falcon de Mexico, S.A.de C.V.	Mexico	100
Reddy Antilles N.V.	Netherlands	100
Regkinetics Services Limited (formerly Dr. Reddy's Pharma SEZ Limited )	India	100
<b>Step-down subsidiaries</b>		
Aurigene Discovery Technologies (Malaysia) SDN BHD	Malaysia	100 <sup>(3)</sup>
Aurigene Discovery Technologies Inc.	USA	100 <sup>(3)</sup>
beta Institut gemeinnützige GmbH	Germany	100 <sup>(8)</sup>
betapharm Arzneimittel GmbH	Germany	100 <sup>(8)</sup>
Chirotech Technology Limited	United Kingdom	100 <sup>(5)</sup>
DRL Impex Limited	India	100 <sup>(15)</sup>
Dr. Reddy's Laboratories (Australia) Pty. Limited	Australia	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Canada, Inc.	Canada	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Chile SPA.(from 16 June 2017)	Chile	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Kazakhstan LLP	Kazakhstan	100 <sup>(10)</sup>
Dr. Reddy's Laboratories LLC	Ukraine	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Louisiana LLC	USA	100 <sup>(6)</sup>
Dr. Reddy's Laboratories Malaysia Sdn. Bhd. (from 10 July 2017)	Malaysia	100 <sup>(10)</sup>
Dr. Reddy's Laboratories New York, Inc.	USA	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Philippines Inc.(from 9 May 2018)	Philippines	100 <sup>(10)</sup>
Dr. Reddy's Laboratories (Proprietary) Limited	South Africa	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Romania S.R.L.	Romania	100 <sup>(10)</sup>
Dr. Reddy's Laboratories SAS	Colombia	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Taiwan Limited (from 23 February 2018)	Taiwan	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Tennessee, LLC (till 1 October 2018)	USA	100 <sup>(6)</sup>
Dr. Reddy's Laboratories (Thailand) Limited (from 13 June 2018)	Thailand	100 <sup>(10)</sup>
Dr. Reddy's Laboratories (UK) Limited	United Kingdom	100 <sup>(5)</sup>
Dr. Reddy's Research and Development B.V.	Netherlands	100 <sup>(12)</sup>
Dr. Reddy's Singapore PTE Limited	Singapore	100 <sup>(10)(2)</sup>
Dr. Reddy's Srl	Italy	100 <sup>(11)</sup>
Dr. Reddy's New Zealand Limited	New Zealand	100 <sup>(10)</sup>
Dr. Reddy's (WUXI) Pharmaceutical Co. Limited (from 2 June 2017)	China	100 <sup>(10)</sup>
Dr. Reddy's Venezuela, C.A.	Venezuela	100 <sup>(10)</sup>
Dr. Reddy's Laboratories (EU) Limited	United Kingdom	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Inc.	USA	100 <sup>(10)</sup>
Dr. Reddy's Laboratories International SA	Switzerland	100 <sup>(10)</sup>
Dr. Reddy's Laboratories Japan KK	Japan	100 <sup>(10)</sup>
Eurobridge Consulting B.V.	Netherlands	100 <sup>(11)</sup>
Lacock Holdings Limited	Cyprus	100 <sup>(10)</sup>
OOO Dr. Reddy's Laboratories Limited	Russia	100 <sup>(10)</sup>
OOO DRS LLC	Russia	100 <sup>(9)</sup>
Promius Pharma LLC	USA	100 <sup>(6)</sup>
Reddy Holding GmbH	Germany	100 <sup>(10)</sup>
Reddy Netherlands B.V.	Netherlands	100 <sup>(10)</sup>
Reddy Pharma Iberia SA	Spain	100 <sup>(10)</sup>
Reddy Pharma Italia S.R.L	Italy	100 <sup>(7)</sup>
Reddy Pharma SAS	France	100 <sup>(10)</sup>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.26 Description of the Group (continued)

Entity	Country of incorporation	% of Direct/Indirect Ownership Interest
<b>Joint ventures</b>		
DRANU LLC	USA	50 <sup>(13)</sup>
DRES Energy Private Limited	India	26 <sup>(14)</sup>
Kunshan Rotam Reddy Pharmaceutical Company Limited	China	51.33 <sup>(4)</sup>
<b>Other consolidating entities</b>		
Chemisor Employees Welfare Trust	India	Refer to footnote 16
Dr. Reddy's Employees ESOS Trust (from 27 July 2018)	India	Refer to footnote 16
Dr. Reddy's Research Foundation	India	Refer to footnote 16

<sup>(1)</sup> Indirectly owned through Dr. Reddy's Research and Development B.V.

<sup>(2)</sup> Entities under liquidation.

<sup>(3)</sup> Indirectly owned through Aurigene Discovery Technologies Limited.

<sup>(4)</sup> Kunshan Rotam Reddy Pharmaceutical Co. Limited is a subsidiary as per Indian Companies Act, 2013, as the Company holds a 51.33% stake. However, the Company accounts for this investment by the equity method and does not consolidate it in the Company's consolidated financial statements.

<sup>(5)</sup> Indirectly owned through Dr. Reddy's Laboratories (EU) Limited.

<sup>(6)</sup> Indirectly owned through Dr. Reddy's Laboratories Inc.

<sup>(7)</sup> Indirectly owned through Lacock Holdings Limited.

<sup>(8)</sup> Indirectly owned through Reddy Holding GmbH.

<sup>(9)</sup> Indirectly owned through OOO Dr. Reddy's Laboratories Limited (from January, 2019), formerly subsidiary of Eurobridge consulting B.V.

<sup>(10)</sup> Indirectly owned through Dr. Reddy's Laboratories SA.

<sup>(11)</sup> Indirectly owned through Reddy Pharma Italia S.R.L.

<sup>(12)</sup> Indirectly owned through Reddy Netherlands B.V.

<sup>(13)</sup> DRANU LLC is consolidated in accordance with guidance available in Ind AS 110.

<sup>(14)</sup> Accounted in accordance with Ind AS 111, *Joint Arrangements*.

<sup>(15)</sup> Indirectly owned through Idea2Enterprises (India) Private Limited.

<sup>(16)</sup> The Company does not have any equity interests in this entity, but has significant influence or control over it.

## B. Additional information pursuant to para 2 of general instructions for the preparation of consolidated financial statements:

Sl. No.	Name of the entity	As at 31 March 2019		For the year ended 31 March 2019					
		Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in OCI		Share in total comprehensive income (TCI)	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated OCI	Amount	As % of consolidated TCI	Amount
<b>Parent</b>									
	Dr. Reddy's Laboratories Limited	90.45	126,841	65.50	12,773	(12.70)	138	70.12	12,911
<b>Subsidiaries</b>									
<i>India</i>									
1	Aurigene Discovery Technologies Limited	0.26	370	2.36	461	76.17	(828)	(1.99)	(367)
2	Chemisor Investments Limited	-	1	-	-	-	-	-	-
3	Dr. Reddy's Bio-Sciences Limited	0.18	257	(0.21)	(40)	-	-	(0.22)	(40)
4	DRL Impex Limited	-	(2)	-	-	-	-	-	-
5	Idea2Enterprises (India) Private Limited	1.10	1,536	-	-	-	-	-	-
6	Imperial Credit Private Limited	0.02	23	0.01	1	-	-	0.01	1
7	Regkinetics Services Limited (formerly Dr. Reddy's Pharma SEZ Limited)	0.15	207	0.05	9	-	-	0.05	9
<i>Foreign</i>									
1	Aurigene Discovery Technologies (Malaysia) SDN BHD	0.02	30	0.01	2	-	-	0.01	2
2	Aurigene Discovery Technologies Inc.	-	1	-	-	-	-	-	-
3	beta Institut gemeinnützige GmbH	-	6	(0.01)	(1)	-	-	(0.01)	(1)
4	betapharm Arzneimittel GmbH	0.05	71	0.21	40	-	-	0.22	40
5	Chirotech Technology Limited	0.80	1,117	0.10	20	-	-	0.11	20
6	Dr. Reddy's Farmaceutica Do Brasil Ltda.	(0.21)	(299)	1.69	329	-	-	1.79	329
7	Dr. Reddy's Laboratories (Australia) Pty. Limited	(0.22)	(304)	0.19	38	-	-	0.21	38

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.26 Description of the Group (continued)

S1. No.	Name of the entity	As at 31 March 2019		For the year ended 31 March 2019					
		Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in OCI		Share in total comprehensive income (TCI)	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated OCI	Amount	As % of consolidated TCI	Amount
8	Dr. Reddy's Laboratories (Canada) Inc.	0.21	300	0.99	193	-	-	1.05	193
9	Dr. Reddy's Laboratories Chile SPA. (from 16 June 2017)	(0.01)	(11)	(0.21)	(41)	-	-	(0.22)	(41)
10	Dr. Reddy's Laboratories (EU) Limited	1.52	2,130	3.78	737	-	-	4.00	737
11	Dr. Reddy's Laboratories Inc.	7.17	10,056	(53.99)	(10,528)	-	-	(57.18)	(10,528)
12	Dr. Reddy's Laboratories International SA	0.20	278	-	-	-	-	-	-
13	Dr. Reddy's Laboratories Japan KK	-	3	(0.08)	(16)	-	-	(0.09)	(16)
14	Dr. Reddy's Laboratories Kazakhstan LLP	0.14	190	0.01	2	-	-	0.01	2
15	Dr. Reddy's Laboratories LLC	0.07	93	0.36	70	-	-	0.38	70
16	Dr. Reddy's Laboratories Louisiana LLC	(0.32)	(452)	(3.95)	(771)	-	-	(4.19)	(771)
17	Dr. Reddy's Laboratories Malaysia Sdn. Bhd. (from 10 July 2017)	0.02	27	(0.04)	(8)	-	-	(0.04)	(8)
18	Dr. Reddy's Laboratories New York, Inc.	(1.11)	(1,556)	(2.18)	(426)	-	-	(2.31)	(426)
19	Dr. Reddy's Laboratories Philippines Inc. (from 9 May 2018)	0.01	8	(0.02)	(4)	-	-	(0.02)	(4)
20	Dr. Reddy's Laboratories (Proprietary) Limited	0.21	290	0.48	94	-	-	0.51	94
21	Dr. Reddy's Laboratories Romania S.R.L.	0.19	261	0.13	25	-	-	0.14	25
22	Dr. Reddy's Laboratories SA	31.85	44,665	23.28	4,539	2.21	(24)	24.52	4,515
23	Dr. Reddy's Laboratories SAS	0.07	98	(0.01)	(1)	-	-	(0.01)	(1)
24	Dr. Reddy's Laboratories Taiwan Ltd. (from 23 February 2018)	-	2	(0.05)	(10)	-	-	(0.05)	(10)
25	Dr. Reddy's Laboratories Tennessee, LLC (till 1 October 2018)	-	-	(0.78)	(152)	-	-	(0.83)	(152)
26	Dr. Reddy's Laboratories (Thailand) Limited (from 13 June 2018)	-	3	(0.10)	(20)	-	-	(0.11)	(20)
27	Dr. Reddy's Laboratories (UK) Limited	1.89	2,648	1.06	207	-	-	1.12	207
28	Dr. Reddy's Research and Development B.V. (formerly Octoplus B.V.)	(0.47)	(660)	(0.56)	(110)	-	-	(0.60)	(110)
29	Dr. Reddy's Singapore PTE Limited (under liquidation)	-	-	0.02	3	-	-	0.02	3
30	Dr. Reddy's Srl	(0.58)	(809)	0.02	3	-	-	0.02	3
31	Dr. Reddy's New Zealand Limited	0.05	64	0.02	4	-	-	0.02	4
32	Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd. (from 2 June 2017)	0.02	27	0.11	21	-	-	0.11	21
33	Dr. Reddy's Venezuela, C.A.	(3.11)	(4,368)	(1.14)	(222)	-	-	(1.21)	(222)
34	Eurobridge Consulting B.V.	0.19	261	(1.10)	(214)	-	-	(1.16)	(214)
35	Industrias Quimicas Falcon de Mexico, S.A. de CV	0.46	651	(0.35)	(68)	(2.30)	25	(0.23)	(43)
36	Lacock Holdings Limited	0.11	151	0.11	22	-	-	0.12	22
37	OOO Dr. Reddy's Laboratories Limited	1.66	2,334	1.81	352	-	-	1.91	352
38	OOO DRS LLC	0.07	104	(0.05)	(10)	-	-	(0.05)	(10)
39	Promius Pharma LLC	0.35	494	3.12	608	-	-	3.30	608
40	Reddy Antilles N.V.	0.05	65	(0.15)	(30)	-	-	(0.16)	(30)
41	Reddy Holding GmbH	14.80	20,751	2.54	496	-	-	2.69	496
42	Reddy Netherlands B.V.	2.02	2,828	(0.14)	(28)	-	-	(0.15)	(28)
43	Reddy Pharma Iberia SA	0.03	44	(0.27)	(52)	-	-	(0.28)	(52)
44	Reddy Pharma Italia S.R.L.	0.02	34	(0.01)	(1)	-	-	(0.01)	(1)
45	Reddy Pharma SAS	0.03	44	(0.47)	(91)	-	-	(0.49)	(91)
	<b>Joint ventures</b>								
	<b>India</b>								
1	DRES Energy Private Limited	-	-	(0.06)	(11)	-	-	(0.06)	(11)
	<b>Foreign</b>								
1	DRANU LLC	-	-	-	-	-	-	-	-
2	Kunshan Rotam Reddy Pharmaceutical Company Limited	-	-	2.30	449	-	-	2.44	449

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.26 Description of the Group (continued)

Sl. No.	Name of the entity	As at 31 March 2019		For the year ended 31 March 2019					
		Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in OCI		Share in total comprehensive income (TCI)	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated OCI	Amount	As % of consolidated TCI	Amount
	Other consolidating entities								
	India								
1	Cheminar Employees Welfare Trust	0.20	281	0.07	13	-	-	0.07	13
2	Dr. Reddy's Research Foundation	-	4	-	-	-	-	-	-
	Sub total	150.61	211,188	44.40	8,656	63.38	(689)	43.28	7,967
	Less: Effect of intercompany adjustments / eliminations	(50.61)	(70,952)	55.60	10,844	36.62	(398)	56.72	10,446
	<b>Total</b>	<b>100.00</b>	<b>140,236</b>	<b>100.00</b>	<b>19,500</b>	<b>100.00</b>	<b>(1,087)</b>	<b>100.00</b>	<b>18,413</b>

Note: Net assets and share in profit or loss for the Parent Company, subsidiaries, joint ventures and other consolidating entities are as per the standalone financial statements of the respective entities.

## 2.27 Employee benefits

Total employee benefit expenses, including share-based payments, incurred during the years ended 31 March 2019 and 31 March 2018 amounted to ₹ 33,562 and ₹ 32,149, respectively.

### Gratuity benefits provided by the parent company

In accordance with applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Effective 1 September 1999, the Company established the Dr. Reddy's Laboratories Gratuity Fund (the "Gratuity Fund") to fund the Gratuity Plan. Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund. Trustees administer the contributions made to the Gratuity Fund. Amounts contributed to the Gratuity Fund are invested in bonds issued by the Government of India and in debt securities and equity securities of Indian companies.

The components of gratuity cost recognised in the consolidated statement of profit and loss for the years ended 31 March 2019 and 31 March 2018 consist of the following:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Current service cost	265	252
Interest on net defined benefit liability	(2)	6
<b>Gratuity cost recognised in consolidated statement of profit and loss</b>	<b>263</b>	<b>258</b>

Details of the employee benefits obligations and plan assets are provided below:

Particulars	As at 31 March 2019	As at 31 March 2018
Present value of funded obligations	2,200	2,007
Fair value of plan assets	(2,174)	(1,958)
<b>Net defined benefit liability recognised</b>	<b>26</b>	<b>49</b>

Details of changes in the present value of defined benefit obligations are as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Defined benefit obligations at the beginning of the year	2,007	1,840
Current service cost	265	252
Interest on defined obligations	145	125
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	28	(121)
Actuarial loss/(gain) due to demographic assumptions	-*	11
Actuarial loss/(gain) due to experience changes	-*	62
Benefits paid	(245)	(162)
<b>Defined benefit obligations at the end of the year</b>	<b>2,200</b>	<b>2,007</b>

\* Rounded off to millions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.27 Employee benefits (continued)

Details of changes in the fair value of plan assets are as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Fair value of plan assets at the beginning of the year	1,958	1,687
Employer contributions	294	313
Interest on plan assets	147	121
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	20	(1)
Benefits paid	(245)	(162)
<b>Plan assets at the end of the year</b>	<b>2,174</b>	<b>1,958</b>

Sensitivity analysis:

Particulars	As at 31 March 2019
Defined benefit obligation without effect of projected salary growth	1,276
Add: Effect of salary growth	924
Defined benefit obligation with projected salary growth	2,200
Defined benefit obligation, using discount rate minus 50 basis points	2,282
Defined benefit obligation, using discount rate plus 50 basis points	2,123
Defined benefit obligation, using salary growth rate plus 50 basis points	2,280
Defined benefit obligation, using salary growth rate minus 50 basis points	2,123

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Gratuity Plan are as follows:

*The assumptions used to determine benefit obligations:*

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Discount rate	7.45%	7.75%
Rate of compensation increase	8% per annum for the first year and 9% per annum thereafter	7% per annum for the first year and 9% per annum thereafter

*The assumptions used to determine gratuity cost:*

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Discount rate	7.75%	7.20%
Rate of compensation increase	7% per annum for the first year and 9% per annum thereafter	7% per annum for the first year and 9% per annum thereafter

Contributions: The Company expects to contribute ₹ 26 to the Gratuity Plan during the year ending 31 March 2020.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation at 31 March 2019 and 31 March 2018, by asset category, was as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Funds managed by insurers	99%	99%
Others	1%	1%

The expected future cash flows in respect of gratuity as at 31 March 2019 were as follows:

Particulars	Amount
<b>Expected contributions</b>	
During the year ended 31 March 2020 (estimated)	26
<b>Expected future benefit payments</b>	
31 March 2020	306
31 March 2021	218
31 March 2022	220
31 March 2023	225
31 March 2024	220
Thereafter	3,111

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.27 Employee benefits (continued)

### Pension plan of the Company's subsidiary, Industrias Quimicas Falcon de Mexico

All employees of the Company's Mexican subsidiary, Industrias Quimicas Falcon de Mexico ("Falcon"), are entitled to a pension benefit in the form of a defined benefit pension plan. The Falcon pension plan provides for payment to vested employees at retirement or termination of employment. Liabilities in respect of the pension plan are determined by an actuarial valuation, based on which the Company makes contributions to the pension plan fund. This fund is administered by a third party, who is provided guidance by a technical committee formed by senior employees of Falcon.

The components of net pension cost recognised in the consolidated statement of profit and loss for the years ended 31 March 2019 and 31 March 2018 consist of the following:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Current service cost	13	12
Interest on net defined benefit liability	15	13
<b>Total cost recognised in consolidated statement of profit and loss</b>	<b>28</b>	<b>25</b>

Details of the employee benefits obligation and plan assets are provided below:

Particulars	As at 31 March 2019	As at 31 March 2018
Present value of funded obligations	223	243
Fair value of plan assets	(70)	(66)
<b>Net defined benefit liability recognised</b>	<b>153</b>	<b>177</b>

Details of changes in the present value of defined benefit obligations are as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Defined benefit obligations at the beginning of the year	243	218
Current service cost	13	12
Interest on defined obligations	22	19
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	(47)	(6)
Actuarial loss/(gain) due to experience changes	7	(0)
Benefits paid	(16)	(8)
Foreign exchange differences	1	8
<b>Defined benefit obligations at the end of the year</b>	<b>223</b>	<b>243</b>

Details of changes in the fair value of plan assets are as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Fair value of plan assets at the beginning of the year	66	60
Employer contributions	16	8
Interest on plan assets	7	7
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	(3)	(3)
Benefits paid	(16)	(8)
Foreign exchange differences	-*	2
<b>Plan assets at the end of the year</b>	<b>70</b>	<b>66</b>

\* Rounded off to millions.

Sensitivity analysis:

Particulars	As at 31 March 2019
Defined benefit obligation without effect of projected salary growth	154
Add: Effect of salary growth	69
Defined benefit obligation with projected salary growth	223
Defined benefit obligation, using discount rate minus 50 basis points	232
Defined benefit obligation, using discount rate plus 50 basis points	214
Defined benefit obligation, using salary growth rate plus 50 basis points	232
Defined benefit obligation, using salary growth rate minus 50 basis points	213

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.27 Employee benefits (continued)

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Falcon defined benefit plans are as follows:

*The assumptions used to determine benefit obligations:*

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Discount rate	11.25%	9.00%
Rate of compensation increase	4.50%	4.50%

*The assumptions used to determine defined benefit cost:*

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Discount rate	9.00%	8.75%
Rate of compensation increase	4.50%	4.50%

Contributions: The Company expects to contribute ₹ 36 to the Falcon defined benefit plans during the year ending 31 March 2020.

