Dr.Reddy's

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2020-21

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories Louisiana LLC (the Company), which comprise the statement of financial position as at March 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion**.**

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

The Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of directors 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.

Ernst & Young Associates LLP

The Skyview 10, 18^{th} Floor,
"Zone A", Survey No 83/1, Raidurgam,
Hyderabad 500 032, India.

Date: 12 May 2021.

DR. REDDY’S LABORATORIES LOUISIANA LLC
STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	As of March 31, 2021	As of March 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	6	1,313	29,711
Trade and other receivables	7	4,497,067	2,474,259
Inventories	8	17,042,703	10,743,569
Other current assets	9	720,237	315,770
Total current assets		**22,261,320**	**13,563,309**
Non-current assets			
Property, plant and equipment	10	38,561,855	41,696,961
Goodwill	11	2,479,209	2,479,209
Total non-current assets		**41,041,064**	**44,176,170**
Total assets		**63,302,384**	**57,739,479**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	4,661,017	3,878,626
Loans and Borrowings	18	89,982,836	74,751,853
Other current liabilities	14	2,869,277	2,942,974
Total current liabilities		**97,513,130**	**81,573,453**
Non-current liabilities			
Deferred tax liabilities	19	3,813,425	4,145,775
Total non-current liabilities		**3,813,425**	**4,145,775**
Total liabilities		**101,326,555**	**85,719,228**
Equity			
Share capital	15	40,000,000	40,000,000
Retained Earnings		(78,496,112)	(68,375,673)
Share based payment reserve		471,941	395,924
Total equity		**(38,024,171)**	**(27,979,749)**
Total liabilities and equity		**63,302,384**	**57,739,479**

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

DR. REDDY'S LABORATORIES LOUISIANA LLC
INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue	16	39,642,514	25,278,501
Cost of revenues		46,205,284	43,424,630
Gross loss		**(6,562,770)**	**(18,146,129)**
Selling, general and administrative expenses		3,744,199	4,003,878
Research and development expenses		2,556,929	1,159,272
Other (income)/expense, net	17	177,712	(1,570,534)
Total operating expenses		**6,478,840**	**3,592,616**
Results from operating activities		**(13,041,610)**	**(21,738,745)**
Loss before tax		**(13,041,610)**	**(21,738,745)**
Tax expense/(benefit), net	19	**(2,921,171)**	**(4,618,628)**
Loss for the year		**(10,120,439)**	**(17,120,117)**

The accompanying notes are an integral part of financial statements

DR. REDDY'S LABORATORIES LOUISIANA LLC
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	For the year ended March 31, 2021	For the year ended March 31, 2020
Loss for the year	**(10,120,439)**	**(17,120,117)**
Other comprehensive income		
Items that will not be reclassified to profit or loss:	-	-
Total items that will not be reclassified to profit or loss	-	-
Items that will be reclassified subsequently to the Income statement:	-	-
Total of items that will be reclassified subsequently to the income statement	-	-
Other comprehensive (loss) / profit for the year, net of tax	-	-
Total comprehensive loss for the year	**(10,120,439)**	**(17,120,117)**

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

DR. REDDY'S LABORATORIES LOUISIANA LLC
STATEMENT OF CHANGES IN EQUITY
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	Share Capital	Share based payment reserve	Retained earnings	Total
Balance as of April 01, 2019 (A)	**40,000,000**	**338,875**	**(51,255,556)**	**(10,916,681)**
Loss for the year	-	-	(17,120,117)	(17,120,117)
Total Comprehensive income (B)	**-**	**-**	**(17,120,117)**	**(17,120,117)**
Share-based payment expense	-	57,049	-	57,049
Total transactions with owners of the Company (C)	**-**	**57,049**	**-**	**57,049**
Balance as of March 31,2020 [(A)+(B)+(C)]	**40,000,000**	**395,924**	**(68,375,673)**	**(27,979,749)**
Balance as of April 01, 2020 (A)	**40,000,000**	**395,924**	**(68,375,673)**	**(27,979,749)**
Loss for the year	-	-	(10,120,439)	(10,120,439)
Total Comprehensive income (B)	**-**	**-**	**(10,120,439)**	**(10,120,439)**
Share-based payment expense	-	76,017	-	76,017
Total transactions with owners of the Company (C)	**-**	**76,017**	**-**	**76,017**
Balance as of March 31,2021 [(A)+(B)+(C)]	**40,000,000**	**471,941**	**(78,496,112)**	**(38,024,171)**

