

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

## Details of Dr. Reddy's Employees' Stock Option Schemes for FY2021 as required under Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014

### Employee stock incentive plans

#### Dr. Reddy's Employees Stock Option Plan, 2002 (the "DRL 2002 Plan"):

The Company instituted the DRL 2002 Plan for all eligible employees pursuant to the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The DRL 2002 Plan covers all employees and directors (excluding promoter directors) of the Company and its subsidiaries (collectively, "eligible employees"). The Nomination, Governance and Compensation Committee of the Board of the Company (the "Committee") administers the DRL 2002 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2002 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2002 Plan, as amended at annual general meetings of shareholders held on 28 July 2004 and on 27 July 2005, provides for stock option grants through primary issuance in two categories:

**Category A:** 300,000 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

**Category B:** 1,995,478 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., Rs. 5 per option).

Under the DRL 2002 Plan, the exercise price of the fair market value options granted under Category A above is determined based on the average closing price for 30 days prior to the grant in the stock exchange where there is highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after obtaining the approval of the shareholders in the annual general meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

After the stock split in August 2006, the DRL 2002 Plan provides for stock option grants in the above two categories as follows:

Particulars	Number of options reserved under category A	Number of options reserved under category B	Total
Options reserved under original Plan	300,000	1,995,478	2,295,478
Options exercised prior to stock dividend date (A)	94,061	147,793	241,854
Balance of shares that can be allotted on exercise of options (B)	205,939	1,847,685	2,053,624
Options arising from stock dividend (C)	205,939	1,847,685	2,053,624
Options reserved after stock dividend (A+B+C)	<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 2021 and 31 March 2020 is as follows:

**Category A — Fair Market Value Options:** There was no stock activity under this category during the years ended 31 March 2021 and 31 March 2020 and there were no stock options outstanding under this category as of 31 March 2021 and 31 March 2020.

**Category B — Par Value Options:** Stock options activity under this category during the years ended 31 March 2021 and 31 March 2020 was as set forth in the below table.

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

Category B — Par Value Options		For the year ended 31 March 2021		
Particulars	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	232,837	5.00	5.00	69
Granted during the year	92,092	5.00	5.00	93
Expired/forfeited during the year	(35,646)	5.00	5.00	-
Exercised during the year	(72,030)	5.00	5.00	-
Outstanding at the end of the year	<b>217,253</b>	<b>5.00</b>	<b>5.00</b>	<b>69</b>
Exercisable at the end of the year	<b>46,130</b>	<b>5.00</b>	<b>5.00</b>	<b>44</b>

Category B — Par Value Options		For the year ended 31 March 2020		
Particulars	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	270,141	5.00	5.00	73
Granted during the year	49,796	5.00	5.00	90
Expired/forfeited during the year	(14,934)	5.00	5.00	-
Exercised during the year	(72,166)	5.00	5.00	-
Outstanding at the end of the year	<b>232,837</b>	<b>5.00</b>	<b>5.00</b>	<b>69</b>
Exercisable at the end of the year	<b>40,548</b>	<b>5.00</b>	<b>5.00</b>	<b>43</b>

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was Rs. 3,677 and Rs. 2,746 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was Rs. 4,565 and Rs. 2,681 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was Rs. 328 and Rs. 193, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of Rs. 980 and options exercisable had an aggregate intrinsic value of Rs. 208.

#### Dr. Reddy's Employees ADR Stock Option 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 through primary issuance in two categories:

**Category A:** 382,695 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

**Category B:** 1,148,084 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., Rs. 5 per option).

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

Stock options activity under the DRL 2007 Plan for the above two categories of options during the years ended 31 March 2021 and 31 March 2020 was as follows:

<b>Category A — Fair Market Value Options</b>				
<b>For the year ended 31 March 2021</b>				
<b>Particulars</b>	<b>Shares arising out of options</b>	<b>Range of exercise prices</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining useful life (months)</b>
Outstanding at the beginning of the year	202,760	1,982.00 to 2,814.00	2,353.62	72
Granted during the year	96,080	3,679.00	3,679.00	90
Expired/forfeited during the year	(13,348)	2,607.00/ 2,814.00	2,678.03	-
Exercised during the year	(15,152)	2,607.00/ 2,814.00	2,643.48	-
Outstanding at the end of the year	<b>270,340</b>	<b>1,982.00 to 3,679.00</b>	<b>2,791.65</b>	<b>67</b>
Exercisable at the end of the year	<b>69,530</b>	<b>1,982.00 to 2,814.00</b>	<b>2,182.21</b>	<b>45</b>