Disaggregation of plan assets: The Falcon pension plan's weighted-average asset allocation at 31 March 2019 and 31 March 2018, by asset category is as follows:

Particulars	As at 31 March 2019	As at 31 March 2018
Corporate bonds	51%	51%
Others	49%	49%

The expected future cash flows in respect of post-employment benefit plans in Mexico as at 31 March 2019 were as follows:

Particulars	Amount
<b>Expected contribution</b>	
During the year ended 31 March 2020 (estimated)	36
<b>Expected future benefit payments</b>	
31 March 2020	5
31 March 2021	7
31 March 2022	10
31 March 2023	12
31 March 2024	19
Thereafter	627

### 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 ₹ 740 and ₹ 735 to the provident fund plan during the years ended 31 March 2019 and 31 March 2018, respectively.

### Superannuation benefits

Certain categories of employees of the Company participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. The Company makes monthly contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 84 and ₹ 88 to the superannuation plan during the years ended 31 March 2019 and 31 March 2018, 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 ₹ 213 and ₹ 212 to the 401(k) retirement savings plan during the years ended 31 March 2019 and 31 March 2018, 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 ₹ 148 and ₹ 135 to the National Insurance during the years ended 31 March 2019 and 31 March 2018, respectively.

### Compensated absences

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded by the Company towards this obligation was ₹ 1,089 and ₹ 1,093 as at 31 March 2019 and 31 March 2018, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.28 Employee stock incentive plans

### Dr. Reddy's Employees Stock Option Plan, 2002 (the "DRL 2002 Plan"):

The Company instituted the DRL 2002 Plan for all eligible employees pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The DRL 2002 Plan covers all employees 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") administer the DRL 2002 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2002 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2002 Plan, as amended at annual general meetings of shareholders held on 28 July 2004 and on 27 July 2005, provides for stock option grants in two categories:

**Category A:** 300,000 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

**Category B:** 1,995,478 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Under the DRL 2002 Plan, the exercise price of the fair market value options granted under Category A above is determined based on the average closing price for 30 days prior to the grant in the stock exchange where there is highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after obtaining the approval of the shareholders in the annual general meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

After the stock split effected in the form of stock dividend issued by the Company in August 2006, the DRL 2002 Plan provides for stock option grants in the above two categories as follows:

Particulars	Number of options reserved under category A	Number of options reserved under category B	Total
Options reserved under original plan	300,000	1,995,478	2,295,478
Options exercised prior to stock dividend date (A)	94,061	147,793	241,854
Balance of shares that can be allotted on exercise of options (B)	205,939	1,847,685	2,053,624
Options arising from stock dividend (C)	205,939	1,847,685	2,053,624
<b>Options reserved after stock dividend (A+B+C)</b>	<b>505,939</b>	<b>3,843,163</b>	<b>4,349,102</b>

The term of the DRL 2002 plan was extended for a period of 10 years effective as of 29 January 2012 by the shareholders at the Company's Annual General Meeting held on 20 July 2012.

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended 31 March 2019 and 31 March 2018 is as follows:

**Category A — Fair Market Value Options:** There was no stock options activity under this category during the year 31 March 2019 and 31 March 2018 and there were no stock options outstanding under this category as of 31 March 2019 and 31 March 2018.

Category B — Par Value Options	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	320,544	5.00	5.00	70
Granted during the year	122,372	5.00	5.00	90
Expired/forfeited during the year	(50,651)	5.00	5.00	-
Exercised during the year	(122,124)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>270,141</b>	<b>5.00</b>	<b>5.00</b>	<b>73</b>
<b>Exercisable at the end of the year</b>	<b>32,836</b>	<b>5.00</b>	<b>5.00</b>	<b>42</b>

Category B — Par Value Options	For the year ended 31 March 2018			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	330,142	5.00	5.00	69
Granted during the year	158,112	5.00	5.00	90
Expired/forfeited during the year	(23,318)	5.00	5.00	-
Exercised during the year	(144,392)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>320,544</b>	<b>5.00</b>	<b>5.00</b>	<b>70</b>
<b>Exercisable at the end of the year</b>	<b>47,383</b>	<b>5.00</b>	<b>5.00</b>	<b>49</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.28 Employee stock incentive plans (continued)

The weighted average grant date fair value of options granted during the years ended 31 March 2019 and 31 March 2018 was ₹ 2,195 and ₹ 2,546 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2019 and 31 March 2018 was ₹ 2,302 and ₹ 2,375 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2019 and 31 March 2018 was ₹ 281 and ₹ 342, respectively. As of 31 March 2019, options outstanding had an aggregate intrinsic value of ₹ 750 and options exercisable had an aggregate intrinsic value of ₹ 91.

### Dr. Reddy's Employees ADR Stock Option Plan, 2007 (the "DRL 2007 Plan"):

The Company instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2005. The DRL 2007 Plan became effective upon its approval by the Board of Directors on 22 January 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). The Committee administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2007 Plan provides for option grants in two categories:

**Category A:** 382,695 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

**Category B:** 1,148,084 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Stock option activity under the DRL 2007 Plan for the two categories of options during the years ended 31 March 2019 and 31 March 2018 is as follows:

Category A — Fair Market Value Options	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Particulars				
Outstanding at the beginning of the year	-	-	-	73
Granted during the year	149,160	1,982.00/ 2,607.00	2,176.00	90
Expired/forfeited during the year	(3,100)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>146,060</b>	<b>1,982.00/ 2,607.00</b>	<b>2,166.00</b>	<b>81</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The weighted average grant date fair value of options granted during the year ended 31 March 2019 was ₹ 515 per option.

As of 31 March 2019, options outstanding had an aggregate intrinsic value of ₹ 90.

Category B — Par Value Options	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Particulars				
Outstanding at the beginning of the year	107,308	5.00	5.00	73
Granted during the year	70,730	5.00	5.00	90
Expired/forfeited during the year	(29,966)	5.00	5.00	-
Exercised during the year	(32,917)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>115,155</b>	<b>5.00</b>	<b>5.00</b>	<b>73</b>
<b>Exercisable at the end of the year</b>	<b>9,229</b>	<b>5.00</b>	<b>5.00</b>	<b>43</b>

Category B — Par Value Options	For the year ended 31 March 2018			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Particulars				
Outstanding at the beginning of the year	88,141	5.00	5.00	74
Granted during the year	63,304	5.00	5.00	90
Expired/forfeited during the year	(19,335)	5.00	5.00	-
Exercised during the year	(24,802)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>107,308</b>	<b>5.00</b>	<b>5.00</b>	<b>73</b>
<b>Exercisable at the end of the year</b>	<b>11,034</b>	<b>5.00</b>	<b>5.00</b>	<b>47</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.28 Employee stock incentive plans (continued)

The weighted average grant date fair value of options granted during the years ended 31 March 2019 and 31 March 2018 was ₹ 2,056 and ₹ 2,540 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2019 and 31 March 2018 was ₹ 2,445 and ₹ 2,295 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2019 and 31 March 2018 was ₹ 80 and ₹ 57, respectively. As of 31 March 2019, options outstanding had an aggregate intrinsic value of ₹ 320 and options exercisable had an aggregate intrinsic value of ₹ 26.

### Dr. Reddy's Employees Stock Option Scheme, 2018 (the "DRL 2018 Plan"):

The Company instituted the DRL 2018 Plan for all eligible employees pursuant to the special resolution approved by the shareholders at the Annual General Meeting held on 27 July 2018. The DRL 2018 Plan covers all employees and directors (excluding independent and promoter directors) of the parent company and its subsidiaries (collectively, "eligible employees"). Upon the exercise of options granted under the DRL 2018 Plan, the applicable equity shares may be issued directly by the Company to the eligible employee or may be transferred from the Dr. Reddy's Employees ESOS Trust (the "ESOS Trust") to the eligible employee. The ESOS Trust may acquire such equity shares through primary issuances by the Company and/or by way of secondary market acquisitions funded through loans from the Company. The Nomination, Governance and Compensation Committee of the Board of the parent company (the "Compensation Committee") administers the DRL 2018 Plan and grants stock options to eligible employees, but may delegate functions and powers relating to the administration of the DRL 2018 Plan to the ESOS Trust. The Compensation Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2018 Plan vest in periods ranging between the end of one and five years, and generally have a maximum contractual term of five years.

The DRL 2018 Plan provides for option grants having an exercise price equal to the fair market value of the underlying equity shares on the date of grant as follows:

Particulars	Number of securities to be acquired from secondary market	Number of securities to be issued by the Company	Total
Options reserved against equity shares	2,500,000	1,500,000	4,000,000
Options reserved against ADRs	-	1,000,000	1,000,000
<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>5,000,000</b>

As at 31 March 2019, the ESOS Trust purchased 217,976 shares from secondary market for an aggregate consideration of ₹ 535.

Stock option activity under the DRL 2018 Plan during the year ended 31 March 2019 is as follows:

Fair Market Value Options	For the year ended 31 March 2019			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	235,700	2,607.00	2,607.00	90
Expired/forfeited during the year	(6,100)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>229,600</b>	<b>2,607.00</b>	<b>2,607.00</b>	<b>84</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The weighted average grant date fair value of options granted during the year ended 31 March 2019 was ₹ 667 per option.

As of 31 March 2019, options outstanding had an aggregate intrinsic value of ₹ 40.

### Valuation of stock options:

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted. The fair value of stock options granted under the DRL 2002 Plan, the DRL 2007 Plan and the DRL 2018 Plan has been measured using the Black-Scholes-Merton model at the date of the grant.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options granted, the expected term of an option (or "option life") is estimated based on the vesting term and contractual term, as well as the expected exercise behavior of the employees receiving the option. In respect of fair market value options granted, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.28 Employee stock incentive plans (continued)

As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock-based compensation expense could be materially impacted in future years.

The estimated fair value of stock options is recognised in the consolidated statement of profit and loss on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

The weighted average inputs used in computing the fair value of options granted during the years ended 31 March 2019 and 31 March 2018 were as follows:

Particulars	Grants made on					
	31 January 2019	21 September 2018	26 July 2018	21 May 2018	10 July 2017	11 May 2017
Expected volatility	32.92%	33.98%	34.89%	32.97%	30.86%	31.08%
Exercise price	₹ 5.00	₹ 5.00/ ₹ 2,607.00	₹ 5.00	₹ 5.00/ ₹ 1,982.00	₹ 5.00	₹ 5.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	7.00%	7.90%	7.47%	7.46%	6.48%	6.69%
Expected dividends	0.74%	0.78%	0.94%	1.06%	0.77%	0.77%
Grant date share price	₹ 2,720.80	₹ 2,556.25	₹ 2,132.75	₹ 1,893.05	₹ 2,726.20	₹ 2,594.00

## Share-based payment expense

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Equity settled share-based payment expense <sup>(1)</sup>	389	454
Cash settled share-based payment expense <sup>(2)</sup>	85	28
	<b>474</b>	<b>482</b>

<sup>(1)</sup> As of 31 March 2019, there was ₹ 519 of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 2.09 years.

<sup>(2)</sup> 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 one to four years. The amount of cash payment is determined based on the price of the Company's ADSs at the time of vesting. As of 31 March 2019, there was ₹ 101 of total unrecognised compensation cost related to unvested awards. This cost is expected to be recognised over a weighted-average period of 1.95 years. This scheme does not involve dealing in or subscribing to or purchasing securities of the Company, directly or indirectly.

## 2.29 Income taxes

### a) Income tax expense/(benefit) recognised in the consolidated statement of profit and loss

Income tax expense recognised in the consolidated statement of profit and loss consists of the following:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Current taxes</b>		
Domestic	3,003	1,387
Foreign	1,704	366
	<b>4,707</b>	<b>1,753</b>
<b>Deferred taxes</b>		
Domestic	244	(78)
Foreign	(1,093)	2,705
	<b>(849)</b>	<b>2,627</b>
<b>Total income tax expense recognised in the consolidated statement of profit and loss</b>	<b>3,858</b>	<b>4,380</b>

### b) Income tax expense/(benefit) recognised directly in equity

Income tax expense/(benefit) recognised directly in equity consist of the following:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Tax effect on changes in fair value of investments	411	(893)
Tax effect on foreign currency translation differences	(15)	17
Tax effect on effective portion of change in fair value of cash flow hedges	69	(40)
Tax effect on actuarial gains/losses on defined benefit obligations	7	19
<b>Total income tax expense/(benefit) recognised in the equity</b>	<b>472</b>	<b>(897)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.29 Income taxes (continued)

### c) Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended 31 March 2019 and 31 March 2018:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Profit before income taxes	22,920	13,504
Enacted tax rate in India	34.94%	34.61%
Computed expected tax expense	8,008	4,674
<i>Effect of:</i>		
Differences between Indian and foreign tax rates	(784)	(772)
(Unrecognised deferred tax assets)/recognition of previously unrecognised deferred tax assets, net	458	1,649
Expenses not deductible for tax purposes	315	255
Reversal of earlier years' tax provisions	(282)	(160)
Income exempt from income taxes	(1,128)	(625)
Foreign exchange differences	(463)	(46)
Incremental deduction allowed for research and development costs <sup>(1)</sup>	(1,134)	(1,324)
Write off of accounts receivables	(1,294)	-
Effect of change in tax rate	3	1,269
Others	159	(540)
<b>Income tax expense</b>	<b>3,858</b>	<b>4,380</b>
<b>Effective tax rate</b>	<b>16.83%</b>	<b>32.43%</b>

<sup>(1)</sup> India's Finance Act, 2016 incorporated an amendment that reduces the weighted deduction on eligible research and development expenditure in a phased manner from 200% to 150% commencing from 1 April 2017, and from 150% to 100% effective 1 April 2020.

The decrease in the Company's effective tax rate for the year ended 31 March 2019 as compared to the year ended 31 March 2018 was primarily on account of the re-measurement of deferred tax assets and liabilities of the Company's subsidiaries in the United States due to the enactment of The Tax Cuts and Jobs Act of 2017 in the United States on 22 December 2017. Due to this enactment, the Company re-measured its U.S. deferred tax assets and liabilities based on the new tax law. This resulted in a charge of ₹ 1,269 for the year ended 31 March 2018, primarily to reflect the impact on the Company's U.S. deferred tax assets of the reduction in the corporate federal income tax rate from 35% to 21% under the new tax law, and the tax deduction in the year ended 31 March 2019, of an item which was previously disallowed for tax purposes.

### d) Unrecognised deferred tax assets and liabilities

The details of unrecognised deferred tax assets and liabilities are summarised below:

Particulars	As at 31 March 2019	As at 31 March 2018
Deductible temporary differences, net	5,479	4,977
Operating tax loss carry-forward	3,567	4,030
	<b>9,046</b>	<b>9,007</b>

During the year ended 31 March 2019, the Company, based on probable future taxable profit, has recognised previously unrecognised deferred tax assets pertaining to carry forward tax losses in Dr. Reddy's Farmaceutica Do Brasil Ltda.

During the year ended 31 March 2019, the Company did not recognise deferred tax assets of ₹ 502 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 utilised.

Deferred income taxes are not provided on undistributed earnings of ₹ 34,023 as at 31 March 2019, 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 of 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.29 Income taxes (continued)

### e) Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Deferred tax assets/(liabilities):</b>		
Inventory	3,302	1,805
Minimum Alternate Tax*	1,630	1,630
Trade receivables	801	737
Operating tax loss and interest loss carry-forward	298	112
Current liabilities and provisions	701	656
Property, plant and equipment	(2,950)	(2,224)
Investments	197	693
Others	(135)	46
<b>Net deferred tax assets</b>	<b>3,844</b>	<b>3,455</b>

\* 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 realised, management considers whether some portion or all of the deferred income tax assets will not be realised. The ultimate realisation of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realise the benefits of those recognised deductible differences and tax loss carry forwards. Recoverability of deferred tax assets is based on estimates of future taxable income. Any changes in such future taxable income would impact the recoverability of deferred tax assets. Operating loss carry forward consists of business losses, unabsorbed depreciation and unabsorbed interest carry-forwards. A portion of this total loss can be carried indefinitely and the remaining amounts expire at various dates ranging from 2020 through 2029.

### f) Movement in deferred tax assets and liabilities during the years ended 31 March 2019 and 31 March 2018

The details of movement in deferred tax assets and liabilities are summarised below:

Particulars	As at 1 April 2018	Recognised in the consolidated statement of profit and loss	Recognised in equity	As at 31 March 2019
<b>Deferred tax assets/(liabilities)</b>				
Inventory	1,805	1,497	-	3,302
Minimum Alternate Tax	1,630	-	-	1,630
Trade receivables	737	64	-	801
Operating tax loss and interest loss carry-forward	112	186	-	298
Current liabilities and provisions	656	110	(65)	701
Property, plant and equipment	(2,224)	(726)	-	(2,950)
Investments	693	(85)	(411)	197
Others	46	(181)	-	(135)
<b>Net deferred tax assets/(liabilities)</b>	<b>3,455</b>	<b>865</b>	<b>(476)</b>	<b>3,844</b>

Particulars	As at 1 April 2017	Recognised in the consolidated statement of profit and loss	Recognised in equity	As at 31 March 2018
<b>Deferred tax assets/(liabilities)</b>				
Inventory	2,389	(584)	-	1,805
Minimum Alternate Tax	1,637	(7)	-	1,630
Trade receivables	1,386	(649)	-	737
Operating tax loss and interest loss carry-forward	1,329	(1,217)	-	112
Current liabilities and provisions	805	(158)	9	656
Property, plant and equipment	(1,673)	(551)	-	(2,224)
Investments	(704)	504	893	693
Others	(5)	51	-	46
<b>Net deferred tax assets/(liabilities)</b>	<b>5,164</b>	<b>(2,611)</b>	<b>902</b>	<b>3,455</b>

The amounts recognised in the consolidated statement of profit and loss during the years ended 31 March 2019 and 31 March 2018 include ₹ 16 and ₹ 16 respectively, which represent exchange differences arising due to foreign currency translations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.30 Operating leases

The Company has leased offices and vehicles under various operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under these leases was ₹ 905 and ₹ 787 for the years ended 31 March 2019 and 31 March 2018, respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

Particulars	As at 31 March 2019	As at 31 March 2018
Less than one year	405	496
Between one and five years	797	1,144
More than five years	89	289
	<b>1,291</b>	<b>1,929</b>

## 2.31 Financial instruments

### Instruments by category

The carrying value and fair value of financial instruments as at 31 March 2019 and 31 March 2018 were as follows:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Total carrying value	Total fair value/ amortised cost	Total carrying value	Total fair value/ amortised cost
<b>Financial assets</b>				
Cash and cash equivalents	2,228	2,228	2,638	2,638
Investments <sup>(i)</sup>	23,342	23,342	20,879	20,879
Trade receivables	39,982	39,982	40,696	40,696
Derivative instruments	360	360	105	105
Other financial assets	2,843	2,843	2,289	2,289
<b>Total</b>	<b>68,755</b>	<b>68,755</b>	<b>66,607</b>	<b>66,607</b>
<b>Financial liabilities</b>				
Trade payables	13,671	13,671	13,345	13,345
Long-term borrowings	22,000	22,000	25,089	25,089
Short-term borrowings	12,125	12,125	25,562	25,562
Derivative instruments	68	68	85	85
Other financial liabilities	22,772	22,772	19,641	19,641
<b>Total</b>	<b>70,636</b>	<b>70,636</b>	<b>83,722</b>	<b>83,722</b>

<sup>(i)</sup> Interest accrued but not due on investments is included in other financial assets.

### Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2019:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	16,240	-	-	16,240
FVTOCI - Financial asset - Investment in equity securities	791	-	-	791
Derivative financial instruments – net gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts <sup>(i)</sup>	-	292	-	292

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2018:

Particulars	Level 1	Level 2	Level 3	Total
FVTPL - Financial asset - Investments in units of mutual funds	14,778	-	-	14,778
FVTOCI - Financial asset - Investment in equity securities	1,194	-	-	1,194
Derivative financial instruments – net gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts <sup>(i)</sup>	-	20	-	20

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.31 Financial instruments (continued)

<sup>(i)</sup> The Company enters into derivative financial instruments with various counterparties, principally financial institutions and banks. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward option and swap contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black-Scholes-Merton models (for option valuation), using present value calculations. The models incorporate various inputs including foreign exchange forward rates, interest rate curves and forward rate curves.