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

DR. REDDY'S LABORATORIES LOUISIANA LLC
STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	For the year ended	
	March 31, 2021	**March 31, 2020**
Cash flows from/(used in) operating activities:		
Loss for the year	(10,120,439)	(17,120,117)
Adjustments for:		
Depreciation and amortization	3,655,898	3,587,260
Loss/(gain) on disposal of property, plant and equipment, net	177,774	(12,986)
Share based payment expense	76,017	57,049
Inventory write downs	2,220,710	4,143,478
Liabilities written back	-	(318,750)
Tax expense/(benefit), net	(2,921,171)	(4,618,628)
Changes in operating assets and liabilities:		
Trade and other receivables	(2,022,808)	(78,406)
Inventories	(8,519,844)	(2,265,143)
Other assets and other liabilities	2,626,750	3,561,545
Trade and other payables	630,757	1,825,750
Net cash used in operating activities	**(14,196,356)**	**(11,238,948)**
Cash flows from/(used in) investing activities:		
Purchase of property, plant and equipment	(546,930)	(2,360,961)
Proceeds from sale of property, plant and equipment	-	12,755
Net cash used in investing activities	**(546,930)**	**(2,348,206)**
Cash flows from/(used in) financing activities:		
Proceeds from loans and borrowings from parent company, net	14,714,888	13,535,979
Net cash from financing activities	**14,714,888**	**13,535,979**
Net decrease in cash and cash equivalents	**(28,398)**	**(51,175)**
Cash and cash equivalents at the beginning of the year	29,711	80,886
Cash and cash equivalents at the end of the year	**1,313**	**29,711**

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

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

1. Reporting entity
Dr. Reddy's Laboratories Louisiana LLC ("the Company"/"DRL Louisiana") incorporated in April 2008, for acquiring a contract manufacturing plant from BASF, Shreveport, Louisiana, USA. As a result of this acquisition, DRL Louisiana has become a 100% subsidiary of Dr. Reddy's Laboratories Inc. The entity is involved in contract manfacturing based on specifi requirements of customers.

2. Basis of preparation of financial statements

a. Statement of compliance
These financial statements as of and for the year ended March 31, 2021 comply in all material aspects with the International Financial Reporting Standards and its interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared by the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company's annual reporting date, March 31, 2021. These financial statements were authorized for issuance by the Company's Board of Directors on May 12, 2021.

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 statement of financial position:
• derivative financial instruments are measured at fair value;
• financial assets are measured either at fair value or at amortized cost depending on the classification;
• share-based payments are measured at fair value;

c. Functional and presentation currency
The Company's operations are self-contained and integrated within the respective countries/regions (i.e., United States of America), the functional currency has been determined to be the local currency of that country (i.e., U.S. Dollar).

d. Going Concern
The Company's financial statement for the year ended March 31, 2021 and March 31, 2020 have been prepared on a going concern basis which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As of March 31, 2021 and 2020 the Company had working capital deficit of USD 75,251,810 and USD 68,010,144 respectively. The Company had incurred losses of USD 10,120,439 and USD 17,120,117 and had negative cash flow from operations of USD 14,196,355 and USD 11,238,948 for the year ended March 31, 2021 and March 31, 2020 respectively. Dr. Reddy's Laboratories Inc. (the 'Holding Company') has undertaken to provide such financial support as necessary, to enable the Company to meet the operational requirements as they arise and to meet it's liabilities as and when they fall due. The management expects that there will be significant increase in the operations of the Company that will lead to improved cash flow and long term sustainability.