<b>Category A — Fair Market Value Options</b>				
<b>For the year ended 31 March 2020</b>				
<b>Particulars</b>	<b>Shares arising out of options</b>	<b>Range of exercise prices</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining useful life (months)</b>
Outstanding at the beginning of the year	146,060	1,982.00/ 2,607.00	2,166.00	81
Granted during the year	61,700	2,814.00	2,814.00	90
Expired/forfeited during the year	(5,000)	2,607.00	2,607.00	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	<b>202,760</b>	<b>1,982.00 to 2,814.00</b>	<b>2,353.62</b>	<b>72</b>
Exercisable at the end of the year	<b>35,265</b>	<b>1,982.00/ 2,607.00</b>	<b>2,150.81</b>	<b>51</b>

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was Rs. 1,255 and Rs. 993 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was Rs. 4,506 and Rs. Nil per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was Rs. 28 and Rs. Nil, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of Rs. 466 and options exercisable had an aggregate intrinsic value of Rs. 120.

<b>Category B — Par Value Options</b>				
<b>For the year ended 31 March 2021</b>				
<b>Particulars</b>	<b>Shares arising out of options</b>	<b>Range of exercise prices</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining useful life (months)</b>
Outstanding at the beginning of the year	151,583	5.00	5.00	73
Granted during the year	52,316	5.00	5.00	89
Expired/forfeited during the year	(19,933)	5.00	5.00	-
Exercised during the year	(41,967)	5.00	5.00	-
Outstanding at the end of the year	<b>141,999</b>	<b>5.00</b>	<b>5.00</b>	<b>71</b>
Exercisable at the end of the year	<b>15,393</b>	<b>5.00</b>	<b>5.00</b>	<b>41</b>

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Category B — Par Value Options		For the year ended 31 March 2020		
Particulars	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	115,155	5.00	5.00	73
Granted during the year	89,282	5.00	5.00	90
Expired/forfeited during the year	(18,886)	5.00	5.00	-
Exercised during the year	(33,968)	5.00	5.00	-
Outstanding at the end of the year	<b>151,583</b>	<b>5.00</b>	<b>5.00</b>	<b>73</b>
Exercisable at the end of the year	<b>14,166</b>	<b>5.00</b>	<b>5.00</b>	<b>44</b>

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was Rs. 3,631 and Rs. 2,747, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was Rs. 4,334 and Rs. 2,757, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was Rs. 182 and Rs. 93, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of Rs. 641 and options exercisable had an aggregate intrinsic value of Rs. 69.

#### Dr. Reddy's Employees Stock Option Scheme, 2018 (the "DRL 2018 Plan"):

The Company instituted the DRL 2018 Plan for all eligible employees pursuant to the special resolution approved by the shareholders at the Annual General Meeting held on 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. During FY21, the Company has also implemented cashless exercise of stock options under this plan.

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 2021, the outstanding shares purchased from secondary market are 575,201 shares for an aggregate consideration of Rs. 1,967.

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

Stock option activity under the DRL 2018 Plan during the years ended 31 March 2021 and 31 March 2020 was as follows:

Fair Market Value Options		For the year ended 31 March 2021		
Particulars	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	375,775	2,607.00/ 2,814.00	2,697.12	75
Granted during the year	150,740	3,679.00	3,679.00	90
Expired/forfeited during the year	(55,335)	2,607.00 to 3,679.00	2,904.51	-
Exercised during the year	(85,250)	2,607.00/ 2,814.00	2,671.71	-
Outstanding at the end of the year	<b>385,930</b>	<b>2,607.00 to 3,679.00</b>	<b>3,056.51</b>	<b>71</b>
Exercisable at the end of the year	<b>71,225</b>	<b>2,607.00/ 2,814.00</b>	<b>2,665.63</b>	<b>51</b>

Stock option activity under the DRL 2018 Plan during the year ended 31 March 2020 is as follows:

Fair Market Value Options		For the year ended 31 March 2020		
Particulars	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Outstanding at the beginning of the year	229,600	2,607.00	2,607.00	84
Granted during the year	169,900	2,814.00/ 3,031.00	2,817.07	90
Expired/forfeited during the year	(22,575)	2,607.00 to 3,031.00	2,687.84	-
Exercised during the year	(1,150)	2,607.00	2,607.00	-
Outstanding at the end of the year	<b>375,775</b>	<b>2,607.00/ 2,814.00</b>	<b>2,697.12</b>	<b>75</b>
Exercisable at the end of the year	<b>53,100</b>	<b>2,607.00</b>	<b>2,607.00</b>	<b>53</b>

The weighted average grant date fair value of options granted during the years ended 31 March 2021 and 31 March 2020 was Rs. 1,255 and Rs. 994 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2021 and 31 March 2020 was Rs. 4,609 and Rs. 2,914 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended 31 March 2021 and 31 March 2020 was Rs. 165 and Rs. 0.35, respectively. As of 31 March 2021, options outstanding had an aggregate intrinsic value of Rs. 563 and options exercisable had an aggregate intrinsic value of Rs. 104.

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

#### Details related to Trust

Details of transactions made by ESOS Trust for the purpose of administering the DRL 2018 Plan is as under:

##### (i) General information on all schemes

Particulars	Details
Name of the Trust and Details of Trustees	Dr. Reddy's Employees ESOS Trust. Trustees are Ms. Archana Bhaskar, Mr. M V Narasimham, Mr. Y Kiran and Mr. Sujit Mahato.
Amount of loan disbursed by Company during the year and outstanding as at the end of the year	Rs. 962, net (Rs. 1,168 additional loan during the year and Rs. 206 repaid to the Company during the year) and Rs. 1,960, respectively.
Amount of loan, if any, taken from any other source for which Company / any Company in the group has provided any security or guarantee	Nil
Any contribution made to the Trust during the year and outstanding as at the end of the year	Nil and Rs. 0.2 towards initial corpus of the Trust, respectively.

##### (ii) Brief details of transactions in shares by the Trust

S.No.	Particulars	Details
1	Number of shares at the beginning of the year	395,950
2	Number of shares acquired during the year through (i) primary issuance (ii) secondary acquisition, also as a percentage of paid up equity capital as at the end of the previous financial year, along with information on weighted average cost of acquisition per share;	264,501 shares acquired through secondary market acquisition equivalent to 0.16% of paid up capital as on 31 March 2021. Weighted average cost of acquisition is Rs. 3,419.47 per share
3	Number of shares transferred to the employees / sold along with the purpose thereof;	During FY21, 73,682 equity shares were transferred to employees on exercise of their vested stock options. 11,568 equity shares were sold in the secondary market on behalf on the employees on exercise of their vested stock options under cashless mode.
4	Number of shares held at the end of the year	575,201 shares

##### (iii) In case of secondary acquisition of shares by the Trust

S.No.	Particulars	Number of shares	As a percentage of paid-up equity capital as at the end of the year immediately preceding the year in which shareholders' approval was obtained
1	Held at the beginning of the year	395,950	0.24%
2	Acquired during the year	264,501	0.16%
3	Sold during the year*	(11,568)	0.01.%
4	Transferred to the employees during the year	(73,682)	0.04%
5	Held at the end of the year	575,201	0.35%

\*Pursuant to cashless exercise of stock options

The ESOS Trust does not exercise any voting rights in respect of these shares.



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### Valuation of stock options:

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted. The fair value of stock options granted under the DRL 2002 Plan, the DRL 2007 Plan and the DRL 2018 Plan has been measured using the Black-Scholes-Merton model at the date of the grant.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options granted, the expected term of an option (or “option life”) is estimated based on the vesting term and contractual term, as well as the expected exercise behavior of the employees receiving the option. In respect of fair market value options granted, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company’s publicly traded equity shares. Dividend yield of the options is based on recent dividend activity.

Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management’s best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company’s control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock-based compensation expense could be materially impacted in future years.