As at 31 March 2019 and 31 March 2018, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

### Derivative financial instruments

The Company had a derivative financial asset and derivative financial liability of ₹ 360 and ₹ 68, respectively, as of 31 March 2019 as compared to derivative financial asset and derivative financial liability of ₹ 105 and ₹ 85, respectively, as of 31 March 2018 towards these derivative financial instruments.

### Details of gain/(loss) recognised in respect of derivative contracts

The following table presents details in respect of the gain/(loss) recognised in respect of derivative contracts during the applicable year ended :

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Net gain/(loss) recognised as part of foreign exchange gain and losses in respect of foreign exchange derivative contracts	(257)	161
Net gain/(loss) recognised in equity in respect of hedges of highly probable forecast transactions	180	(79)
Net gain/(loss) recognised as component of revenue	(524)	651

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a gain of ₹ 229 as at 31 March 2019, as compared to a gain of ₹ 49 as at 31 March 2018.

### Outstanding foreign exchange derivative contracts

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2019:

Category	Instrument	Currency	Cross Currency <sup>(i)</sup>	Amount in millions	Buy/Sell
Hedges of recognised assets and liabilities	Forward contract	US\$	INR	US\$ 261	Sell
	Forward contract	RUB	INR	RUB 2,710	Sell
	Forward contract	GBP	INR	GBP 18	Sell
	Forward contract	US\$	RUB	US\$ 30	Buy
	Forward contract	GBP	US\$	GBP 23	Buy
Hedges of highly probable forecast transactions	Forward contract	RUB	INR	RUB 1,350	Sell
	Option contract	US\$	INR	US\$ 300	Sell

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2018:

Category	Instrument	Currency	Cross Currency <sup>(i)</sup>	Amount in millions	Buy/Sell
Hedges of recognised assets and liabilities	Forward contract	US\$	INR	US\$ 72	Sell
	Forward contract	GBP	US\$	GBP 31	Buy
	Forward contract	US\$	RUB	US\$ 38	Buy
	Option contract	US\$	INR	US\$ 65	Sell
Hedges of highly probable forecast transactions	Forward contract	RUB	INR	RUB 1,080	Sell
	Option contract	US\$	INR	US\$ 240	Sell

<sup>(i)</sup> "INR" means Indian Rupees, "US\$" means United States dollars, "RON" means Romanian new leu, "GBP" means U.K. pounds sterling and "RUB" means Russian roubles.

The table below summarises the periods when the cash flows associated with highly probable forecast transactions that are classified as cash flow hedges are expected to occur:

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Cash flows in United States dollars</b>		
Not later than one month	2,420	1,955
Later than one month and not later than three months	4,841	3,911
Later than three months and not later than six months	7,261	5,866
Later than six months and not later than one year	6,225	3,910
	<b>20,747</b>	<b>15,642</b>
<b>Cash flows in Russian roubles</b>		
Not later than one month	161	102
Later than one month and not later than three months	320	204
Later than three months and not later than six months	480	306
Later than six month and not later than one year	480	611
	<b>1,441</b>	<b>1,223</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.31 Financial instruments (continued)

### Hedges of changes in the interest rates

Consistent with its risk management policy, the Company uses interest rate swaps (including cross currency interest rate swaps) to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

A net loss of ₹ 28, representing the changes in the fair value of interest rate swaps used as hedging instrument in a cash flow hedge is recognised in the statement of other comprehensive income. For balance interest rate swaps, the changes in fair value (including cross currency interest rate swaps) are recognised as part of the finance costs. Accordingly the Company has recorded, as part of finance cost, a net loss of ₹ 0 and a net gain of ₹ 9 for the year ended 31 March 2019 and 31 March 2018 respectively.

The Company had outstanding interest swap arrangements that hedged a portion of interest rate risk arising from floating rate, dollar denominated foreign currency borrowing of US\$ 50 million and US\$ 50 million as at 31 March 2019 and 31 March 2018, respectively.

## 2.32 Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimise potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

### a) Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short-term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

### Foreign exchange risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in United States dollars, Russian roubles, U.K pounds sterling and Euros) and foreign currency borrowings (in United States dollars, Russian roubles, Ukrainian hryvnias, South African rands, Mexican pesos 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 forecast transactions and recognised assets and liabilities.

The details in respect of the outstanding foreign exchange forward and option contracts are given in note 2.31 to these consolidated financial statements.

In respect of the Company's forward and option contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- a ₹ 1,872/(1,349) increase/(decrease) in the Company's hedging reserve and a ₹ 1,789/(1,873) increase/(decrease) in the Company's profit from such contracts, as at 31 March 2019;
- a ₹ 1,277/(1,338) increase/(decrease) in the Company's hedging reserve and a ₹ 403/(308) increase/(decrease) in the Company's profit from such contracts, as at 31 March 2018.

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2019:

Particulars	(All figures in equivalent Indian Rupees millions)				
	United States dollars	Euros	Russian roubles	Others <sup>(1)</sup>	Total
<b>Assets</b>					
Cash and cash equivalents	339	30	58	418	845
Investments	20	-	-	-	20
Trade receivables	20,524	437	7,290	2,969	31,220
Other financial assets	298	18	68	138	522
<b>Total</b>	<b>21,181</b>	<b>485</b>	<b>7,416</b>	<b>3,525</b>	<b>32,607</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.32 Financial risk management (continued)

(All figures in equivalent Indian Rupees millions)

Particulars	United States dollars	Euros	Russian roubles	Others <sup>(1)</sup>	Total
<b>Liabilities</b>					
Trade payables	2,260	987	-	299	3,546
Long-term borrowings	3,453	-	3	-	3,456
Short-term borrowings	7,538	-	1,387	307	9,232
Other financial liabilities	5,207	105	1,509	985	7,806
<b>Total</b>	<b>18,458</b>	<b>1,092</b>	<b>2,899</b>	<b>1,591</b>	<b>24,040</b>

The following table analyses foreign currency risk from non-derivative financial instruments as at 31 March 2018:

(All figures in equivalent Indian Rupees millions)

Particulars	United States dollars	Euros	Russian roubles	Others <sup>(1)</sup>	Total
<b>Assets</b>					
Cash and cash equivalents	392	62	56	512	1,022
Investments	-	-	-	20	20
Trade receivables	25,427	437	6,681	2,592	35,137
Other assets	125	85	260	196	666
<b>Total</b>	<b>25,944</b>	<b>584</b>	<b>6,997</b>	<b>3,320</b>	<b>36,845</b>
<b>Liabilities</b>					
Trade payables	3,036	1,566	2	328	4,932
Long-term borrowings	4,888	-	-	-	4,888
Short-term borrowings	19,552	-	2,378	178	22,108
Other financial liabilities	3,831	227	1,905	705	6,668
<b>Total</b>	<b>31,307</b>	<b>1,793</b>	<b>4,285</b>	<b>1,211</b>	<b>38,596</b>

<sup>(1)</sup> Others primarily consists of U.K. pounds sterling, Swiss francs, Romanian new leus and Ukrainian hryvnia.

For the years ended 31 March 2019 and 31 March 2018, 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 ₹ 857 and ₹ 175, respectively.

### Interest rate risk

As of 31 March 2019, the Company had ₹ 31,154 of loans carrying a floating interest rate ranging from 1 Month LIBOR plus 25 bps to 1 Month LIBOR plus 105 bps; ₹ 72 of loans carrying a floating interest rate of 1 Month JIBAR plus 120 bps; and ₹ 1,749 of loans carrying a floating interest rate of TIIE+1.25%. As of 31 March 2018, the Company had ₹ 42,592 of loans carrying a floating interest rate ranging from 1 Month LIBOR minus 30 bps to 1 Month/3 Months LIBOR plus 85 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 2.10 A and B of these consolidated financial statements.

For the years ended 31 March 2019 and 31 March 2018, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR, JIBAR and TIIE) applicable to its loans and borrowings would affect the Company's net profit by ₹ 93 and ₹ 77, respectively.

The carrying value of the Company's borrowings, interest component of which designated in a cash flow hedge, was ₹ 3,458 as of 31 March 2019. In respect of these borrowings, a 10% decrease/increase in the interest rates of such borrowings would have resulted in a ₹ 14/(12) increase/decrease in the Company's hedging reserve as at 31 March 2019.

The Company's investments in term deposits (i.e., certificates of deposit) with banks and short-term liquid mutual funds are for short durations, and therefore do not expose the Company to significant interest rates risk.

### Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of 31 March 2019, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.32 Financial risk management (continued)

### b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for credit losses and impairment that represents its estimate of expected losses in respect of trade and other receivables and investments.

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

#### Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

#### Details of financial assets – not due, past due and impaired

None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) with banks, were past due or impaired as at 31 March 2019. The Company's credit period for trade receivables payable by its customers generally ranges from 20 - 180 days.

The ageing of trade receivables is given below:

Period (in days)	As at 31 March 2019	As at 31 March 2018
Neither past due nor impaired	33,874	35,747
Past due but not impaired		
Less than 365 days	6,262	4,949
More than 365 days	1,018	1,041
<b>Total</b>	<b>41,154</b>	<b>41,737</b>
Less : Allowance for credit losses	(1,172)	(1,041)
<b>Net trade receivables</b>	<b>39,982</b>	<b>40,696</b>

See Note 2.6 B of these consolidated financial statements for the activity in the allowance for credit losses.

Other than trade receivables, the Company has no significant class of financial assets that is past due but not impaired.

### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

As of 31 March 2019 and 31 March 2018, the Company had uncommitted lines of credit from banks of ₹ 47,134 and ₹ 24,046 respectively.

As of 31 March 2019, the Company had working capital of ₹ 52,128, including cash and cash equivalents of ₹ 2,228, investments in term deposits with banks (i.e., deposits having original maturities of more than 3 months), bonds and commercial paper of ₹ 6,289 and investments measured at fair value through profit and loss ("FVTPL") of ₹ 16,240.

As of 31 March 2018, the Company had working capital of ₹ 36,046, including cash and cash equivalents of ₹ 2,638, investments in term deposits with banks (i.e., deposits having original maturities of more than 3 months), bonds and commercial paper of ₹ 3,552 and measured at fair value through profit and loss ("FVTPL") of ₹ 14,778.

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long-term borrowings and obligations under finance leases, which have been disclosed in note 2.10 A to these consolidated financial statements) as at 31 March 2019:

Particulars	2020	2021	2022	2023	Thereafter	Total
Trade payables	13,671	-	-	-	-	13,671
Short-term borrowings	12,125	-	-	-	-	12,125
Derivative instruments	68	-	-	-	-	68
Other financial liabilities	22,670	17	17	17	51	22,772

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.32 Financial risk management (continued)

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long-term borrowings and obligations under finance leases, which have been disclosed in note 2.10 A to these consolidated financial statements) as at 31 March 2018:

Particulars	2019	2020	2021	2022	Thereafter	Total
Trade payables	13,345	-	-	-	-	13,345
Short-term borrowings	25,562	-	-	-	-	25,562
Derivative instruments	85	-	-	-	-	85
Other financial liabilities	19,497	51	16	16	61	19,641

## 2.33 Contingent liabilities and commitments

### A. Contingent liabilities (claims against the company not acknowledged as debts)

The Company is involved in disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. The more significant matters are discussed below. Most of the claims involve complex issues. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. This is due to a number of factors, including: the stage of the proceedings (in many cases trial dates have not been set) and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. In these cases, the Company discloses information with respect to the nature and facts of the case. The Company also believes that disclosure of the amount sought by plaintiffs, if that is known, would not be meaningful with respect to those legal proceedings.

Although there can be no assurance regarding the outcome of any of the legal proceedings or investigations referred to in this Note, the Company does not expect them to have a materially adverse effect on its financial position, as it believes that the likelihood of loss in excess of amounts accrued (if any) is not probable. However, if one or more of such proceedings were to result in judgements against the Company, such judgements could be material to its results of operations in a given period.

### (i) Product and patent related matters

#### Launch of product

On 14 June 2018, the U.S. FDA granted the Company final approval for Buprenorphine and Naloxone Sublingual Film, 2 mg/0.5 mg, 4 mg/1 mg, 8 mg/2 mg, and 12 mg/3 mg dosages, a therapeutic equivalent generic version of Suboxone® sublingual film. The U.S. FDA approval came after the conclusion of litigation in the U.S. District Court for the District of Delaware, (the "Delaware District Court"), where the Delaware District Court held that patents covering Suboxone® sublingual film would not be infringed by the Company's commercial launch of its generic sublingual film product. In light of the favourable decision from the Delaware District Court, the Company launched its generic sublingual film product in the U.S. immediately following the U.S. FDA approval on 14 June 2018. Indivior has appealed the Delaware District Court's decision to the U.S. Court of Appeals for the Federal Circuit ("Court of Appeals"). Oral argument on Indivior's appeal occurred on 2 April 2018. The parties are awaiting a ruling from the Court of Appeals.

After the Delaware Court's decision, Indivior filed a second lawsuit against the Company alleging infringement of three additional patents in the U.S. District Court for the District of New Jersey, styled Indivior Inc. et al. v. Dr. Reddy's Laboratories S.A., Civil Action No. 2:17-cv-07111 (D.N.J.) (the "New Jersey District Court"). Following the launch, on 15 June 2018, Indivior PLC ("Indivior") filed an emergency application for a temporary restraining order and preliminary injunction against the Company in the New Jersey District Court. Indivior's motion alleged that the Company's generic sublingual film product infringed one of three patents at issue in the New Jersey District Court. Pending a hearing and decision on the injunction application, the New Jersey District Court initially issued a temporary restraining order against the Company with respect to further sales, offer for sales, and imports of its generic sublingual film product in the United States. Subsequently, on 14 July 2018, the New Jersey District Court granted a preliminary injunction in favour of Indivior. Under the Order, Indivior required to and did post a bond of US\$ 72 million to pay the costs and damages sustained by the Company if it was found to be wrongfully enjoined. The Company immediately appealed the decision and Court of Appeals agreed to expedite the appeal.

The Court of Appeals heard oral argument on the Company's appeal on 4 October 2018. On 20 November 2018, the Court of Appeals issued a decision vacating the preliminary injunction. On 20 December 2018, Indivior filed a petition seeking rehearing of the appeal and the Court of Appeals asked the Company to respond to Indivior's petition on 16 January 2019. The Company filed its response to Indivior's petition, for rehearing on 17 January 2019. On 4 February 2019, the Federal Circuit Court denied Indivior's petition for rehearing. Indivior subsequently filed two emergency motions in the Federal Circuit Court to stay issuance of the mandate to vacate the preliminary injunction, which the Federal Circuit Court denied. Indivior then petitioned the U.S. Supreme Court to stay issuance of the mandate. Indivior's petition was denied by the Chief Justice of the U.S. Supreme Court on 19 February 2019 and the mandate was issued on the same day. The Company resumed its launch of its generic Suboxone product after the mandate was issued. Litigation has resumed in the New Jersey District Court. No trial date has been set by the New Jersey District Court.

The Company intends to vigorously defend its positions and pursue a claim for damages caused by the preliminary injunction. Any liability that may arise on account of this litigation is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

### Matters relating to National Pharmaceutical Pricing Authority

#### *Norfloxacin, India litigation*

The Company manufactures and distributes Norfloxacin, a formulations product, and in limited quantities, the active pharmaceutical ingredient norfloxacin. Under the Drugs (Prices Control) Order (the "DPCO"), the National Pharmaceutical Pricing Authority (the "NPPA") established by the Government of India had the authority to designate a pharmaceutical product as a "specified product" and fix the maximum selling price for such product. In 1995, the NPPA issued a notification and designated Norfloxacin as a "specified product" and fixed the maximum selling price. In 1996, the Company filed a statutory Form III before the NPPA for the upward revision of the maximum selling price and a writ petition in the Andhra Pradesh High Court (the "High Court") challenging the validity of the designation on the grounds that the applicable rules of the DPCO were not complied with while fixing the maximum selling price. The High Court had previously granted an interim order in favour of the Company; however it subsequently dismissed the case in April 2004.

The Company filed a review petition in the High Court in April 2004 which was also dismissed by the High Court in October 2004. Subsequently, the Company appealed to the Supreme Court of India, New Delhi (the "Supreme Court") by filing a Special Leave Petition.

During the year ended 31 March 2006, the Company received a notice from the NPPA demanding the recovery of the price charged by the Company for sales of Norfloxacin in excess of the maximum selling price fixed by the NPPA, which was ₹ 285 including interest.

The Company filed a writ petition in the High Court challenging this demand order. The High Court admitted the writ petition and granted an interim order, directing the Company to deposit 50% of the principal amount claimed by the NPPA, which was ₹ 77. The Company deposited this amount with the NPPA in November 2005. In February 2008, the High Court directed the Company to deposit an additional amount of ₹ 30, which was deposited by the Company in March 2008. In November 2010, the High Court allowed the Company's application to include additional legal grounds that the Company believed strengthened its defense against the demand. For example, the Company added as grounds that trade margins should not be included in the computation of amounts overcharged, and that it was necessary for the NPPA to set the active pharmaceutical ingredient price before the process of determining the ceiling on the formulation price.

In October 2013, the Company filed an additional writ petition before the Supreme Court challenging the inclusion of Norfloxacin as a "specified product" under the DPCO. In January 2015, the NPPA filed a counter affidavit stating that the inclusion of Norfloxacin was based upon the recommendation of a committee consisting of experts in the field. On 20 July 2016, the Supreme Court remanded the matters concerning the inclusion of Norfloxacin as a "specified product" under the DPCO back to the High Court for further proceedings. During the three months ended 30 September 2016, the Supreme Court dismissed the Special Leave Petition pertaining to the fixing of prices for Norfloxacin formulations.

During the three months ended 31 December 2016, a writ petition pertaining to Norfloxacin was filed by the Company with the Delhi High Court. The matter is adjourned to 11 September 2019 for hearing.

Based on its best estimate, the Company has recorded a provision for potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

#### *Litigation relating to Cardiovascular and Anti-diabetic formulations*

In July 2014, the NPPA, pursuant to the guidelines issued in May 2014 and the powers granted by the Government of India under the Drugs (Price Control) Order, 2013, issued certain notifications regulating the prices for 108 formulations in the cardiovascular and anti-diabetic therapeutic areas. The Indian Pharmaceutical Alliance ("IPA"), in which the Company is a member, filed a writ petition in the Bombay High Court challenging the notifications issued by the NPPA on the grounds that they were ultra vires, ex facie and ab initio void. The Bombay High Court issued an order to stay the writ in July 2014. On 26 September 2016, the Bombay High Court dismissed the writ petition filed by the IPA and upheld the validity of the notifications/orders passed by the NPPA in July 2014. Further, on 25 October 2016, the IPA filed a Special Leave Petition with the Supreme Court, which was dismissed by the Supreme Court.

During the three months ended 31 December 2016, the NPPA issued show-cause notices relating to allegations that the Company exceeded the notified maximum prices for 11 of its products. The Company has responded to these notices.

On 20 March 2017, the IPA filed an application before the Bombay High Court for the recall of the judgement of the Bombay High Court dated 26 September 2016. This recall application filed by the IPA was dismissed by the Bombay High Court on 4 October 2017. Further, on 13 December 2017, the IPA filed a Special Leave Petition, with the Supreme Court for the recall of the judgement of the Bombay High Court dated 4 October 2017, which was dismissed by Supreme Court on 10 January 2018.

During the three months ended 31 March 2017, the NPPA issued notices to the Company demanding payments relating to the foregoing products for the allegedly overcharged amounts, along with interest. On 13 July 2017, in response to a writ petition which the Company had filed, the Delhi High Court set aside all the demand notices of the NPPA and directed the NPPA to provide a personal hearing to the Company and pass a speaking order. A personal hearing in this regard was held on 21 July 2017. On 27 July 2017, the NPPA passed a speaking order along with the demand notice directing the Company to pay an amount of ₹ 776. On 3 August 2017, the Company filed a writ petition challenging the speaking order and the demand notice.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

Upon hearing the matter on 8 August 2017, the Delhi High Court stayed the operation of the demand order and directed the Company to deposit ₹ 100 and furnish a bank guarantee for ₹ 676. Pursuant to the order, the Company deposited ₹ 100 on 13 September 2017 and submitted a bank guarantee of ₹ 676 dated 15 September 2017 to the Registrar General, Delhi High Court. On 22 November 2017, the Delhi High Court directed the Union of India to file a final counter affidavit within six weeks, subsequent to which the Company could file a rejoinder.

On 10 May 2018, the counter affidavit was filed by the Union of India. The Company subsequently filed a rejoinder and both were taken on record by the Delhi High Court. The matter has been adjourned to 22 July 2019 for hearing.