Based on these factors, inspite of the incurred losses and negative cash flows from operations in the Company, the financial statements are prepared with going concern assumption.

e. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

• Note 2(c) — Assessment of functional currency;
• Notes 3(b)— Financial instruments;
• Notes 3(e) and (f) — Useful lives of property, plant and equipment and intangible assets;
• Notes 3(h) — Valuation of inventories;
• Notes 3(n) — Measurement of recoverable amounts of cash-generating units;
• Notes 3 (k) — Assets and obligations relating to employee benefits;
• Notes 3 (k) — Share-based payments;
• Note 3(i) — Provisions and other accruals;
• Note 3(j) — Measurement of transaction price in a revenue transaction (Sales returns, rebates and chargeback provisions);

3. Significant accounting policies

New Standards adopted by the Company

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provided a new definition to the word "material" as follows:

'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

An information is considered to be obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The amendments provided examples of circumstances that may result in information being obscured.

Amendments to IFRS 3: Definition of a Business

The amendments clarified the definition of a business for the purpose of identifying a business combination under IFRS 3, "Business Combinations". As per the revised definition, business is 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities'.

A related amendment has been made to the definition of 'output' as an element of business.

The amendments include an election to use a 'concentration test'. This is a simplified assessment that would cause an acquisition to qualify as an asset acquisition. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets.

An entity is required to apply the amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period.

This amendment had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7 and IFRS 9: Interest Rate Benchmark Reform

The IASB published "Interest Rate Benchmark Reform – Phase II (Amendments to IFRS 9, IAS 39 and IFRS 7)" representing the finalization of Phase II of the project on August 27, 2020 to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

The amendments to IFRS 9, "Financial Instruments" provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments to IFRS 7, "Financial Instruments: Disclosures" prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in IFRS 9 are applied.

These amendments are applicable for annual periods beginning on or after January 1, 2020.

These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IFRS 16: COVID-19 related rent concessions

IFRS 16, "Leases" was amended by IASB on May 28, 2020 to provide limited relief to lessees in respect of rent concessions arising due to COVID-19 pandemic. No relief has been allowed to the lessors.

The amendments provide a practical expedient that lessees may elect to not treat any rent concessions, provided by lessors as a direct consequence of COVID-19 pandemic, as lease modifications. However, to be eligible for this relief:

- the revised consideration for the lease should be less than or equal to the lease consideration immediately before the change;
- the rent concession should be for a period that does not extend beyond June 30, 2021 (for example, lease rents are reduced for a period up to June 30, 2021 and increased for periods thereafter); and
- there should be no substantial modification to the other terms and conditions of the lease.

Lessee should apply the amendments for annual reporting periods beginning on or after January 1, 2020. In case a lessee has not yet approved the financial statements for issue before the issuance of the amendments, then the same may be applied for annual reporting periods beginning on or after the January 1, 2019.

The aforesaid amendments had no impact on the financial statements of the Company.

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Summary of significant accounting policies

a. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Company at exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the income statement in the period in which they arise.

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.

b. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (e.g., regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under IFRS 15.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

• Debt instruments at amortized 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 amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in income statement and presented in other income/(losses),net. The losses arising from impairment are recognized in the income statement. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the OCI. However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the income statement. On de-recognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified to the income statement. Interest earned while holding a FVTOCI debt instrument is reported as interest income using the effective interest rate method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortized cost or as FVTOCI, is classified as at FVTPL.
In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as 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 income statement.

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Equity investments

All equity investments in scope of IFRS 9 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 IFRS 3 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 income statement, 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 income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's financial position) when:

• The rights to receive cash flows from the asset have expired; or

• Both (1) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and (2) either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to 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 IFRS 9, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a "simplified approach" for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at 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 IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement.

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 IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains or losses are not subsequently transferred to the income statement. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the income statement. The Company has not designated any financial liability as fair value through profit and loss.