The estimated fair value of stock options is recognised in the consolidated statement of profit and loss on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

The weighted average inputs used in computing the fair value of options granted were as follows:

Particulars	Grants made on		
	27 October 2020	19 May 2020	19 May 2020
Expected volatility	30.81%	29.12%	30.47%
Exercise price	Rs..5.00	Rs. 3,679.00	Rs. 5.00
Option life	2.5 Years	5.0 Years	2.5 Years
Risk-free interest rate	4.36%	5.67%	4.62%
Expected dividends	0.49%	0.68%	0.68%
Grant date share price	Rs. 5,099.00	Rs. 3,700.00	Rs. 3,700.00

  

Particulars	Grants made on			
	26 January 2020	31 October 2019	16 May 2019	16 May 2019
Expected volatility	27.00%	27.10%	28.25%	29.29%
Exercise price	Rs. 3,031.00	Rs. .5.00	Rs. 2,814.00	Rs. 5.00
Option life	5.0 Years	2.5 Years	5.0 Years	2.5 Years
Risk-free interest rate	6.61%	5.72%	7.14%	6.76%
Expected dividends	0.66%	0.72%	0.71%	0.71%
Grant date share price	Rs. 3,031.00	Rs. 2,783.20	Rs. 2,801.00	Rs. 2,801.00

Employee wise details of options granted during the year to senior management personnel to be exercised at par value/FMV:

Employee Name	Designation	Scheme Name	Exercise Price	Options
Archana Bhaskar	Chief Human Resources Officer	2002 Plan	5	4,660
		2018 Plan	3,679	3,760
Deepak Sapra	Chief Executive Officer, API and Services	2002 Plan	5	3,400
		2018 Plan	3,679	2,140
Dr. Anil Namboodiripad	Global Head of PP	2007 Plan	5	7,980
		2007 Plan	3,679	4,200
Dr. Raymond de Vre	Global Head of Biologics (till 31 March 2021)	2002 Plan	5	7,220
		2018 Plan	3,679	4,080
Erez Israeli	Chief Executive Officer	2007 Plan	5	12,140
		2007 Plan	3,679	65,740
Ganadhish Kamat	Global Head of Quality (till 31 March 2021)	2002 Plan	5	3,080
		2018 Plan	3,679	1,940

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

Employee Name	Designation	Scheme Name	Exercise Price	Options
M V Ramana	Chief Executive Officer, Branded Markets (India and Emerging Markets)	2002 Plan	5	5,760
		2018 Plan	3,679	4,660
Marc Kikuchi	Chief Executive Officer, North America Generics	2007 Plan	5	2,560
		2007 Plan	3,679	13,840
Mukesh Rathi	Chief Digital and Information Officer	2002 Plan	5	2,480
		2018 Plan	3,679	2,320
P Yugandhar	Global Head of Supply Chain	2002 Plan	5	3,480
		2018 Plan	3,679	2,560
Patrick Aghanian	Chief Executive Officer, European Generics	2007 Plan	5	460
		2007 Plan	3,679	2,480
Sandeep Poddar	Company Secretary	2002 Plan	5	240
		2018 Plan	3,679	1,300
Sanjay Sharma	Global Head of Manufacturing	2002 Plan	5	4,140
		2018 Plan	3,679	3,340
Saumen Chakraborty	Advisor	2002 Plan	5	1,120
		2018 Plan	3,679	6,060
Sauri Gudlavalleti	Global Head of IPDO	2002 Plan	5	3,420
		2018 Plan	3,679	2,200
<b>Grand Total</b>				<b>182,760</b>

No other employee of the Company except Mr. Erez Israeli received grant of options during the year amounting to 5% or more of options granted during FY2021.

None of the employees were granted options exceeding 1% of issued capital of the Company during FY2021.

#### Share-based payment expense

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Equity settled share-based payment expense <sup>(1)</sup>	584	521
Cash settled share-based payment expense <sup>(2)</sup>	157	94
	<b>741</b>	<b>615</b>

<sup>(1)</sup> As of 31 March 2021 and 31 March 2020, there was Rs. 612 and Rs. 515, respectively, of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 1.95 years and 1.93 years, respectively.

<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 1 to 4 years. The amount of cash payment is determined based on the price of the Company's ADSs at the time of vesting. As of 31 March 2021 and 31 March 2020, there was Rs. 126 and Rs. 97, respectively, of total unrecognised compensation cost related to unvested awards. This cost is expected to be recognised over a weighted-average period of 1.88 years and 1.93 years, respectively. This scheme does not involve dealing in or subscribing to or purchasing securities of the Company, directly or indirectly.