Based on its best estimate, the Company has recorded a provision of ₹ 342 under "selling and other expenses" as a potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

However, if the Company is unsuccessful in such litigation, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and could potentially include penalties, which amounts are not readily ascertainable.

### Other product and patent related matters

#### *Child resistant packaging matter complaint under the False Claims Act ("FCA")*

In May 2012, the Consumer Product Safety Commission (the "CPSC") requested that Dr. Reddy's Laboratories Inc., a wholly-owned subsidiary of the Company in the United States, provide certain information with respect to compliance with requirements of special packaging for child resistant blister packs for 6 products sold by the Company in the United States during the period commencing in 2002 through 2011. The Company provided the requested information. The CPSC subsequently alleged in a letter dated 30 April 2014 that the Company had violated the Consumer Product Safety Act (the "CPSA") and the Poison Prevention Packaging Act (the "PPPA") and that the CPSC intended to seek civil penalties. Specifically, the CPSC asserted, among other things, that from or about 14 August 2008 through 1 June 2012, the Company sold prescription drugs having unit dose packaging that failed to comply with the CPSC's special child resistant packaging regulations under the PPPA and failed to issue general certificates of conformance. In addition, the CPSC asserted that the Company violated the CPSA by failing to immediately advise the CPSC of the alleged violations. The Company disagrees with the CPSC's allegations.

Simultaneously, the U.S. Department of Justice (the "DOJ") began to investigate a sealed complaint which was filed in the United States District Court for the Eastern District of Pennsylvania under the Federal False Claims Act ("FCA") related to these same issues (the "FCA Complaint"). The Company cooperated with the DOJ in its investigation. The DOJ and all States involved in the investigation declined to intervene in the FCA Complaint. On 10 November 2015, the FCA Complaint was unsealed and the plaintiff whistleblowers, who are two former employees of the Company, proceeded without the DOJ's and applicable States' involvement. The unsealed FCA Complaint relates to the 6 blister pack products originally subject to the investigation and also 38 of the Company's generic prescription products sold in the U.S. in various bottle and cap packaging.

The Company filed its response to the FCA Complaint on 23 February 2016 in the form of a motion to dismiss for failure to state a claim upon which relief can be granted. On 26 March 2017, the Court granted the Company's motion to dismiss, dismissing the FCA Complaint and allowing the plaintiffs one more chance to refile this complaint in an attempt to plead sustainable allegations. On 29 March 2017, the plaintiffs filed their final amended FCA Complaint, which the Company opposed and during the three months ended 31 March 2018, the Company obtained dismissal of the FCA Complaint with prejudice. The plaintiffs filed a petition with the Court requesting that the Court reconsider its decision to dismiss the FCA Complaint with prejudice, and that request was denied.

The parallel investigation by the CPSC under the CPSA and the PPPA was referred by the CPSC to the DOJ's office in Washington, D.C. in April 2016, with the recommendation that the DOJ initiate a civil penalty action against the Company. The CPSC matter referred to the DOJ relates to five of the blister pack products.

On 18 January 2018, the Company and the DOJ entered into a settlement of the action and agreed to a consent decree providing for a civil penalty of US\$ 5 million (₹ 319) and injunctive relief. The settlement was without adjudication of any issue of fact or law, and the Company has not admitted any violations of law pursuant to this settlement.

During the three months ended 31 March 2018, the Company obtained dismissal of the FCA Complaint with prejudice. The plaintiffs subsequently filed a petition with the Court requesting that the Court reconsider its decision to dismiss the FCA Complaint with prejudice, and that request was denied.

In June 2018, the plaintiffs filed their Notice of Appeal to the Third Circuit Court of Appeals. During the three months ended September 2018, the plaintiffs and the DOJ settled and thus this appeal was dismissed. The plaintiffs then filed an application for recovery of attorneys' fees from the Company under the "alternative remedy doctrine." The Company made opposing filings to this and in response the plaintiffs withdrew their application.

The Company believes that the likelihood of any liability that may arise on account of the FCA Complaint is not probable. Accordingly, no provision has been made in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

### *Namenda Litigation*

In August 2015, Sergeants Benevolent Assoc. Health & Welfare Fund (“Sergeants”) filed suit against the Company in the United States District Court for the Southern District of New York. Sergeants alleged that certain parties, including the Company, violated federal antitrust laws as a consequence of having settled patent litigation related to the Alzheimer’s drug Namenda® (memantine) tablets during a period from about 2009 until 2010. Sergeants seeks to represent a class of “end-payor” purchasers of Namenda® tablets (i.e., insurers, other third-party payors and consumers).

Sergeants seeks damages based upon an allegation made in the complaint that the defendants entered into patent settlements regarding Namenda® tablets for the purpose of delaying generic competition and facilitating the brand innovator’s attempt to shift sales from the original immediate release product to the more recently introduced extended release product. The Company believes that the complaint lacks merit and that the Company’s conduct complied with all applicable laws and regulations.

Defendants’ motions to dismiss were denied. A stay on discovery has been lifted and some discovery has been taken but there is currently no schedule in place. Four other class action complaints, each containing similar allegations to the Sergeants complaint, have also been filed in the U.S. District Court for the Southern District of New York. However, 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 U.S. District Court for the Southern District of New York. The case brought by the State of New York contained some (but not all) of the allegations set forth in the class action complaints, but the Company was not named as a party. The case brought by the State of New York was dismissed by stipulation on 30 November 2015.

The Company believes that the likelihood of any liability that may arise on account of alleged violation of federal antitrust laws is not probable. Accordingly, no provision has been made in these consolidated financial statements.

### *Class Action and Other Civil Litigation on Pricing/Reimbursement Matters*

On 30 December 2015 and on 4 February 2016, respectively, a class action complaint (the “First Pricing Complaint”) and another complaint (not a class action) (the “Second Pricing Complaint”) were filed against the Company and eighteen other pharmaceutical defendants in State Court in the Commonwealth of Pennsylvania. In these actions, the class action plaintiffs allege that the Company and other defendants, individually or in some cases in concert with one another, have engaged in pricing and price reporting practices in violation of various Pennsylvania state laws. More specifically, the plaintiffs allege that: (1) the Company provided false and misleading pricing information to third party drug compendia companies for the Company’s generic drugs, and such information was relied upon by private third party payers that reimbursed for drugs sold by the Company in the United States, and (2) the Company acted in concert with certain other defendants to unfairly raise the prices of generic divalproex sodium ER (bottle of 80, 500 mg tablets ER 24H) and generic pravastatin sodium (bottle of 500, 10 mg tablets).

The First Pricing Complaint was removed to the U.S. District Court for the Eastern District of Pennsylvania (the “E.D.P.A. Federal Court”) and, pending the outcome of the First Pricing Complaint, the Second Pricing Complaint was stayed. On 25 September 2017, the E.D.P.A. Federal Court dismissed all the claims of the plaintiffs in the First Pricing Complaint and denied leave to amend such complaint as futile. Subsequent to this decision, the plaintiffs right to appeal the dismissal of the First Pricing Complaint expired.

Further, on 17 November 2016, certain class action complaints were filed against the Company and a number of other pharmaceutical companies as defendants in the E.D.P.A Federal Court. Subsequently, these complaints were consolidated into one amended complaint as part of a multi-district, multi-product litigation pending with the E.D.P.A. Federal Court. These complaints allege that the Company and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets and divalproex sodium extended-release tablets in the United States.

In March 2017, plaintiffs agreed by stipulation to dismiss Dr. Reddy’s Laboratories Inc. and Dr. Reddy’s Laboratories Limited from the actions related to pravastatin sodium tablets without prejudice. The Company denies any wrong doing and intends to vigorously defend against these allegations.

In response to the consolidated new complaint, the Company filed a motion to dismiss in October 2017. The plaintiffs filed opposition to the motion to dismiss in December 2017 and a reply was filed by the Company in January 2018. In October 2018, the Court denied the motion to dismiss on the grounds that the allegations pled leave open the possibility of conspiracy. Therefore, discovery will proceed to look into this possibility.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Also any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

### *United States Antitrust Multi-District Litigation*

The following cases against the Company's U.S. subsidiary, Dr. Reddy's Laboratories, Inc., have been filed and are pending and consolidated in *In re Generic Pharmaceutical Pricing Antitrust Litigation, MDL 2724, 14-MD-2724 (Eastern District of Pennsylvania)*, Multi District Litigation ("MDL") in the Eastern District Pennsylvania ("MDL-2724"):

#### a) U.S. States Attorneys General Antitrust Complaints

On 30 October 2017, the Attorneys General of forty-nine U.S. States, the Commonwealth of Puerto Rico and the District of Columbia, filed an Amended Complaint in the United States District Court for the Eastern District of Pennsylvania, against eighteen generic pharmaceutical companies (including the Company's U.S. subsidiary) with respect to fifteen generic drugs, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the fifteen named drugs. The Company's U.S. subsidiary is specifically named as a defendant with respect to two generic drugs (meprobamate and zoledronic acid), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" with respect to the other thirteen generic drugs named. The Amended Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and the consumer protection and antitrust laws of each of the jurisdictions that are plaintiffs.

The Amended Complaint seeks injunctive relief, statutory penalties, punitive damages, and recovery of treble damages, plus attorney's fees and costs, against all named defendants on a joint and several basis, on behalf of the plaintiff jurisdictions and their citizens and inhabitants. The Company denies the claims asserted and intends to vigorously defend against the claims asserted.

On 10 May 2019, the Attorneys General of forty-nine U.S. States, the Commonwealth of Puerto Rico and the District of Columbia, filed a Complaint in the United States District Court for the District of Connecticut against twenty-one generic pharmaceutical companies (including the Company's U.S. subsidiary) and fifteen individual defendants, with respect to 116 generic drugs, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the 116 named drugs. Under the MDL rules, this action will be designated a related "tag along" action and will be transferred to and become a part of the MDL-2724. The Company's U.S. subsidiary is specifically named as a defendant with respect to five generic drugs (Ciprofloxacin HCL tablets, Glimepiride tablets, Oxaprozin tablets, Paricalcitol and Tizanidine), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" with respect to the other thirteen generic drugs named. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and the consumer protection and antitrust laws of each of the jurisdictions that are plaintiffs. The Complaint seeks injunctive relief, statutory penalties, punitive damages, and recovery of treble damages, plus attorney's fees and costs, against all named defendants on a joint and several basis, on behalf of the plaintiff jurisdictions and their citizens and inhabitants. The Company denies the claims asserted and intends to vigorously defend against the claims asserted.

#### b) Divalproex Antitrust Class Action Cases Filed by Direct Payor Plaintiffs ("DPP"), End Payor Plaintiffs ("EPP") and Indirect Reseller Plaintiffs ("IRP") Classes

Since 17 November 2016, certain class action complaints on behalf of Direct Purchaser Plaintiffs ("DPP"), Indirect Purchaser Plaintiffs ("IRP") and End Payor Plaintiffs ("EPP") were filed against the Company's U.S. subsidiary, Dr. Reddy's Laboratories, Inc., and a number of other pharmaceutical defendants in the United States District Court for the District of Pennsylvania, alleging that the Company's U.S. subsidiary and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of divalproex ER tablets in the United States. The actions allege violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and of state consumer protection and antitrust laws and asserts claims of unjust enrichment under a total of thirty-one states and the District of Columbia. The actions seek injunctive relief and recovery of treble damages, punitive damages, plus attorney's fees and costs, on a joint and several basis, on behalf of the plaintiff classes. The Company denies the claims and intends to vigorously defend against these class action complaints.

#### c) Pravastatin Antitrust Class Action Cases Filed by Direct Payor Plaintiffs ("DPP"), End Payor Plaintiffs ("EPP") and Indirect Reseller Plaintiffs ("IRP") Classes

Since 17 November 2016, certain class action complaints on behalf of Direct Purchaser Plaintiffs ("DPP"), Indirect Purchaser Plaintiffs ("IRP") and End Payor Plaintiffs ("EPP") were filed against the Company and a number of other pharmaceutical defendants in the United States District Court for the District of Pennsylvania, alleging that the

Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets in the United States. The Company's U.S. subsidiary has been dismissed from these actions, without prejudice, in exchange for a tolling agreement with the plaintiffs suspending the statute of limitations as to the claims asserted. The Company denies any wrongdoing and intends to vigorously defend against these claims.

#### d) Antitrust "Overarching Conspiracy" Cases Filed by Direct Payor Plaintiffs ("DPP"), End Payor Plaintiffs ("EPP") and Indirect Reseller Plaintiffs ("IRP") Classes

In June 2018, three class action complaints were filed in the MDL-2724 by the Direct Purchaser Plaintiffs ("DPP"), Indirect Purchaser Plaintiffs ("IRP") and End Payor Plaintiffs ("EPP") classes. All three complaints allege conspiracies in restraint of trade in violation of Sections 1 of the Sherman Act, and violations of thirty-one State antitrust statutes, Consumer Protection statutes and claims of unjust enrichment seeking injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

They allege an “overarching conspiracy” among the named defendants involving fifteen drugs and, with slight variations, name approximately twenty-five generic pharmaceutical manufacturers including the Company’s U.S. subsidiary, Dr. Reddy’s Laboratories, Inc. The drug-specific allegations against the Company’s U.S. subsidiary involve two of the fifteen drugs, meprobamate and zoledronic acid. Plaintiffs also allege that the Company’s U.S. subsidiary (as well as all other manufacturers named) were part of a larger “overarching conspiracy” as to all of the drugs named in the complaints.

The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of thirty-one State antitrust statutes, Consumer Protection statutes and claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney’s fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

e) Antitrust Case Filed by The Kroger Co., Albertsons Companies, LLC, and H.E. Butt Grocery Company, L.P.

On 22 January 2018, each of the Kroger Co., Albertsons Companies, LLC, and H.E. Butt Grocery Company, L.P., filed a Complaint against the Company’s U.S. subsidiary and thirty-one other companies alleging that they had engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the thirty named generic drugs. The Company’s U.S. subsidiary is specifically named as a defendant with respect to three generic drugs (divalproex ER, meprobamate and zoledronic acid), and is named as an alleged co-conspirator on an alleged “overarching conspiracy” claim with respect to the other generic drugs named. This action alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and seeks injunctive relief and recovery of treble damages, punitive damages, plus attorney’s fees and costs, on a joint and several basis. The Company denies the claims and intends to vigorously defend against these class action complaints.

f) Antitrust Case Filed by Humana Inc.

On 3 August 2018, Humana, Inc., filed a Complaint against the Company’s U.S. subsidiary and thirty-nine other companies alleging that they had engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of twenty-nine named generic drugs. The Company’s U.S. subsidiary is specifically named as a defendant with respect to one generic drug (divalproex ER), and is named as an alleged co-conspirator on an alleged “overarching conspiracy” claim with respect to the other generic drugs named. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of thirty-one state antitrust statutes, consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney’s fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

g) Antitrust Case Filed by Marion Diagnostic Center, LLC, and Marion Healthcare, LLC

On 25 September 2018, Marion Diagnostic Center, LLC, and Marion Healthcare, LLC, filed a complaint in the MDL-2724, on behalf of itself and a class of all direct purchasers from distributors, against the Company’s U.S. subsidiary and twenty-two other defendants, including a major distributor of pharmaceutical products, involving a total of sixteen generic drugs, alleging an “overarching conspiracy” to fix prices and to rig bids and allocate customers with respect to sixteen generic drugs. The Company’s U.S. subsidiary is specifically named with respect to two drugs: meprobamate and zoledronic acid. Plaintiffs also allege that the Company’s U.S. subsidiary (as well as all other manufacturers named) were part of a larger “overarching conspiracy” as to all of the drugs named in the complaints. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of twenty-four State antitrust statutes, consumer protection statutes and asserts claims of unjust enrichment.

The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney’s fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

h) Antitrust Case Filed by United Healthcare Services, Inc.

On 16 January 2019, United Healthcare Services, Inc., filed a complaint against the Company’s U.S. subsidiary and forty-two other defendants, involving a total of thirty generic drugs, alleging an “overarching conspiracy” to fix prices and to rig bids and allocate customers with respect to the thirty drugs. The Company’s U.S. subsidiary is specifically named with respect to four drugs: divalproex ER, meprobamate, pravastatin and zoledronic acid. Plaintiffs also allege that the Company’s U.S. subsidiary (as well as all other manufacturers named) were part of a larger “overarching conspiracy” as to all of the drugs named in the complaints. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of the thirty State’s antitrust laws, consumer protection statutes, and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, and attorney’s fees and cost against all defendants on a joint and several basis.

The Company believes that the aforesaid asserted claims are without merit and intends to vigorously defend itself against the allegations. Also, any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

### (ii) Civil litigation with Mezzion

On 13 January 2017, Mezzion Pharma Co. Ltd. and Mezzion International LLC (collectively, "Mezzion") filed a complaint in the New Jersey Superior Court against the Company and its wholly owned subsidiary in the United States. The complaint pertains to the production and supply of the active pharmaceutical ingredient ("API") for udenafil (a patented compound) and an udenafil finished dosage product during a period from calendar years 2007 to 2015. Mezzion alleges that the Company failed to comply with the U.S. FDA's current Good Manufacturing Practices ("cGMP") at the time of manufacture of the API and finished dosage forms of udenafil and, consequently, that this resulted in a delay in the filing of a NDA for the product by Mezzion. In this regard, the Company filed a motion to dismiss Mezzion's complaint on the technical grounds that the Court lacks jurisdiction over the Company. In January 2018, the Court denied the Company's motion to dismiss the complaint on the jurisdictional matter. The Company's interlocutory appeal of the said denial, was also denied.

The Commercial Court, Hyderabad has accepted the request of the Company to withdraw the suit, in view of the Court granting the Company's motion of Dr. Reddy's to file a Counterclaim in U.S. Action.

The Company denies any wrongdoing or liability in this regard, and intends to vigorously defend against the claims asserted in Mezzion's complaint. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

### (iii) Securities Class Action Litigation

On 25 August 2017, a securities class action lawsuit was filed against the Company, its Chief Executive Officer, and its Chief Financial Officer in the United States District Court for the District of New Jersey. The Company's Co-Chairman, its Chief Operating Officer, and Dr. Reddy's Laboratories, Inc., were also subsequently named as defendants in the case. The operative complaint alleges that the Company made false or misleading statements or omissions in its public filings, in violation of U.S. federal securities laws, and that the Company's share price dropped and its investors were affected. On 9 May 2018, the Company and other defendants filed a motion to dismiss the complaint in the United States District Court for the District of New Jersey.

On 25 June 2018, the plaintiffs filed an opposition to the motion to dismiss and, on 25 July 2018, a further reply in support of the motion to dismiss was filed by the Company. In August 2018, oral argument on the motion to dismiss was heard by the Court.

On 21 March 2019, the District Court issued its decision granting in part and denying in part the motion to dismiss. Pursuant to that decision, the Court dismissed the plaintiff's claims with respect to seventeen out of the twenty two alleged misstatements and omissions.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in the consolidated financial statements of the Company.

### (iv) Glenmark Litigation

In November 2017, the Company received a letter from Glenmark Farmaceutica Ltda and Glenmark Pharmaceuticals Limited (collectively "Glenmark"), for invocation of arbitration under a distribution agreement and a deed of assignment relating to a product between the Company and Glenmark. Glenmark alleged that the non-supply of the product by the Company severely affected the value of the intellectual property and goodwill and asserted claims to recover the loss along with interest and penalties from the Company.

In March 2018, an arbitrator was appointed by the Supreme Court of India at Glenmark's request. In July 2018, Glenmark filed a claim statement against the Company and in September 2018, the Company filed a reply against the claim along with a counter claim.

Glenmark filed a reply to the counter claim of the Company in November 2018 and the issues were finalised. Inspection of documents along with the filing of the statement of Admissions and Denials was completed in December 2018. The Company was asked to submit the list of witnesses by 5 March 2019.

Affidavits in chief examination were filed by witnesses of the Company and Glenmark. The cross examination of the witnesses of Glenmark commenced and is anticipated to continue until July 2019.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Any liability that may arise on account of these claims is unascertainable. No provision was made in the consolidated financial statements of the Company.