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Loans and borrowings
Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

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.

c. Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in IAS 1, "Presentation of financial statements".
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realized within twelve months after the reporting date; or
d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities include the current portion of non-current assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

d. Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)
When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

e. Property, plant and equipment

Recognition and measurement:
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

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When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "Other (income)/expense, net" in the income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the income statement as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation
Depreciation is recognized in the income statement on a straight line basis over the estimated useful lives of property, plant and equipment. The depreciation expense is included in the costs of the functions using the asset. Land is not depreciated but subject to impairment.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any changes are considered prospectively. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	25 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a tangible asset, including consultancy charges for implementing the software, is capitalized as part of the related tangible asset. Subsequent costs associated with maintaining such software are recognized as expense as incurred. The capitalized costs are amortized over the estimated useful life of the software or the remaining useful life of the tangible fixed asset, whichever is lower.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated but are tested for impairment.

f. Goodwill and other Intangible assets
Goodwill
Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired.
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.
Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

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

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

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

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the income statement as incurred.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 ("IAS 38") (i.e., the receipt of economic benefits embodied in each intangible asset separately purchased or licensed in the transaction is considered to be probable).

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In-Process Research and Development assets ("IPR&D")

Acquired research and development intangible assets that are under development are recognized as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the income statement under "Impairment of non-current assets".

Subsequent expenditure

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, is recognized in the income statement as incurred.

Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets. The amortization expense is recognized in the income statement in the expense category that is consistent with the function of the intangible asset. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

Product related intangibles	3 - 15 years
Other intangibles	3 - 15 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date. Changes in the expected useful lives or expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortization period or method, as appropriate and are treated as change in accounting estimate.

Goodwill, intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in the income statement under "Impairment of non-current assets".

De-recognition of intangible assets

Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the income statement, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as at the date of de-recognition.

g. Leases

The Company's accounting policies relating to leases for periods ending on or after April 1, 2019 are as follows:
The Company assesses at contract inception whether a contract is or contains a lease, that is, if the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration. The Company recognized right-of-use asset at the commencement date of lease, i.e. the date the underlying asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis.
Lease liabilities include the net present value of the following lease payments to be made over the lease term:
• fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
• amounts expected to be payable by the Company under residual value guarantees;
• the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
• payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Company's lease liabilities are included in borrowings.

Lease payments are allocated between principal and interest cost. The interest cost is charged to Stanalone income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment comprising the following:
• the amount of the initial measurement of lease liability;
• any lease payments made at or before the commencement date less any lease incentives received;
• any initial direct costs; and
• restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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The right-of-use assets are initially recognized on the statements of financial position at cost, which is calculated as the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received and any initial direct costs incurred by the Company.

h. Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

i. Provisions

A provision is recognized in the income statement if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized in the income statement when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized in the income statement when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognized in the income statement only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognized in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

j. Revenue

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods. The Company has generally concluded that it is the principal in its revenue arrangements.

Sale of goods

Revenue is recognsied 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.

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 recognsied in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognsied 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.

k. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the income statement as and when the services are received from the employees.

Compensated absences

The Company's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilized compensated absences and utilize them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Company measures the expected cost of accumulating compensated absences as the additional amount that the Company incurs as a result of the unused entitlement that has accumulated at the reporting date. Such measurement is based on actuarial valuation as at the reporting date carried out by a qualified actuary.

Equity settled share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense in the income statement, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and performance conditions at the vesting date. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest.

Cash settled share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognized in the income statement.

l. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Accruals for uncertain tax positions require management to make judgments of potential exposures. Accruals for uncertain tax positions are measured using either the most likely amount or the expected value amount depending on which method the entity expects to better predict the resolution of the uncertainty. Tax benefits are not recognized unless the tax positions will probably be accepted by the tax authorities. This is based upon management's interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter. Once considered probable of not being accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable amounts.

m. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented as a reduction to the carrying amount of the related asset. Grants related to income are deducted in reporting the related expense in the income statement.

n. Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized in the income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture may be impaired.