### (v) Other matters

#### Civil Investigative Demand from the Office of the Attorney General, State of Texas

On or about 10 November 2014, Dr. Reddy's Laboratories, Inc., one of the Company's subsidiaries in the United States, received a Civil Investigative Demand ("CID") from the Office of the Attorney General, State of Texas (the "Texas AG") requesting certain information, documents and data regarding sales and price reporting in the U.S. marketplace of certain products for the period of time between 1 January 1995 and the date of the CID. The Company responded to all of the Texas AG's requests to date, and it understands that the investigation is continuing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

### Subpoena duces tecum from the Office of the Attorney General, California

On 3 November 2014, Dr. Reddy's Laboratories, Inc. received a subpoena duces tecum to appear before the Office of the Attorney General, California (the "California AG") and produce records and documents relating to the pricing of certain products. A set of five interrogatories related to pricing practices was served as well. On 18 July 2016, the California AG sent a letter to inform Dr. Reddy's Laboratories, Inc. that, in light of the information which had been provided, no further information would be requested at such time in response to this subpoena.

### Subpoenas from the U.S. Department of Justice ("DOJ") and the office of the Attorney General for the State of Connecticut

On 6 July 2016 and 7 August 2016, Dr. Reddy's Laboratories, Inc. received subpoenas from the DOJ (Anti-trust Division) and the office of the Attorney General for the State of Connecticut, respectively, seeking information relating to the marketing, pricing and sale of certain of our generic products and any communications with competitors about such products. On 15 May 2018, another subpoena was served on Dr. Reddy's Laboratories, Inc. by the DOJ (False Claims Division) seeking similar information. The Company has been cooperating, and intends to continue to fully cooperate, with these inquiries.

## (vi) Environmental matters

### Land pollution

The Indian Council for Environmental Legal Action filed a writ in 1989 under Article 32 of the Constitution of India against the Union of India and others in the Supreme Court of India for the safety of people living in the Patancheru and Bollaram areas of Medak district of the then existing undivided state of Andhra Pradesh. The Company has been named in the list of polluting industries. In 1996, the Andhra Pradesh District Judge proposed that the polluting industries compensate farmers in the Patancheru, Bollaram and Jeedimetla areas for discharging effluents which damaged the farmers' agricultural land. The compensation was fixed at ₹ 0.0013 per acre for dry land and ₹ 0.0017 per acre for wet land. Accordingly, the Company has paid a total compensation of ₹ 3.

The Andhra Pradesh High Court disposed of the writ petition on 12 February 2013 and transferred the case to the National Green Tribunal ("NGT"), Chennai, India. The interim orders passed in the writ petitions will continue until the matter is decided by the NGT. The NGT has, through its order dated 30 October 2015, constituted a Fact Finding Committee. The NGT has also permitted the alleged polluting industries to appoint a person on their behalf in the Fact Finding Committee. However, the Company, along with the alleged polluting industries, has challenged the constitution and composition of the Fact Finding Committee. The NGT has directed that until all the applications challenging the constitution and composition of the Fact Finding Committee are disposed of, the Fact Finding Committee shall not commence its operation.

The NGT, Chennai in a judgement dated 24 October 2017, disposed of the matter. The Bulk Drug Manufacturers Association of India ("BDMAI"), in which the Company is a member, subsequently filed a review petition against the judgement on various aspects.

The NGT, Delhi, in a judgement dated 16 November 2017, in another case in which the Company is not a party, stated that the moratorium imposed in the Patancheru and Bollaram areas shall continue until the Ministry of Environment, Forest and Climate Change passes an order keeping in view the needs of the environment and public health. The Company filed an appeal challenging this judgement.

The High Court of Hyderabad heard the Company's appeal challenging this judgement in July 2018 and directed the respondents to file their response within a period of four weeks. During the three months ended 30 September 2018, the respondents filed counter affidavits and the matter has now been adjourned for final hearing.

The appeal came up for hearing before the High Court of Hyderabad on 25 October 2018 and has been adjourned for further hearing.

On 24 April 2019, based upon the judgement of the NGT, Chennai dated 24 October 2017, the Government of Telangana has issued GO.Ms. No 24 of 2019 that allows for expansion of production of all kinds of existing industrial units located within the stretch of Patancheru – Bollaram upon depositing an amount equivalent to 1% of the annual turnover of the respective unit for the concluded financial year i.e., 31 March 2019. Accordingly, the Company made a provision of ₹ 29, representing the probable cost of expansion, during the year ended 31 March 2019.

The Company believes that any additional liability that might arise in this regard is not probable. Accordingly, no provision relating to these claims has been made in the consolidated financial statements.

### Water pollution and air pollution

During the year ended 31 March 2012, the Company, along with 14 other companies, received a notice from the Andhra Pradesh Pollution Control Board (the "APP Control Board") to show cause as to why action should not be initiated against them for violations under the Indian Water Pollution Act and the Indian Air Pollution Act. Furthermore, the APP Control Board issued orders to the Company to (i) stop production of all new products at the Company's manufacturing facilities in Hyderabad, India without obtaining a "Consent for Establishment", (ii) cease manufacturing products at such facilities in excess of certain quantities specified by the APP Control Board and (iii) furnish a bank guarantee to assure compliance with the APP Control Board's orders.

The Company appealed the APP Control Board orders to the Andhra Pradesh Pollution Appellate Board (the "APP Appellate Board"). The APP Appellate Board, on the basis of a report of a fact-finding advisory committee, recommended to the Andhra Pradesh Government to allow expansion of units fully equipped with Zero-Liquid Discharge ("ZLD") facilities and otherwise found no fault with the Company (on certain conditions).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

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.

The challenge to the APP Appellate Board's decision is transferred to the NGT, Delhi for a final hearing, the date for which has not yet been notified. No provision relating to these claims has been made in the consolidated financial statements.

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.

### (vii) Indirect taxes related matters

#### Distribution of input service tax credits

The Central Excise Authorities have issued various demand notices to the Company objecting to the Company's methodology of distributing input service tax credits claimed for one of the Company's facilities. The below table shows the details of each such demand notice, the amount demanded and the current status of the Company's responsive actions.

Period covered under the notice	Amount demanded	Status
March 2008 to September 2009	₹ 102 plus penalties of ₹ 102 and interest	The Company has filed an appeal before the CESTAT
October 2009 to March 2011	₹ 125 plus penalties of ₹ 100 and interest	The Company has filed an appeal before the CESTAT
April 2011 to March 2012	₹ 51 plus penalties of ₹ 5 and interest	The Company has filed an appeal before the CESTAT
April 2012 to March 2013	₹ 54 plus penalties of ₹ 5 and interest	The Company has filed an appeal before the CESTAT
April 2013 to March 2014	₹ 69 plus penalties of ₹ 6 and interest	The Company has filed an appeal before the CESTAT
April 2014 to March 2015	₹ 108 plus penalties of ₹ 11 and interest	The Company has filed an appeal before the CESTAT
April 2015 to March 2016	₹ 157 plus interest and penalties	The Company has submitted reply hearing awaited
April 2016 to June 2017	₹ 307 plus interest and penalties	The Company is in the process of responding to the notice

The Company believes that the likelihood of any liability that may arise on account of the allegedly inappropriate distribution of input service tax credits is not probable. Accordingly, no provision relating to these claims has been made in these consolidated financial statements as of 31 March 2019.

#### Value Added Tax ("VAT") matter

The Company has received various demand notices from the Government of Telangana's Commercial Taxes Department objecting to the Company's methodology of calculation of VAT input credit. The below table shows the details of each of such demand notice, the amount demanded and the current status of the Company's responsive actions.

Period covered under the notice	Amount demanded	Status
April 2006 to March 2009	₹ 66 plus 10% penalty	The State VAT Appellate Tribunal has remanded the matter to the assessing authority to re-compute the eligibility and penalty orders are set-aside
April 2009 to March 2011	₹ 59 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal. The matter was remanded to the original adjudicating authority with a direction to re-calculate the eligibility for the year ended 31 March 2010.
April 2011 to March 2013	₹ 16 plus 10% penalty	The Appellate Deputy Commissioner issued an order partially in favour of the Company

The Company has recorded a provision of ₹ 51 as of 31 March 2019, 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 ₹ 297. The Company has responded to such demand notices and believes that the chances of any liability arising from such notices are less than probable. Accordingly, no provision is made in these consolidated financial statements as of 31 March 2019.

### (viii) Fuel Surcharge Adjustments

The Andhra Pradesh Electricity Regulatory Commission (the "APERC") passed various orders approving the levy of Fuel Surcharge Adjustment ("FSA") charges for the period from 1 April 2008 to 31 March 2013 by power distribution companies from all the consumers of electricity in the then existing undivided state of Andhra Pradesh, India where the Company's headquarters and principal manufacturing facilities are located. Separate writ petitions filed by the Company for various periods, challenging and questioning the validity and legality of this levy of FSA charges by the APERC, are pending before the High Court of Andhra Pradesh and the Supreme Court of India.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.33 Contingent liabilities and commitments (continued)

The total amount approved by APERC for collection by the power distribution companies from the Company in respect of FSA charges for the period from 1 April 2008 to 31 March 2013 is ₹ 482. After taking into account all of the available information and legal provisions, the Company has recorded ₹ 219 as the potential liability towards FSA charges. However, the Company has paid, under protest, an amount of ₹ 354 as demanded by the power distribution companies as part of monthly electricity bills. The Company remains exposed to additional financial liability should the orders passed by the APERC be upheld by the Courts.

During the three months ended 30 June 2016, the Supreme Court of India dismissed the Special Leave Petition filed by the Company in this regard for the period from 1 April 2012 to 31 March 2013. As a result, for the quarter ended 30 June 2016, the Company recognised an expenditure of ₹ 55 (by de-recognising the payments under protest) representing the FSA charges for the period from 1 April 2012 to 31 March 2013.

### (ix) Direct taxes related matters

The Company is contesting various disallowances by the Indian Income Tax authorities. The associated tax impact is ₹ 2,008. The Company believes that the chances of an unfavourable outcome in each of such disallowances are less than probable and, accordingly, no provision is made in these consolidated financial statements as of 31 March 2019.

During the years ended 31 March 2014, 31 March 2015 and 31 March 2016, Industrias Quimicas Falcon de Mexico, S.A. de CV, a wholly-owned subsidiary of the Company in Mexico, received a notice from Mexico's Tax Administration Service, Servicio de Administracion Tributaria ("SAT"), with respect to disallowance on account of transfer pricing adjustments pertaining to the calendar years ended 31 December 2006, 31 December 2007 and 31 December 2008. The associated tax impact is ₹ 739 (MXN 207 million) and profit share impact is ₹ 89 (MXN 25 million). The Company filed administrative appeals with the SAT by challenging these disallowances and, during February and March 2017, the Company received orders of the SAT confirming these disallowances by dismissing its administrative appeals. The Company disagrees with the SAT's disallowances and filed an appeal with the Tribunal Federal de Justicia Administrativa (Federal Tax and Administrative Court of Mexico) in March and April 2017.

The Company believes that 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 31 March 2019.

### (x) Others

On 28 February 2019, the Supreme Court of India issued a judgement which provided further guidance for companies in determining which components of their employees' compensation are subject to statutory withholding obligations, and matching employer contribution obligations, for Provident Fund contributions under Indian law. There are numerous interpretative issues relating to this judgement. However, the Company has made a provision on a prospective basis from the date of the Supreme Court's judgement. The Company will evaluate the same and update its provision, if any on receiving further clarity on the subject.

Additionally, the Company is involved in other disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. Except as discussed above, the Company does not believe that there are any such contingent liabilities that are expected to have any material adverse effect on its consolidated financial statements.

## B. Commitments

Particulars	As at 31 March 2019	As at 31 March 2018
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)	2,495	3,788

## 2.34 Collaboration agreement with Curis, Inc.

On 18 January 2015, Aurigene Discovery Technologies Limited ("Aurigene"), a wholly-owned subsidiary of the parent company, entered into a Collaboration, License and Option Agreement (the "Collaboration Agreement") with Curis, Inc. ("Curis") to discover, develop and commercialise small molecule antagonists for immuno-oncology and precision oncology targets. Under the Collaboration Agreement, Aurigene has the responsibility for conducting all discovery and preclinical activities, including Investigational New Drug ("IND") enabling studies and providing Phase 1 clinical trial supply, and Curis is responsible for all clinical development, regulatory and commercialisation efforts worldwide, excluding India and Russia. The Collaboration Agreement provides that the parties will collaborate exclusively in immuno-oncology for an initial period of approximately two years, with the option for Curis to extend the broad immuno-oncology exclusivity.

As partial consideration for the collaboration, pursuant to a Stock Purchase Agreement dated 18 January 2015, Curis issued to Aurigene 17.1 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 31 March 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 18 January 2015 which provides for certain registration rights with respect to resale of the shares. The common stock of Curis is listed for quotation on the NASDAQ Global Market.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.34 Collaboration agreement with Curis, Inc. (continued)

The fair value of the shares of Curis common stock on the date of the Stock Purchase Agreement was ₹ 1,452 (US\$ 23.5 million).

Revenues under the Collaboration Agreement consist of upfront consideration (including the shares of Curis common stock) and the development and commercial milestone payments described below, which are deferred and recognised as revenue over the period for which Aurigene has continuing performance obligations.

Under the Collaboration Agreement, Aurigene is entitled to development and commercial milestone payments as follows:

- for the first two programs: up to US\$ 52.5 million per program, including US\$ 42.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any;
- for the third and fourth programs: up to US\$ 50 million per program, including US\$ 42.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any; and
- for any program thereafter: up to US\$ 140.5 million per program, including US\$ 87.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

In addition, Curis has agreed to pay Aurigene royalties, ranging between high single digits to 10%, on its net sales in territories where it commercialises products. Furthermore, Aurigene is entitled to receive a share of Curis' revenues from sublicenses, which share varies based upon specified factors such as the sublicensed territory, whether the sublicense revenue is royalty based or non-royalty based and, in some cases, the stage of the applicable molecule and product at the time the sublicense is granted.

On 7 September 2016, the Collaboration Agreement was amended to provide for the issuance to Aurigene of approximately 10.2 million additional shares of Curis common stock in lieu of receiving up to US\$ 24.5 million of milestone and other payments from Curis that could have become due under the Collaboration Agreement. These shares of Curis common stock are recorded at US\$ 1.84 per share, which is equal to the market price of such shares of common stock on the date of issuance, amounting to an aggregate market value of ₹ 1,247 (US\$ 18.8 million).

These additional shares are also subject to a lock-up agreement, which is similar to the lock-up for the original Curis shares the Company received. However, this lock-up remains effective until 7 September 2018, with shares being released from such lock-up in 25% increments on each of 7 March 2017, 7 September 2017, 7 March 2018 and 7 September 2018, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of 31 March 2019, lock-up restrictions were released on an aggregate of 10.2 million of such additional shares of Curis common stock, representing 100% of the shares which Aurigene received from Curis in 2016.

The Company has evaluated the transaction under Ind AS 28, *Investments in Associates and Joint Ventures*, and believes that the Company does not have any significant influence with respect to Curis. Accordingly, all of the shares of Curis common stock are classified as instruments at fair value through other comprehensive income (FVTOCI). The fair value of the investments as on 31 March 2019 is ₹ 753.

In May 2018, Curis completed a 1-for-5 reverse stock split of its common stock. After giving effect to such stock split, the total number of Curis equity shares held by the Company is 5.47 million.

## 2.35 Asset purchase agreement with Teva Pharmaceutical Industries Limited

On 10 June 2016, the Company entered into a definitive purchase agreement with Teva Pharmaceutical Industries Limited ("Teva") and an affiliate of Allergan plc to acquire eight ANDAs in the United States for US\$ 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 3 August 2016 upon the completion of all closing conditions, and the Company paid US\$ 350 million as the consideration for the acquired ANDAs.

Tabulated below are the details of products acquired and the respective purchase prices in US\$ million along with the corresponding amount in ₹ as of the payment date:

Particulars of the ANDA	Purchase Price (US\$ million)	Purchase Price (Amount in ₹)
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
Total	350	23,366

The Company recorded such acquisition of these ANDAs as "intangible assets under development". Such acquisition forms a part of the Company's Global Generics segment. During the year ended 31 March 2018 and 31 March 2019, the products ezitimibe and simvastatin tablets, buprenorphine and naloxone sublingual film and tobramycin were available for use and are subject to amortisation. The carrying cost of the ANDAs for these three products as at 31 March 2019 was ₹ 6,098 and the useful life was eight years. The carrying cost of the other ANDAs as at 31 March 2019 was ₹ 18,391. As these other ANDAs are not available for use yet, they are not subject to amortisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.36 Receipt of warning letter from the U.S. FDA

The Company received a warning letter dated 5 November 2015 from the U.S. FDA relating to current Good Manufacturing Practices (“cGMPs”) deviations at its active pharmaceutical ingredient (“API”) manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The contents of the warning letter emanated from Form 483 observations that followed inspections of these sites by the U.S. FDA in November 2014, January 2015 and February-March 2015.

Tabulated below are the further updates with respect to the aforementioned sites:

Month and year	Update
February, March and April 2017	The U.S. FDA completed the re-inspection of the aforementioned manufacturing facilities. During the re-inspections, the U.S. FDA issued three observations with respect to the API manufacturing facility at Miryalaguda, two observations with respect to the API manufacturing facility at Srikakulam and thirteen observations with respect to the Company’s oncology formulation manufacturing facility at Duvvada.
June 2017	The U.S. FDA issued an Establishment Inspection Report (“EIR”) which indicated that the inspection of the Company’s API manufacturing facility at Miryalaguda was successfully closed.
November 2017	The Company received EIRs from the U.S. FDA for the oncology manufacturing facility at Duvvada which indicated that the inspection status of this facility remains unchanged.
February 2018	The Company received EIRs from the U.S. FDA for API manufacturing facility at Srikakulam which indicated that the inspection status of this facility remains unchanged.
June 2018	The Company requested the U.S. FDA to schedule a re-inspection of the oncology formulation manufacturing facility at Duvvada.
October 2018	The re-inspection was completed for the oncology formulation manufacturing facility at Duvvada and the U.S. FDA issued a Form 483 with eight observations.
November 2018	The Company responded to the observations identified by the U.S. FDA for the oncology formulation manufacturing facility at Duvvada in October 2018.
February 2019	The U.S. FDA issued an EIR indicating successful closure of the audit of the oncology formulation manufacturing facility at Duvvada.

With respect to the API manufacturing facility at Srikakulam, subsequent to the receipt of EIR in February 2018, the Company was asked, in October 2018, to carry out certain detailed investigations and analyses and the Company submitted the results of the investigations and analyses. As part of the review of the response by the U.S. FDA, certain additional follow on queries have been received by the Company. The Company responded to all queries in January 2019 to the U.S. FDA. In February 2019, the Company received certain follow on questions from the U.S. FDA and the Company responded in March 2019. Based on the discussion with U.S. FDA, a meeting would be conducted prior to re-inspection of the site.

### Inspection of other facilities:

Tabulated below are the details of the U.S. FDA inspections carried out during the financial year ended 31 March 2019:

#### Located in India

Month and year	Unit	Details of observations
June 2018	API Srikakulam Plant (SEZ)	No observations were noted. An EIR indicating the closure of audit for this facility was issued by the U.S. FDA in August 2018.
November 2018	Srikakulam Plant (SEZ) Unit II	No observations were noted. An EIR indicating the closure of audit for this facility was issued by the U.S. FDA in February 2019.
January-April 2019	Srikakulam Plant (SEZ) Unit I	Four observations were noted. The Company responded to the observations and an EIR indicating the closure of audit for this facility was issued by the U.S. FDA in April 2019.
January 2019	API manufacturing Plant at Miryalaguda, Nalgonda	One observation was noted. The Company responded to the observation identified by the U.S. FDA, and awaiting to receive the EIR from agency.
January-April 2019	Formulations manufacturing facility at Bachupally, Hyderabad	Eleven observations were noted. The Company responded to the observations in January 2019. In April 2019, based on the Company’s responses and follow up actions, the U.S. FDA has determined the inspection classification of this facility as Voluntary Action Initiated (“VAT”).
March 2019	Aurigene Discovery Technologies Limited, Hyderabad	No observations were noted. The Company is awaiting an EIR from the U.S. FDA.

## 2.37 Inspection by the regulatory authority of Bavaria, Germany

In August 2017, the Company’s German subsidiary betapharm Arzneimittel GmbH received a letter from a regulatory authority of Bavaria, Germany (the Regierung von Oberbayern, which is the Central Authority for Supervision of Medicinal Products in Bavaria of the Upper Bavarian government) (the “Regulator”), that the GMP compliance certificate for the Company’s formulations manufacturing facility at Bachupally, Hyderabad was not renewed as the result of GMP compliance deviations identified in an inspection. Consequently, this manufacturing facility was not permitted to export products to the European Union (the “EU”) until satisfactory resolution of the issues identified in the inspection and renewal of the facility’s GMP compliance certificate. The manufacturing facility was re-inspected in January 2018 and the status of non-compliance was withdrawn. The facility is now permitted to dispatch approved products to the EU.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 2.37 Inspection by the regulatory authority of Bavaria, Germany (continued)

Furthermore, in September 2017, the Regulator concluded an inspection of the Company's formulations manufacturing facility at Duvvada, Visakhapatnam, with zero critical and six major observations. Products manufactured at the facility are not currently exported to the EU. The Company submitted a Corrective and Preventive Action Plan ("CAPA") to the Regulator. The Regulator accepted it and permitted the Company to start production from this facility for the EU market.

In November 2018, the Regulator concluded the follow-on inspection of the manufacturing facility at Duvvada, which is now considered compliant and its EU-GMP certification continues to remain active with one specific exclusion of a new product. The Company submitted a Corrective and Preventive Action Plan ("CAPA") to the Regulator to address the remaining issues affecting this excluded product.

## 2.38 Agreements with Encore Dermatology, Inc.

### During the year ended 31 March 2019

The Company entered into agreement with Encore Dermatology, Inc. ("Encore") for sale and assignment of US rights relating to three of its dermatology brands viz., Sernivo® (betamethasone dipropionate) Spray, 0.05%, Promiseb® Topical Cream and Trainex® 0.05% (Triamcinolone Acetonide Ointment, USP).

All the performance obligations are satisfied by 31 March 2019, and accordingly the Company recognised ₹ 1,807 as revenue and ₹ 159 representing the profit on sale of intangible assets as other income after adjusting the associated costs.

The aforesaid transaction pertains to Company's Proprietary Products Segment.

### During the year ended 31 March 2018

During the year ended 31 March 2018, the Company entered into an agreement with Encore for out-licensing one of its products, DFD-06. The consideration for this arrangement consists of up to ₹ 1,301 (US\$ 20 million) in upfront payments and amounts contingent upon satisfaction of certain approval milestones, plus up to US\$ 12.5 million contingent upon satisfaction of certain patent and commercial milestones. In addition, the Company is entitled to royalties on net sales. As all of the performance obligations relating to the approval milestones were met, and consequently, revenue of ₹ 1,301 (US\$ 20 million) was recognised.

## 2.39 Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt. The capital gearing ratio as on 31 March 2019 and 31 March 2018 was 22 % and 29%, respectively.

## 2.40 Subsequent events

### Agreement with Teva Pharmaceutical Industries Limited

In April 2019, the Company entered into an asset purchase agreement with Teva Pharmaceutical Industries Limited to acquire a portfolio of 42 approved, non-marketed Abbreviated New Drug Applications (ANDAs) in the United States. The total purchase consideration involved is US\$ 4 million. The portfolio includes more than 30 generic injectable products and helps augment the Company's injectables product portfolio in the United States market and globally. The aforesaid acquisition pertains to Company's Global Generics Segment.

### Agreement with Celgene

The Company has entered into a settlement agreement with Celgene, pursuant to which the Company received a one-time payment of US\$ 50 million in settlement of any claim the Company or its affiliates may have had for damages under section 8 of the Canadian Patented Medicines (Notice of Compliance) Regulations in regard to the Company's ANDS for a generic version of REVLIMID brand capsules, (Lenalidomide) pending before Health Canada.

As per our report of even date attached

for **S.R. Batliboi & Associates LLP**

Chartered Accountants

ICAI Firm registration number: 101049W/E300004

per **S Balasubrahmanyam**

Partner

Membership No.: 53315

Place : Hyderabad

Date : 17 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Limited**

**K Satish Reddy**

**G V Prasad**

**Saumen Chakraborty**

**Sandeep Poddar**

Chairman

Co-Chairman & Chief Executive Officer

Chief Financial Officer

Company Secretary



# **EXTRACT OF AUDITED IFRS CONSOLIDATED FINANCIAL STATEMENTS**

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## EXTRACT OF IFRS CONSOLIDATED FINANCIAL STATEMENTS

We have adopted IFRS as issued by International Accounting Standards Board (IASB) for preparing our financial statements for the purpose of filings with SEC. We have furnished all our interim financial reports of fiscal 2019 with SEC which were prepared under IFRS. The Annual Report in Form 20-F will also be made available at the Company's website. A hard copy of such Annual Report in Form 20-F will be made available to the shareholders, free of charge, upon request. For details visit [www.drreddys.com](http://www.drreddys.com).

The extract of the consolidated financial statements prepared under IFRS has been provided here under.

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(All amounts in Indian Rupees millions, except share data and per share data)

Particulars	As at 31 March 2019	As at 31 March 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,228	2,638
Other investments	22,529	18,330
Trade and other receivables	39,869	40,617
Inventories	33,579	29,089
Derivative financial instruments	360	103
Tax assets	3,400	4,567
Other current assets	12,536	14,301
<b>Total current assets</b>	<b>114,501</b>	<b>109,645</b>
<b>Non-current assets</b>		
Property, plant and equipment	54,088	57,869
Goodwill	3,902	3,945
Other intangible assets	44,367	44,665
Trade and other receivables	113	169
Investment in equity accounted investees	2,529	2,104
Other investments	813	2,549
Deferred tax assets	4,168	3,628
Other non-current assets	946	1,030
<b>Total non-current assets</b>	<b>110,926</b>	<b>115,959</b>
<b>Total assets</b>	<b>225,427</b>	<b>225,604</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Trade and other payables	14,553	16,052
Short-term borrowings	12,125	25,466
Long-term borrowings, current portion	4,256	63
Provisions	4,166	3,732
Tax liabilities	181	1,530
Derivative financial instruments	68	85
Bank overdraft	-	96
Other current liabilities	24,351	22,668
<b>Total current liabilities</b>	<b>59,700</b>	<b>69,692</b>
<b>Non-current liabilities</b>		
Long-term borrowings	22,000	25,089
Deferred tax liabilities	610	730
Provisions	52	53
Other non-current liabilities	2,868	3,580
<b>Total non-current liabilities</b>	<b>25,530</b>	<b>29,452</b>
<b>Total liabilities</b>	<b>85,230</b>	<b>99,144</b>
<b>Equity</b>		
Share capital	830	830
Treasury shares	(535)	-
Share premium	8,211	7,790
Share-based payment reserve	990	1,021
Capital redemption reserve	173	173
Retained earnings	128,646	113,865
Other components of equity	1,882	2,781
<b>Total equity</b>	<b>140,197</b>	<b>126,460</b>
<b>Total liabilities and equity</b>	<b>225,427</b>	<b>225,604</b>

## IFRS Consolidated

## CONSOLIDATED INCOME STATEMENTS

(All amounts in Indian Rupees millions, except share data and per share data)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Revenues</b>	<b>153,851</b>	<b>142,028</b>	<b>140,809</b>
Cost of revenues	70,421	65,724	62,453
<b>Gross profit</b>	<b>83,430</b>	<b>76,304</b>	<b>78,356</b>
Selling, general and administrative expenses	48,890	46,910	46,372
Research and development expenses	15,607	18,265	19,551
Other (income)/expense, net	(1,955)	(788)	(1,065)
<b>Total operating expenses</b>	<b>62,542</b>	<b>64,387</b>	<b>64,858</b>
<b>Results from operating activities</b>	<b>20,888</b>	<b>11,917</b>	<b>13,498</b>
Finance income	2,280	2,897	1,587
Finance expense	(1,163)	(817)	(781)
Finance income, net	1,117	2,080	806
Share of profit of equity accounted investees, net of tax	438	344	349
<b>Profit before tax</b>	<b>22,443</b>	<b>14,341</b>	<b>14,653</b>
Tax expense	3,648	4,535	2,614
<b>Profit for the year</b>	<b>18,795</b>	<b>9,806</b>	<b>12,039</b>
<b>Earnings per share:</b>			
Basic earnings per share of ₹ 5/- each	113.28	59.13	72.24
Diluted earnings per share of ₹ 5/- each	113.09	59.00	72.09

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(All amounts in Indian Rupees millions, except share data and per share data)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Profit for the year</b>	<b>18,795</b>	<b>9,806</b>	<b>12,039</b>
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to the consolidated income statement:</i>			
Changes in the fair value of financial instruments	(403)	-	-
Actuarial gains/(losses) on post-employment benefit obligations	10	39	(39)
Tax impact on above items	(414)	(12)	14
Total of items that will not be reclassified to the consolidated income statement	(807)	27	(25)
<i>Items that will be reclassified subsequently to the consolidated income statement:</i>			
Changes in fair value of available for sale financial instruments	-	(5,160)	2,209
Foreign currency translation adjustments	(53)	(32)	(339)
Foreign currency translation reserve re-classified to the income statement on disposal of foreign operation	(113)	-	-
Effective portion of changes in fair value of cash flow hedges, net	180	(82)	968
Tax impact on above items	(55)	1,394	(411)
Total of items that will be reclassified subsequently to the consolidated income statement	(41)	(3,880)	2,427
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>(848)</b>	<b>(3,853)</b>	<b>2,402</b>
<b>Total comprehensive income for the year</b>	<b>17,947</b>	<b>5,953</b>	<b>14,441</b>

## GLOSSARY

INR	Indian Rupees
ADR	American Depository Receipt
AGM	Annual General Meeting
ANDA	Abbreviated New Drug Application
API	Active Pharmaceutical Ingredient
AS	Accounting Standards
BR	Business Responsibility
BSE	Bombay Stock Exchange
CDP	Carbon Disclosure Project
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHIP	Community Health Intervention Programme
CII	Confederation of Indian Industry
CIN	Corporate Identity Number
CIS	Commonwealth of Independent States
COBE	Code Of Business Conduct and Ethics
COO	Chief Operating Officer
CPS	Custom Pharmaceutical Services
CPCB	Central Pollution Control Board
CSIM	Centre for Social Initiative and Management
CSR	Corporate Social Responsibility
CTO	Chemical Technical Operations
CUSIP	Committee on Uniform Security Identification Procedures
DIN	Director's Identification Number
DISCOM	Distribution Company
DMF	Drug Master File
DP	Depository Participant
DRF	Dr. Reddy's Foundation
DRFHE	Dr. Reddy's Foundation for Health and Education
EBITDA	Earnings Before Interest, Taxes, Depreciation And Amortization
EGM	Extraordinary General Meeting
EIR	Establishment Inspection Report
EM	Emerging Markets
EPS	Earnings Per Share
ERM	Enterprise Risk Management
ESOP	Employees Stock Option Plan
FAQ	Frequently Asked Questions
FIRM COUNCIL	Finance, Investment and Risk Management Council
FTL	Full Truck Load
FTO	Formulation Technical Operations
FY	Financial Year
GDR	Global Depository Receipt
GG	Global Generics
GHG	Green House Gas
GMP	Good Manufacturing Practices
HR	Human Resources
HVAC	Heat, Ventilation and Air Conditioning
HOC	Heat of Compression
ICAI	Institute of Chartered Accountants of India
IDMA	Indian Drug Manufacturers Association
ICOFR	Internal Control Over Financial Reporting
IEPF	Investor Education and Protection Fund
IFRS	International Financial Reporting Standards
IMS	IMS Health Inc.
IND AS	Indian Accounting Standards
IP	Intellectual Property
IPA	Indian Pharmaceutical Alliance
IPDO	Integrated Product Development Organisation
ISIN	International Securities Identification Number
JPY	Japanese Yen
KARV	Kallam Anji Reddy Vidyalaya
KAR-VJR	Kallam Anji Reddy – Vocational Junior College
KMP	Key Managerial Personnel
KPI	Key Performance Indicators
KW	Kilo Watt
LABS	Livelihood Advancement Business School
LED	Light Emitting Diode
M&A	Mergers and Acquisitions
MC	Management Council
MD	Managing Director
MD&A	Management Discussion & Analysis
MEO	Mandal Education Officer
MW	Mega Watt
NAG	North America Generics
NCLT	National Company Law Tribunal
NGO	Non-Governmental Organisation
NICE	Neonatal Intensive Care and Emergencies
NPPA	National Pharmaceutical Pricing Authority
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
NVG	National Voluntary Guidelines
NYSE	New York Stock Exchange Inc.
OP	Out Patient
OTC	Over-the-counter
PAT	Profit After Tax
PBT	Profit Before Tax
PP	Proprietary Products
PSAI	Pharmaceuticals Services and Active Ingredients
PwD	People with Disabilities
RD	Regional Director
R&D	Research and Development
RoCE	Return on Capital Employed
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEZ	Special Economic Zone
SG&A	Selling, General and Administrative
SIP	School Improvement Program
SMP	Senior Management Personnel
SPCB	State Pollution Control Board
SS	Secretarial Standards
SOX	Sarbanes Oxley Act, 2002
TRO	Temporary Restraining Order
UK	United Kingdom
US/USA	United States of America
USD/\$	United States Dollar
USFDA	United States Food and Drugs Administration

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 35th annual general meeting (AGM) of the members of Dr. Reddy's Laboratories Limited (CIN: L85195TG1984PLC004507) will be held on Tuesday, 30 July 2019 at 9.30 am at The Ballroom, Hotel Park Hyatt, Road No. 2, Banjara Hills, Hyderabad – 500 034, to transact the following business:

## ORDINARY BUSINESS:

1. To receive, consider and adopt the financial statements (standalone and consolidated) of the company for the year ended 31 March 2019, including the audited balance sheet as at 31 March 2019 and the statement of profit and loss of the company for the year ended on that date along with the reports of the board of directors and auditors thereon.
2. To declare dividend on the equity shares for the financial year 2018-19.
3. To reappoint Mr. G V Prasad (DIN: 00057433), who retires by rotation, and being eligible offers himself for the reappointment.

## SPECIAL BUSINESS:

4. **REAPPOINTMENT OF MR. SRIDAR IYENGAR (DIN: 00278512) AS AN INDEPENDENT DIRECTOR FOR A SECOND TERM OF FOUR YEARS, IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013 AND REGULATION 17(1A) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 17(1A) and any other applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Sridar Iyengar (DIN: 00278512) who was appointed as an independent director of the company for a period of five years up to the conclusion of 35th annual general meeting (AGM), by the shareholders at the 30th AGM, in terms of Section 149 of the Companies Act, 2013 be and is hereby reappointed as an independent director of the company for a second term of four consecutive years, to hold office up to 30 July 2023, not liable to retire by rotation.

5. **REAPPOINTMENT OF MS. KALPANA MORPARIA (DIN: 00046081) AS AN INDEPENDENT DIRECTOR FOR A SECOND TERM OF FIVE YEARS, IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013 AND REGULATION 17(1A) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 17(1A) and any other applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Ms. Kalpana Morparia (DIN: 00046081) who was appointed as an independent director of the company for a period of five years up to the conclusion of 35th annual general meeting (AGM), by the shareholders at the 30th AGM, in terms of Section 149 of the Companies Act, 2013 be and is hereby reappointed as an independent director of the company for a second term of five consecutive years, to hold office up to 30 July 2024, not liable to retire by rotation.

6. **APPOINTMENT OF MR. LEO PURI (DIN: 01764813) AS AN INDEPENDENT DIRECTOR IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013.**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Leo Puri (DIN: 01764813) who was appointed as an additional director of the company, categorised as independent, by the board of directors with effect from 25 October 2018, in terms of Section 161 of the Companies Act, 2013 and in respect of whom the company has received notice in writing under Section 160 of the Companies Act, 2013, from a member proposing him as a director, be and is hereby appointed as an independent director of the company with effect from 25 October 2018 to hold office up to 24 October 2023, not liable to retire by rotation.”

7. **APPOINTMENT OF MS. SHIKHA SHARMA (DIN: 00043265) AS AN INDEPENDENT DIRECTOR IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013.**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Ms. Shikha Sharma (DIN: 00043265) who was appointed as an additional director of the company, categorised as independent, by the board of directors with effect from

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

31 January 2019, in terms of Section 161 of the Companies Act, 2013 and in respect of whom the company has received notice in writing under Section 160 of the companies Act, 2013, from a member proposing her as a director, be and is hereby appointed as an independent director of the company with effect from 31 January 2019 to hold office up to 30 January 2024, not liable to retire by rotation.”

**8. APPOINTMENT OF MR. ALLAN OBERMAN (DIN: 08393837) AS AN INDEPENDENT DIRECTOR IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013.**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Allan Oberman (DIN: 08393837) who was appointed as an additional director of the company, categorised as independent, by the board of directors with effect from 26 March 2019, in terms of Section 161 of the Companies Act, 2013 and in respect of whom the company has received notice in writing under Section 160 of the Companies Act, 2013, from a member proposing him as a director, be and is hereby appointed as an independent director of the company with effect from 26 March 2019 to hold office up to 25 March 2024, not liable to retire by rotation.”

**9. TO RATIFY THE REMUNERATION PAYABLE TO COST AUDITORS, M/S. SAGAR & ASSOCIATES, COST ACCOUNTANTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2020.**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Sagar & Associates, cost accountants (Firm Registration No. 000118) appointed by the board of directors of the company as cost auditors for the financial year ending 31 March 2020, be paid a remuneration of ₹ 700,000/- (Rupees Seven Lakhs) per annum plus out of pocket expenses, at actuals, and applicable taxes.

**RESOLVED FURTHER THAT** the board of directors of the company be and are hereby authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution.”

## NOTES:

- 1) The statement pursuant to Section 102(1) of the Companies Act, 2013 and the Rules made thereunder in respect of the special business set out in the notice, Secretarial Standard on General Meetings (SS-2), wherever applicable, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) wherever applicable, are annexed hereto.
- 2) **A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. The instrument of proxy in order to be effective, must be deposited at the registered office of the company, duly completed and signed, not less than 48 hours before the commencement of the meeting.**  
**A person can act as a proxy on behalf of not exceeding fifty members and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights. A member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or member.**
- 3) Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the company, a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the meeting.
- 4) During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged with the company, at any time during the business hours of the company, provided that not less than three days of notice in writing is given to the company.
- 5) The requirement to place the matter relating to the appointment of statutory auditors for ratification by members at every AGM is omitted vide notification dated 7 May 2018 issued by the Ministry of Corporate Affairs, New Delhi. Accordingly, resolution for ratification of the appointment of statutory auditors who were appointed for a period of five years at the 32nd AGM held on 27 July 2016 is not proposed at this AGM.
- 6) The register of directors and key managerial personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
- 7) The register of contracts or arrangements in which directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- 8) The register of members and share transfer books of the company will remain closed from Wednesday, 17 July 2019 to Friday, 19 July 2019 (both days inclusive).
- 9) The board of directors of the company at their meeting held on 17 May 2019 have recommended a dividend of ₹ 20/- per equity share of ₹ 5/- each as final dividend for the financial year 2018-19. Dividend, if declared, at the 35th AGM, will be paid on or after 5 August 2019, to those members whose names appear on the register of members of the company as of end of the day on 16 July 2019.
- 10) The annual report for the financial year 2018-19 has been sent through e-mail to those members who have opted to receive electronic communication or who have registered their e-mail addresses with the company/depository participants. The annual report is also available on the company's website: [www.drreddys.com](http://www.drreddys.com). The physical copy of the annual report has been sent to those members who have either opted for the same or have not registered their e-mail addresses with the company/depository participants. The members will be entitled to a physical copy of the annual report for the financial year 2018-19, free of cost, upon sending a request to the company secretary at 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500 034.
- 11) In case any member is desirous to receive communication from the company in electronic form, they may register their e-mail address on [www.drreddys.com/investors/investor-services/shareholder-information.aspx](http://www.drreddys.com/investors/investor-services/shareholder-information.aspx) or with their depository participant or send their consent at [shares@drreddys.com](mailto:shares@drreddys.com) along with their folio no. and valid e-mail address for registration.
- 12) Pursuant to Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Listing Regulations, the company is pleased to offer voting by electronic means to the members to cast their votes electronically on all resolutions set forth in this notice. The detailed instructions for e-voting are given as a separate attachment to this notice.
- 13) Members, desiring any information relating to the financials from the management or the statutory auditors, are requested to write to the company at an early date to keep the information ready.
- 14) Members are requested to kindly bring their copy of the annual report with them at the AGM, as no extra copy of the annual report would be made available at the AGM venue. Members/proxies should also bring the attached attendance slip, duly filled and hand it over at the entrance to the venue.
- 15) The certificate from the auditors of the company certifying that the company's 'Dr. Reddy's Employees Stock Option Scheme, 2002', 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007' and 'Dr. Reddy's Employees Stock Option Scheme, 2018' are being implemented in accordance with the SEBI regulations and the resolutions passed by the members will be available for inspection by the members at the AGM.
- 16) Members are requested to intimate immediately, any change in their address to their depository participants with whom they are maintaining their demat accounts. If the shares are held in physical form, change in address has to be intimated to the company's registrar and transfer agent (RTA), Bigshare Services Private Limited, 306, Right Wing, 3rd Floor, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road, Hyderabad 500 082, Telangana, India Tel: +91-40-2337 4967, Fax: +91-40-2337 0295, E-mail ID: [bsshyd@bigshareonline.com](mailto:bsshyd@bigshareonline.com).
- 17) In terms of Schedule I of the Listing Regulations, listed companies are required to use the Reserve Bank of India's approved electronic mode of payment such as electronic clearance service (ECS), LECS (Local ECS)/RECS (Regional ECS)/NECS (National ECS), direct credit, real time gross settlement, national electronic fund transfer (NEFT), etc. for making payments like dividend etc. to the members.
- Accordingly, members holding securities in demat mode are requested to update their bank details with their depository participants. Members holding securities in physical form should send a request updating their bank details, to the company's RTA.
- 18) SEBI has mandated the submission of permanent account number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form should submit their PAN to the company or its RTA.
- 19) Pursuant to Section 72 of the Companies Act, 2013, members are entitled to make a nomination in respect of shares held by them. Members desirous of making a nomination, pursuant to the Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014 are requested to send their requests in form no. SH-13, to the RTA of the company. Further, members desirous of cancelling/varying nomination pursuant to the Rule 19(9) of the Companies (Share Capital and Debentures) Rules, 2014, are requested to send their requests in form no. SH-14, to the RTA of the company. These forms will be made available on request.
- 20) The members may note that, pursuant to SEBI Notification dated 8 June 2018 and Press Release dated 3 December 2018, transfer of shares (except transmission and transposition of shares) will be in dematerialised form only. Although, the members can continue to hold shares in physical form, they are requested to consider dematerializing the shares held by them in the company.

ANNEXURE TO NOTICE OF AGM (CONTINUED)

21) All documents referred to in the accompanying notice will be available for inspection at the registered office of the company during business hours on all working days up to the date of 35th AGM of the company.

22) Your company is pleased to provide the facility of live webcast of proceedings of AGM. Members who are entitled to participate in the AGM can view the live proceedings of AGM by logging on the NSDL e-voting system at [www.evoting.nsdl.com](http://www.evoting.nsdl.com) using their

secure login credentials. Members are encouraged to use this facility of the live webcast. The webcast facility will be available from 9.30 am onwards on 30 July 2019.

By order of the board

Place : Hyderabad  
Date : 17 May 2019

**Sandeep Poddar**  
Company Secretary

## ANNEXURE TO NOTICE OF AGM

Statement provided under Secretarial Standard on General Meetings (SS-2).

### ITEM NO. 3

Mr. G V Prasad (aged 58 years, DIN: 00057433) is a member of the company's board since 1986 and serves as co-chairman, managing director and chief executive officer of the company. He leads the core team that drives the growth and performance at Dr. Reddy's that has contributed significantly to its transformation from a mid-sized domestic operation into a worldwide pharmaceutical conglomerate. Mr. Prasad is widely credited as the architect of Dr. Reddy's successful Global Generics (GG) and Active Pharmaceutical Ingredients (API) strategies, as well as company's foray into biosimilars and differentiated formulations. He envisioned new business platforms and is dedicated to building the innovation side of the business.

Mr. Prasad was listed among the Top 50 CEOs that India ever had by Outlook magazine in 2017 and was recognized as one the top 5 Most Valuable CEOs of India by Business World in 2016. He was also listed in the prestigious 'Medicine Maker 2018 Power List' of most inspirational professionals shaping the future of drug development, and has been named India Business Leader of the year by CNBC Asia, in 2015.

Prior to May 2014, Mr. Prasad held titles of chairman and chief executive officer. He was the managing director of Cheminor Drugs Limited, prior to its merger with Dr. Reddy's. He was reappointed as a whole-time director designated as co-chairman, managing director and CEO of the company at the 32nd AGM of the members held on 27 July 2016, for a further period of five years commencing 30 January 2016 to 29 January 2021, liable to retire by rotation. He retires by rotation at the 35th AGM of the company and being eligible, offers himself for the reappointment.

The company has, *inter alia*, received an intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Mr. Prasad to the effect that he is not disqualified in accordance with Section 164(2) of the Companies Act, 2013 and a declaration that he is not debarred or

restrained from acting as a director by any SEBI order or by any other such authority.

Mr. Prasad has attended all meetings of the board held during FY2019. He holds 1,117,940 equity shares in the company.

Except Mr. G V Prasad, Mr. K Satish Reddy and their relatives, none of the other directors and key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item no. 3 of the notice.

The board recommends the resolution set forth in item no. 3 of the notice for approval of the members.

### About Mr. Prasad:

Mr. Prasad holds a Bachelor's degree in Chemical Engineering from Illinois Institute of Technology, Chicago in the USA and an M.S. in Industrial Administration from Purdue University, Indiana in the USA.

Mr. Prasad is also a director on the boards of: Green Park Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings Limited, Ruthenika Technologies Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Institute of Life Sciences, International Foundation for Research and Education, Indian School of Business, Andhra Pradesh State Skill Development Corporation and company's wholly owned subsidiaries, Aurigene Discovery Technologies Limited and Idea2Enterprises (India) Private Limited in India; Aurigene Discovery Technologies Inc., Dr. Reddy's Laboratories Inc., Promius Pharma LLC in USA and Kunshan Rotam Reddy Pharmaceuticals Limited in China.

He is a member of corporate social responsibility committee, stakeholders' relationship committee and banking and authorisations committee of Dr. Reddy's Laboratories Limited and member of nomination and remuneration committee and corporate social responsibility committee of Aurigene Discovery Technologies Limited.

## ANNEXURE TO NOTICE OF AGM (CONTINUED)

**Statement pursuant to Section 102(1), other provisions of the Companies Act, 2013, the Rules made thereunder, as applicable, under secretarial standard on general meetings (SS-2) for item nos. 4 – 9 and under Listing Regulations, wherever applicable.**

**ITEM NO. 4**

Mr. Sridar Iyengar (aged 71 years, DIN: 00278512) was appointed as a director on the board of the company in August 2011. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Iyengar was appointed as an independent director for a period of five years, at the 30th AGM of the company held on 31 July 2014. Accordingly, his first term as a non-executive independent director is ending at the 35th AGM.

Section 149(10) of the Companies Act, 2013, provides that an independent director shall hold office for a term up to five consecutive years on the board of a company but shall be eligible for reappointment, for another term of up to five years, on passing of a special resolution by the shareholders.

In terms of Section 152 and Schedule IV of the Companies Act, 2013, outcome of his performance evaluation and recommendations of the nomination, governance and compensation committee (NGCC), the board is of the opinion that Mr. Iyengar fulfils the conditions for his reappointment as an independent director as specified in the Companies Act, 2013 and the Listing Regulations and is independent of the management. The NGCC and the board strongly recommend the resolution for consideration of the members.

Accordingly, the company is seeking the approval of its members by way of a special resolution, in view of the aforementioned provisions, for reappointment of Mr. Iyengar for the second term of 4 (four) consecutive years from 31 July 2019 to 30 July 2023.

Further, according to Regulation 17(1A) of the Listing Regulations, a listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained seventy five years of age only after the concerned listed company has obtained approval of its members by way of a special resolution. Since Mr. Iyengar will attain seventy five years during his tenure as an independent director in the second term, the company is seeking the approval of its members by way of a special resolution.

In July 2019, terms of four independent directors of the company will come to an end viz; Mr. Anupam Puri, Dr. Omkar Goswami, Mr. Sridar Iyengar and Ms. Kalpana Morparia. Mr. Anupam Puri completes his second term and Dr. Omkar Goswami does not seek reappointment. The company has appointed three new board members this year. Given this significant transition of the board, the board of directors believes that the continued presence of Mr. Iyengar is critical in maintaining its fiduciary continuity during this period of transition. Hence, the board believes that it is in the best interest of the company, to reappoint Mr. Iyengar as an independent director for the second term of 4 (four) consecutive years. The continued association of Mr. Iyengar would be of immense benefit to the company and will help the board to maintain continuity, given significant changes in the composition of the board.

Mr. Iyengar is the chairperson of the audit committee and a member of the risk management committee. Further, the board of directors has determined that Mr. Iyengar is an audit committee financial expert as defined in Item 401(h) of Regulations S-K, and is independent pursuant to applicable NYSE rules.

Considering the above, it is recommended to reappoint him as an independent director for the second term of 4 (four) consecutive years from 31 July 2019 up to 30 July 2023, not liable to retire by rotation, by passing the special resolution as set out in this notice.

The company has received, *inter alia*, (i) intimation in form DIR-8 pursuant to Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Mr. Iyengar to the effect that he is not disqualified in accordance with Section 164(2) of the Companies Act, 2013; (ii) declaration that he meets the criteria of independence as provided in the Companies Act, 2013 and Listing Regulations; (iii) declaration that he is not debarred or restrained from acting as a director by any SEBI order or by any other such authority; and (iv) a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr. Iyengar as a director of the company.

Mr. Iyengar has physically attended four board meetings out of five held during FY2019. He had requested and was granted leave of absence for one meeting. However, he participated in that meeting through tele-conference. He does not hold any equity shares in the company. For FY2019 he is entitled to a commission based remuneration as an independent director of ₹104.4 lakhs.

A copy of the draft letter of reappointment, setting out the terms and conditions of reappointment of Mr. Iyengar, is available for inspection, without any fee, by the members at the company's registered office during business hours on all working days up to the date of the AGM.

Except Mr. Iyengar and his relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out in item no. 4 of the notice.

The board strongly recommends the special resolution set forth in item no. 4 of the notice for approval of the members.

**About Mr. Iyengar:**

Mr. Sridar Iyengar holds a Bachelor of Commerce (Hons.) degree from the Calcutta University, India and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Iyengar is an independent mentor investor in early stage startups and companies. For more than 35 years, he has worked in the UK, USA and India with a large number of companies, advising them on strategy and other issues. Earlier Mr. Iyengar was a senior partner with KPMG in the USA and UK and also served as the Chairman and CEO of KPMG's operations in India.

## ANNEXURE TO NOTICE OF AGM (CONTINUED)

Mr. Iyengar also holds directorship in Mahindra Holidays & Resorts India Limited, ICICI Venture Funds Management Company Limited, Cleartrip Private Limited in India, AverQ Inc. in the USA, Cleartrip Inc. in the Cayman Islands, Holiday Club Resorts OY in Finland and our wholly owned subsidiary, Dr. Reddy's Laboratories SA in Switzerland. Apart from the committee chairmanship or membership in Dr. Reddy's, Mr. Iyengar is also the chairman/member of committees of other companies as given in the table below:

**COMMITTEE CHAIRMANSHIPS/MEMBERSHIPS OF MR. SRIDAR IYENGAR**

COMPANY NAME	COMMITTEE	CHAIRMAN/MEMBER
Mahindra Holidays and Resorts India Limited, India	Audit committee	Chairman
	Remuneration committee	Member
ICICI Venture Funds Management Company Limited, India	Nomination and remuneration committee	Member
	Corporate social responsibility committee	Chairman
	Audit committee	Chairman (with effect from 8 May 2019)
	Employee co-invest committee	Member
Cleartrip Private Limited, India	Funds committee	Member
	Audit committee	Chairman
	Compensation committee	Member
Cleartrip Inc., Cayman Islands	Audit committee	Chairman
	Compensation committee	Member
	Nominating & governance committee	Chairman

**ITEM NO. 5**

Ms. Kalpana Morparia (aged 70 years, DIN: 00046081) was appointed as a director on the board of the company in June 2007. In terms of Section 149 and other applicable provisions of the Companies Act, 2013 she was appointed as an independent director for a period of five years, at the 30th AGM of the company held on 31 July 2014. Accordingly, her first term as a non-executive independent director is ending at the 35th AGM.

Section 149(10) of the Act, provides that an independent director shall hold office for a term up to five consecutive years on the board of a company but shall be eligible for reappointment, for another term of up to five consecutive years, on passing of a special resolution by the members.

In terms of Section 152 and Schedule IV of the Companies Act, 2013, outcome of performance evaluation and recommendations of the nomination, governance and compensation committee (NGCC), the board is of the opinion that Ms. Morparia fulfils the conditions for her reappointment as an independent director as specified in the Companies Act, 2013 and the Listing Regulations and is independent of the management. The NGCC and the board strongly recommend the resolution for consideration of the members.

Accordingly, the company is seeking the approval of its members by way of a special resolution, in view of the aforementioned provisions,

for reappointment of Ms. Morparia for the second term of 5 (five) consecutive years from 31 July 2019 to 30 July 2024.

Further, according to Regulation 17(1A) of the Listing Regulations, a listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained seventy five years of age only after the concerned listed company has obtained approval of its members by way of a special resolution. Since Ms. Morparia will attain seventy five years during her tenure as an independent director in the second term, the company is seeking the approval of its members by way of a special resolution.

In July 2019, terms of four independent directors of the company will come to an end viz; Mr. Anupam Puri, Dr. Omkar Goswami, Mr. Sridar Iyengar and Ms. Kalpana Morparia. Mr. Anupam Puri completes his second term and Dr. Omkar Goswami does not seek reappointment. The company has appointed three new board members this year. Given this significant transition of the board, the board of directors believes that the continued presence of Ms. Morparia is critical in maintaining its fiduciary continuity during this period of transition. Hence, the board believes that it is in the best interest of the company, to reappoint Ms. Morparia as an independent director for the second term of 5 (five) consecutive years. The continued association of Ms. Morparia would be of immense benefit to the company and will help the board to maintain continuity, given significant changes in the composition of the board.

Ms. Morparia is the chairperson of the stakeholders' relationship committee and a member of the science, technology and operations committee. The continued association of Ms. Morparia would be of immense benefit to the company.

Considering the above, it is recommended to reappoint her as an independent director for the second term of 5 (five) consecutive years from 31 July 2019 up to 30 July 2024, not liable to retire by rotation by passing the special resolution as set out in this notice.

The company has received, *inter alia*, (i) intimation in form DIR-8 pursuant to Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Ms. Morparia to the effect that she is not disqualified in accordance with Section 164(2) of the Companies Act, 2013; (ii) declaration that she meets the criteria of independence as provided in the Companies Act, 2013 and Listing Regulations; (iii) declaration that she is not debarred or restrained from acting as a director by any SEBI order or by any other such authority; and (iv) a notice in writing from a member under Section 160 of the Act proposing the candidature of Ms. Morparia as a director of the company.

Ms. Morparia has attended all five board meetings held during FY2019. She holds 10,800 equity shares in the company. For FY2019 she is entitled to a commission based remuneration as an independent director of ₹ 96.8 lakhs.

A copy of the draft letter of reappointment, setting out the terms and conditions of reappointment of Ms. Morparia, is available for inspection, without any fee, by the members at the company's

## ANNEXURE TO NOTICE OF AGM (CONTINUED)

registered office during business hours on all working days up to the date of the AGM.

Except Ms. Morparia and her relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out in item no. 5 of the notice.

The board strongly recommends the resolution set forth in item no. 5 of the notice for approval of the members.

**About Ms. Morparia:**

Ms. Kalpana Morparia is a graduate in science and law from Mumbai University, India.

Ms. Morparia is Chairperson of J.P. Morgan, South and Southeast Asia and a member of J.P. Morgan's Asia Pacific Management Committee. Prior to joining J.P. Morgan, India, Ms. Morparia served as Vice Chair on the boards of ICICI Group Companies and was the Joint Managing Director of ICICI Bank from 2001 to 2007. She has been recognized by several national and international media for her role as one of the leading women professionals.

She also holds directorship in Hindustan Unilever Limited and J.P. Morgan Services India Private Limited in India, Philip Morris International Inc. in the USA. Ms. Morparia is also a member of the Governing Board of Bharti Foundation.

Apart from committee chairpersonship or membership in Dr. Reddy's, she is also a member of corporate social responsibility committee of Hindustan Unilever Limited. She is chairperson of nominating and corporate governance committee, member of finance committee and product innovation and regulatory affairs committee of Philip Morris International Inc., USA.

**ITEM NO.6**

Mr. Leo Puri (aged 58 years, DIN: 01764813) was appointed as an additional director categorized as independent by the board for a term of five years with effect from 25 October 2018 up to 24 October 2023, subject to the approval of shareholders of the company at the AGM.

The company has received, *inter alia*, (i) consent in writing to act as director in form DIR-2 pursuant to rule 8 of the Companies (Appointment and Qualification of Directors) Rules, 2014; (ii) intimation in form DIR-8 pursuant to Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Mr. Puri to the effect that he is not disqualified in accordance with Section 164(2) of the Companies Act, 2013; (iii) declaration that he meets the criteria of independence as provided in the Companies Act, 2013 and Listing Regulations; (iv) declaration that he is not debarred or restrained from acting as a director by any SEBI order or by any other such authority; and (v) a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr. Puri as a director of the company.

In terms of Section 152 and Schedule IV of the Companies Act, 2013, the board is of the opinion that Mr. Puri, fulfils the conditions for his appointment as an independent director as specified in the Companies Act, 2013 and the Listing Regulations and is independent of the management.

A copy of the draft letter of appointment, setting out the terms and conditions of appointment of Mr. Puri, is available for inspection, without any fee, by the members at the company's registered office during business hours on all working days up to the date of the AGM.

Mr. Puri has attended all three board meetings held since his appointment. He does not hold any equity shares in the company.

Except Mr. Puri and his relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out in item no. 6 of the notice.

The NGCC and the board recommends the resolution set forth in item no. 6 of the notice for approval of the members.

**About Mr. Puri:**

Mr. Leo Puri has a Master's degree in P.P.E. from Oxford University, UK and a Master's degree in Law from Cambridge University, UK.

Mr. Leo Puri was the Managing Director of UTI Asset Management Co. Limited from August 2013 to August 2018. In his career of more than 30 years, Mr. Puri has previously worked as director with McKinsey & Company and as managing director with Warburg Pincus. Mr. Puri has worked in the UK, USA and Asia. Since 1994, he has primarily worked in India. At McKinsey, he has advised leading financial institutions, conglomerates and investment institutions in strategy and operational issues. He has contributed to the development of knowledge and public policy through advice to regulators and government officials. At Warburg Pincus, he was responsible for leading and managing investments across industries in India. He also contributed to financial services investments in the international portfolio as a member of the global partnership.

He also holds directorships in Hindustan Unilever Limited, Northern Arc Capital Limited and Indiaideas.com Limited (Billdesk).

Mr. Puri is a member of the nomination, governance and compensation committee and science, technology and operations committee of Dr. Reddy's Laboratories Limited. He is also a member of the audit committee and nomination & remuneration committee of Hindustan Unilever Limited and Northern Arc Capital Limited. He is also the chairman of audit committee and nomination & remuneration committee of Indiaideas.com Limited (Billdesk).

#### ITEM NO. 7

Ms. Shikha Sharma (aged 60 years, DIN: 00043265) was appointed as an additional director categorized as independent by the board for a term of five years with effect from 31 January 2019 up to 30 January 2024, subject to the approval of shareholders of the company at the AGM.

The company has received, *inter alia*, (i) consent in writing to act as director in form DIR-2 pursuant to Rule 8 of the Companies (Appointment and Qualification of Directors) Rules, 2014; (ii) intimation in form DIR-8 pursuant to Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Ms. Sharma to the effect that she is not disqualified in accordance with Section 164(2) of the Companies Act, 2013; (iii) declaration that she meets the criteria of independence as provided in the Companies Act, 2013 and Listing Regulations; (iv) declaration that she is not debarred or restrained from acting as a director by any SEBI order or by any other such authority; and (v) a notice in writing from a member under Section 160 of the Act proposing the candidature of Ms. Sharma as a director of the company.

In terms of Section 152 and Schedule IV of the Companies Act, 2013, the board is of the opinion that Ms. Sharma, fulfils the conditions for her appointment as an independent director as specified in the Companies Act, 2013 and the Listing Regulations and is independent of the management.

A copy of the draft letter of appointment, setting out the terms and conditions of appointment of Ms. Sharma, is available for inspection, without any fee, by the members at the company's registered office during business hours on all working days up to the date of the AGM.

Ms. Sharma has attended both the board meetings held since her appointment. She does not hold any equity shares in the company.

Except Ms. Sharma and her relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out in item no. 7 of the notice.

The NGCC and the board recommends the resolution set forth in item no. 7 of the notice for approval of the members.

#### About Ms. Sharma:

Ms. Shikha Sharma holds an MBA from the Indian Institute of Management, Ahmedabad, India, B.A. (Hons.) in Economics and Post Graduate Diploma in Software Technology from National Centre for Software Technology (NCST), Mumbai, India.

Ms. Shikha Sharma was the managing director & CEO of Axis Bank, India's third largest private sector bank from June 2009 upto December 2018. As a leader adept at managing change, she led the Bank on a transformation journey from being primarily a

corporate lender to a bank with a strong retail deposit franchise and a balanced lending book.

Ms. Sharma has more than three decades of experience in the financial sector, having begun her career with ICICI Bank Limited in 1980. During her tenure with the ICICI Group, she was instrumental in setting up ICICI Securities. As managing director & CEO of ICICI Prudential Life Insurance Company Limited, she led the company to become the No. 1 private sector life insurance company in India. She was a member of RBI's Technical Advisory Committee, Panel on Financial Inclusion, Committee on Comprehensive Financial Services for Small Businesses and Low-Income Household etc. She has chaired CII's National Committee on Banking from 2015 to 2017.

Ms. Sharma is also a director on the board of Ambuja Cements Limited (with effect from 1 April 2019) and Tata Global Beverages Limited (with effect from 7 May 2019).

She is a member of the audit committee and risk management committee of Dr. Reddy's Laboratories Limited. She is also a member of the audit committee of Ambuja Cements Limited.

#### ITEM NO. 8

Mr. Allan Oberman (aged 61 years, DIN: 08393837) was appointed as an additional director categorized as independent by the board for a term of five years with effect from 26 March 2019 up to 25 March 2024, subject to the approval of shareholders of the company at the AGM.

The company has received, *inter alia*, (i) consent in writing to act as director in form DIR-2 pursuant to Rule 8 of the Companies (Appointment and Qualification of Directors) Rules, 2014; (ii) intimation in form DIR-8 pursuant to Rule 14 of the Companies (Appointment and Qualification of Directors) Rules, 2014, from Mr. Oberman to the effect that he is not disqualified in accordance with Section 164(2) of the Companies Act, 2013; (iii) declaration that he meets the criteria of independence as provided in the Companies Act, 2013 and Listing Regulations; (iv) declaration that he is not debarred or restrained from acting as a director by any SEBI order or by any other such authority; and (v) a notice in writing from a member under Section 160 of the Act proposing the candidature of Mr. Oberman as a director of the company.

In terms of Section 152 and Schedule IV of the Companies Act, 2013, the board is of the opinion that Mr. Oberman, fulfils the conditions for his appointment as an independent director as specified in the Companies Act, 2013 and the Listing Regulations and is independent of the management.

A copy of the draft letter of appointment, setting out the terms and conditions of appointment of Mr. Oberman, is available for inspection, without any fee, by the members at the company's registered office during business hours on all working days up to the date of the AGM.

## ANNEXURE TO NOTICE OF AGM (CONTINUED)

Mr. Oberman had requested and was granted leave of absence for one meeting held since his appointment. However, he participated in that meeting through tele-conference. He does not hold any equity shares in the company.

Except Mr. Oberman and his relatives, none of the other directors or key managerial personnel of the company and their relatives are concerned or interested, financially or otherwise, in the resolution set out in item no. 8 of the notice.

The NGCC and the board recommends the resolution set forth in item no. 8 of the notice for approval of the members.

**About Mr. Oberman:**

Mr. Allan Oberman holds an MBA from the Schulich School of Business, York University, Toronto, Canada and a BA from Western University, London, UK.

He was the Chief Executive Officer of Concordia International Corp. from November 2016 until May 2018. In his career of more than 35 years, he also served as CEO of Sagent Pharmaceuticals Inc., and President and CEO of Teva Americas Generics, a subsidiary of Teva Pharmaceutical Industries Ltd. Prior to that, Mr. Oberman served as President of Teva EMIA, where from 2010 to 2012 he was responsible for Eastern Europe, Middle East, Israel and Africa. From 2008 to 2010, he served as the Chief Operating Officer of the Teva International Group, and from 2000 to 2008, he served as the President and CEO of Teva Canada (formerly Novopharm Limited).

From 1996 to 2000, Mr. Oberman was the President of Best Foods Canada Inc. Mr. Oberman was also Vice Chairman of the Association for Accessible Medicines, Chairman of the Canadian Generic Pharmaceutical Association, and served on the associate board of the Canadian Association of Chain Drug Stores, and was a member of the board of directors of the Baycrest Centre Foundation, the Electronic Commerce Council, and the Food and Consumer Products Association of Canada.

He is also on the board of Planet Shrimp Inc., Canada and Jay Pharma Inc. (with effect from 4 April 2019), Canada.

He is a member of the science, technology and operations committee and risk management committee of Dr. Reddy's Laboratories Limited.

**ITEM NO. 9**

The board, on the recommendation of the audit committee, has approved the reappointment of M/s. Sagar & Associates, cost accountants (Firm Registration No. 000118), as cost auditors at a remuneration of ₹ 700,000/- (Rupees Seven Lakhs) per annum plus out of pocket expenses, at actuals and applicable taxes, to conduct the audit of the cost records of the company for the financial year ending 31 March 2020.

In accordance with the provisions of the Section 148 of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the cost auditors has to be ratified by the members of the company.

Accordingly, consent of the members is sought for passing an ordinary resolution as set out at item no. 9 of the notice for ratification of the remuneration payable to the cost auditors for the financial year ending 31 March 2020.

None of the directors or key managerial personnel of the company and their relatives are, concerned or interested, financially or otherwise, in the resolution set out in item no. 9 of the notice.

The board recommends the resolution set forth in item no. 9 of the notice for approval of the members.

By order of the board

Place : Hyderabad  
Date : 17 May 2019

**Sandeep Poddar**  
Company Secretary

# INSTRUCTIONS FOR E-VOTING

Dear Members,

Pursuant to the provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Listing Regulations, the company is pleased to provide remote e-voting facility to members to cast their vote on all resolutions set forth in the notice convening the 35th annual general meeting (AGM) to be held on Tuesday, 30 July 2019 at 9.30 am. The company has engaged the services of National Securities Depository Limited (NSDL) to provide the remote e-voting facility. The facility of casting the votes by the members using an electronic voting system from a place other than the venue of the AGM is termed as "remote e-voting".

The remote e-voting facility is available at the link [www.evoting.nsdl.com](http://www.evoting.nsdl.com). The e-voting event number (EVEN) and period of remote e-voting are set out below:

EVEN	Commencement of remote e-voting	End of remote e-voting
110838	Friday, 26 July 2019 at 9.00 am IST	Monday, 29 July 2019 at 5.00 pm IST

Please read the instructions printed below before exercising your vote. The details and instructions form an integral part of the notice of the AGM to be held on 30 July 2019.

4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is
a) For members who hold shares in demat account with NSDL.	8 character DP ID followed by 8 digit Client ID. For example: if your DP ID is IN300*** and Client ID is 12***** then your User ID is IN300**12*****
b) For members who hold shares in demat account with CDSL.	16 digit Beneficiary ID. For example: if your Beneficiary ID is 12***** then your User ID is 12*****
c) For members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the Company. For example: if Folio Number is A01*** and EVEN is 123456 then user ID is 123456A01***

5. Instructions for retrieving password:

- a. If you are already registered for e-voting, then you can use your existing password to log-in and cast your vote.
- b. If you are using NSDL e-voting system for the first time, you will need your "initial password" which was communicated to you. Details of "initial password" are given in point c (i) and (ii) below. Once you have your "initial password", you need to enter the "initial password" on the log-in page and the system will force you to change your password.
- c. Initial password:
  - i. If your e-mail ID is registered in your demat account or with the company, your "initial password" is communicated to you on your e-mail ID. Trace the e-mail sent to you from NSDL from your mailbox. Open the e-mail and open the attachment which is a .pdf file. Open the .pdf

file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of Client ID for CDSL account or Folio Number for shares held in physical form. The .pdf file contains your 'User ID' and 'initial password'.

- ii. If your e-mail ID is not registered, your 'initial password' is communicated to you at your postal address.

6. If you are unable to retrieve or have not received the 'initial password' or have forgotten your password:

- a. If you are holding shares in your demat account with NSDL or CDSL, click on 'Forgot User Details/Password' option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- b. If you are holding shares in physical mode, click on 'Physical User Reset Password' option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

## Procedure to vote electronically using NSDL e-voting system

The way to vote electronically on NSDL e-voting system consists of 'Two Steps' which are mentioned below:

- Step 1: Log-in to NSDL e-voting system at [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
- Step 2: Cast your vote electronically on NSDL e-voting system.

### Step 1: How to Log-in to NSDL e-voting website?

1. Visit the e-voting website of NSDL. Open web browser by typing the following URL: [www.evoting.nsdl.com](http://www.evoting.nsdl.com) either on a personal computer or on a mobile.
2. Once the home page of e-voting system is launched, click on the icon 'Login' which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your user ID, password and a verification code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com> with your existing IDEAS log-in. Once you log-in to NSDL eservices after using your log-in credentials, click on e-voting and you can proceed to Step 2 i.e. Cast your vote electronically.

## INSTRUCTIONS FOR E-VOTING (CONTINUED)

- c. If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, PAN, name and registered address.
  - d. You can also use the one time password (OTP) based login for casting the votes on the NSDL e-voting system.
7. After entering your password, click on 'Agree to Terms and Conditions' by selecting on the check box.
  8. Now you will have to click on 'Log-in' button.
  9. After you click on the 'Log-in' button, home page of e-voting will open.

**Step 2: How to cast your vote electronically on NSDL e-voting system?**

1. After successful log-in at Step 1, you will be able to see the home page of e-voting. Click on e-voting. Then, click on "Active Voting Cycles".
2. After clicking on Active Voting Cycles, you will be able to see all the companies "EVEN" (E-voting Event Number) in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of "Dr. Reddy's Laboratories Limited". The Cast Vote page will open.
4. Now you are ready for e-voting as the voting page opens.
5. Cast your vote by selecting your favoured option i.e. assent/ dissent, verify/modify the number of shares for which you wish to cast your vote and click on 'Submit' and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Instructions:**

- a) The remote e-voting period commences on Friday, 26 July 2019 (9.00 am IST) and ends on Monday, 29 July 2019 (5.00 pm IST). During this period, members of the company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Tuesday, 23 July 2019, may cast their votes electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member,

the member shall not be allowed to change it subsequently or cast the vote again.

- b) Any person, who acquires shares of the company and becomes a member of the company after dispatch of the notice of AGM and holds shares as on the cut-off date i.e. Tuesday, 23 July 2019, may obtain user ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). However, if you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote. If you forget your password, you can reset the password by using "forgot user details/password?" or "physical user reset password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following tollfree no.: 1800-222-990.
- c) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- d) The facility for voting through electronic voting system/ ballot paper shall be made available at the AGM venue and the members attending the AGM who have not cast their vote by remote e-voting shall be able to exercise their right at the AGM venue through electronic voting system/ballot paper. Members who have not cast their vote electronically, by remote e-voting, may only cast their vote at the AGM through electronic voting system/ballot paper.
- e) The voting rights of shareholders shall be in proportion to the shares held by them, of the paid-up equity share capital of the company as on the cut-off date of Tuesday, 23 July 2019.
- f) Mr. G Raghu Babu, partner of M/s. R & A Associates, practising company secretary, Hyderabad (membership no. FCS 4448 & certificate of practice no. 2820) has been appointed by the board as the scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- g) At the AGM, at the end of discussion on the resolutions on which voting is to be held, the chairman shall, with the assistance of scrutinizer, order voting through electronic means/ballot paper for all those members who are present at the AGM but have not cast their votes electronically using the remote e-voting facility.
- h) Immediately after the conclusion of voting at the AGM, the scrutinizer shall first count the votes cast at the AGM and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the company. The scrutinizer shall prepare a consolidated scrutinizer's report of the total votes cast in favour or against, if any, not later than forty eight hours after the conclusion of the AGM. This report shall be made to the chairman or any other person authorized by the chairman, who shall declare the result of the voting forthwith.

INSTRUCTIONS FOR E-VOTING (CONTINUED)

- i) The voting results declared along with the scrutinizer's report shall be placed on the company's website [www.drreddys.com](http://www.drreddys.com) and the website of NSDL immediately after the declaration of the result by the chairman or a person authorized by the chairman. The results shall also be immediately forwarded to the BSE Limited, National Stock Exchange of India Limited and the New York Stock Exchange Inc.
- j) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant board resolution/authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by e-mail to [driscrutinizer@gmail.com](mailto:driscrutinizer@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
- k) It is strongly recommended not to share your password with any other person and take utmost care to keep your password

confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot User Details/Password?' or 'Physical User Reset Password?' option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.

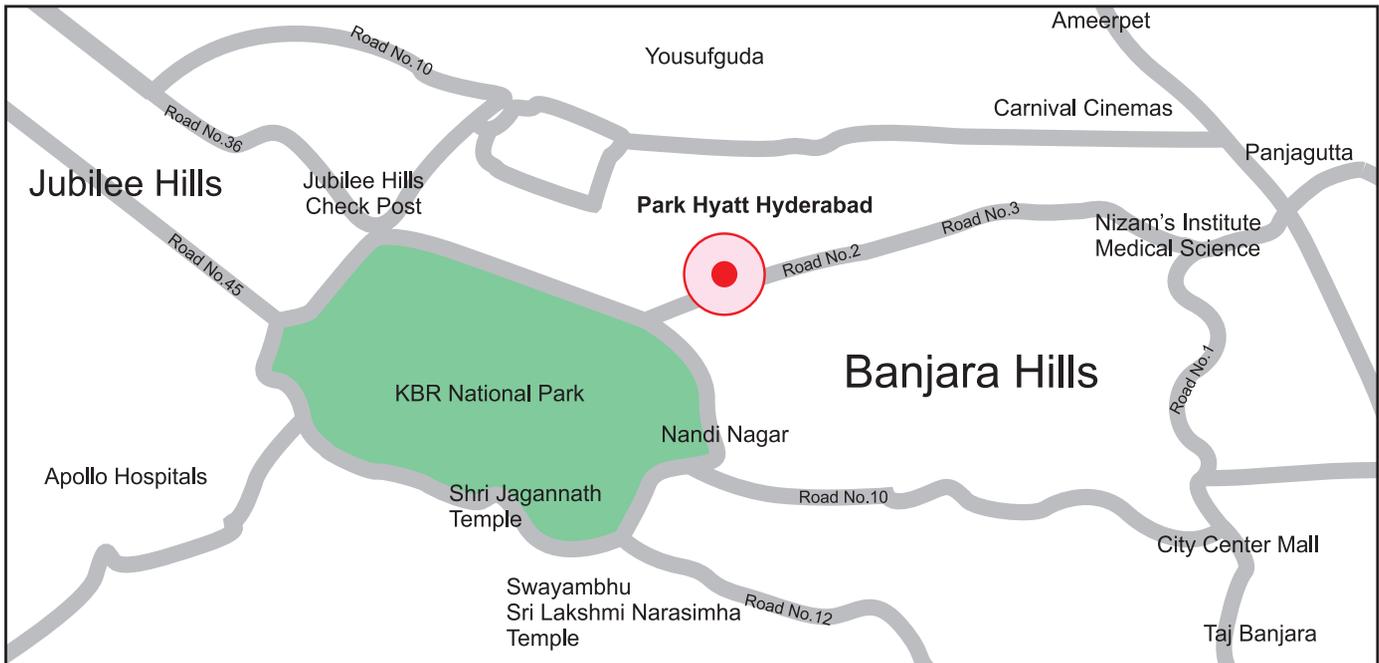
- l) In case of any queries, you may refer the frequently asked questions (FAQs) and e-voting user manual, available at downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll-free no.: 1800-222-990. You can also refer your queries to NSDL through e-mail ID: [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).

By order of the board

Place : Hyderabad  
Date : 17 May 2019

**Sandeep Poddar**  
Company Secretary

In terms of the requirements of the Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, route map for the location of the venue of the 35th annual general meeting is given as under:



## Dr. Reddy's Laboratories Limited

CIN: L85195TG1984PLC004507

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034

E-mail ID: shares@drreddys.com Website: www.drreddys.com

35th Annual General Meeting – Tuesday, 30 July 2019

### Attendance Slip

Folio No./DP ID & Client ID:

No. of shares held:

Name and address of  
First/Sole member:

I certify that I am a member/proxy/authorised representative for the member of the company.

I, hereby record my presence at the 35th annual general meeting of the company held on Tuesday, 30 July 2019 at 9.30 am at The Ballroom, Hotel Park Hyatt, Road No.2, Banjara Hills, Hyderabad – 500 034.

-----  
Name of the member/proxy  
(in BLOCK letters)

-----  
Signature of the member/proxy

#### Notes:

- a) Only member/proxy can attend the meeting. No minors would be allowed at the meeting.
- b) Member/proxy who wish to attend the meeting must bring this attendance slip to the meeting and hand over at the entrance duly filled in and signed.
- c) Member/proxy should bring his/her copy of the annual report for reference at the meeting.



## Dr. Reddy's Laboratories Limited

CIN: L85195TG1984PLC004507

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034

E-mail ID: shares@drreddys.com Website: www.drreddys.com

35th Annual General Meeting – Tuesday, 30 July 2019

### Proxy Form

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3)  
of the Companies (Management and Administration) Rules, 2014)

Name of the member(s) \_\_\_\_\_

Registered address: \_\_\_\_\_

E-Mail ID: \_\_\_\_\_ Folio No./Client ID: \_\_\_\_\_ DP ID: \_\_\_\_\_

I/We, being member(s) of Dr. Reddy's Laboratories Limited, holding \_\_\_\_\_ shares of the company, hereby appoint:

1. Name: \_\_\_\_\_

Address: \_\_\_\_\_

E-mail ID: \_\_\_\_\_ Signature \_\_\_\_\_

or failing him/her

2. Name: \_\_\_\_\_

Address: \_\_\_\_\_

E-mail ID: \_\_\_\_\_ Signature \_\_\_\_\_

or failing him/her

3. Name: \_\_\_\_\_

Address: \_\_\_\_\_

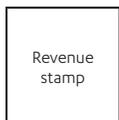
E-mail ID: \_\_\_\_\_ Signature \_\_\_\_\_

as my/our proxy to attend and vote (on a poll/electronic voting) for me/us and on my/our behalf at the 35th annual general meeting of the company, to be held on Tuesday, 30 July 2019 at 9.30 am. at The Ballroom, Hotel Park Hyatt, Road No.2, Banjara Hills, Hyderabad – 500 034 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Nos.	Resolutions	Vote (see note d. below) (Please mention no. of shares)		
		For	Against	Abstain
<b>Ordinary Business</b>				
1.	To receive, consider and adopt the financial statements (standalone and consolidated) of the company for the year ended 31 March 2019, including the audited balance sheet as at 31 March 2019 and the statement of profit and loss of the company for the year ended on that date along with the reports of the board of directors and auditors thereon.			
2.	To declare dividend on the equity shares for the financial year 2018-19.			
3.	To reappoint Mr. G V Prasad (DIN: 00057433), who retires by rotation, and being eligible offers himself for the reappointment.			
<b>Special Business</b>				
4.	Reappointment of Mr. Sridar Iyengar (DIN: 00278512) as an independent director for a second term of four years in terms of section 149 of the Companies Act, 2013 and Listing Regulations.			
5.	Reappointment of Ms. Kalpana Morparia (DIN: 00046081) as an independent director for a second term of five years in terms of section 149 of the Companies Act, 2013 and Listing Regulations.			
6.	Appointment of Mr. Leo Puri (DIN: 01764813) as an independent director in terms of section 149 of the Companies Act, 2013 for a term of five years.			
7.	Appointment of Ms. Shikha Sharma (DIN: 00043265) as an independent director in terms of section 149 of the Companies Act, 2013 for a term of five years.			
8.	Appointment of Mr. Allan Oberman (DIN: 08393837) as an independent director in terms of section 149 of the Companies Act, 2013 for a term of five years.			
9.	To ratify the remuneration payable to cost auditors, M/s. Sagar & Associates, cost accountants for the financial year ending 31 March 2020.			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Signature of the member(s) \_\_\_\_\_ Signature of the proxyholder(s) \_\_\_\_\_



Turn over for notes

**Notes:**

- a. Proxy need not be a member of the company.
- b. The proxy form in order to be effective shall be duly filled in and signed by the member(s) across revenue stamp and should reach to the company's registered office: Dr. Reddy's Laboratories Limited, 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034 atleast 48 hours before the commencement of the AGM (i.e. on Sunday, 28 July 2019 before 9.30 am).
- c. Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send a certified copy of the board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.
- d. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may think appropriate.



“The future belongs, not to those who merely seek opportunity, but to those who create it. Let us have the courage to do things differently.”

**DR. K ANJI REDDY**



**DR. REDDY'S LABORATORIES LIMITED**

CIN:L85195TG1984PLC004507

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

[www.drreddys.com](http://www.drreddys.com)