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognized in the income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

o. Finance income and expense

Finance income consists of interest income on funds invested, dividend income and gains on the disposal of financial assets. Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend income is recognized in the income statement on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognized in the income statement using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within finance income and expense. These primarily include: exchange differences arising on the settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

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4. Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as assets acquired in a business combination and significant liabilities, such as contingent consideration. Involvement of external valuers is determined by the Management, based on market knowledge, reputation, independence and whether professional standards are maintained.

(i) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Intangible assets

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method. Under this method, value is estimated as the present value of the benefits anticipated from ownership of the intangible assets in excess of the returns required or the investment in the contributory assets necessary to realize those benefits.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) 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.

(v) 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).

5. 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 it's 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 2021 and 31 March 2020 was 173% and 160%, respectively.

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6. Cash and cash equivalents
Cash and cash equivalents consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Current		
Cash on hand	1,212	1,212
Balances with banks	101	28,499
Cash and cash equivalents in the statement of cash flow	**1,313**	**29,711**

7. Trade and Other receivables

	As of	
	March 31, 2021	**March 31, 2020**
Trade and other receivables	2,964,442	2,043,862
Due from Related parties *	1,532,625	430,397
Trade and other receivables, net	**4,497,067**	**2,474,259**

* Refer note 18

8. Inventories
Inventories consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Raw materials	11,724,155	6,579,927
Packing materials, stores and spares	1,852,963	1,744,767
Work-In-Progress	2,337,370	1,770,042
Finished goods	1,128,215	648,833
Total Inventories	**17,042,703**	**10,743,569**

During the years ended March 31, 2021 and 2020, the Company recorded inventory write-downs of USD 2,220,710 and USD 4,143,478 respectively. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2021 and 2020 includes raw materials, changes in finished goods recognsied in the income statement of USD 20,103,088 and USD 16,711,236 respectively. Cost of revenues for the years ended March 31, 2021 and 2020, includes other expenditures recognsied in the income statement of USD 26,102,196 and USD 26,713,394 respectively.

9. Other Assets
Other assets consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Current		
Due from related parties *	516,095	-
Prepaid expenses	180,863	144,308
Other assets	23,279	171,462
Total Other Current Assets	**720,237**	**315,770**

* Refer note 18

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10. Property plant and equipment: The following is a summary of the change in carrying value of property, plant and equipment.

Particulars	Land	Buildings	Plant & Machinery	Furniture & fixtures	Office equipment	Vehicles	Total
Gross Carrying Value							
Balance as at April 1, 2019	839,844	18,768,481	45,018,931	1,293,773	733,918	26,384	**66,681,331**
Additions	-	14,719	2,365,745	-	706	-	**2,381,170**
Disposals	-	-	(13,940)	(48,688)	-	(4,384)	**(67,012)**
Balance as at March 31, 2020	**839,844**	**18,783,200**	**47,370,736**	**1,245,085**	**734,624**	**22,000**	**68,995,489**
Balance as at April 1, 2020	839,844	18,783,200	47,370,736	1,245,085	734,624	22,000	**68,995,489**
Additions	-	473,484	789,566	-	-	-	**1,263,050**
Disposals	-	-	(68,014)	(9,075)	(1,276)	-	**(78,365)**
Balance as at March 31, 2021	**839,844**	**19,256,684**	**48,092,288**	**1,236,010**	**733,348**	**22,000**	**70,180,174**
Accumulated Depreciation							
Balance as at April 1, 2019	-	5,362,055	18,882,299	1,045,269	668,775	6,445	**25,964,843**
Depreciation during the year	-	807,650	2,671,919	74,470	28,821	4,400	**3,587,260**
Disposals	-	-	(13,940)	(48,920)	-	(4,383)	**(67,243)**
Balance as at March 31, 2020	**-**	**6,169,705**	**21,540,278**	**1,070,819**	**697,596**	**6,462**	**29,484,860**
Balance as at April 1, 2020	-	6,169,705	21,540,278	1,070,819	697,596	6,462	**29,484,860**
Depreciation during the year	-	818,260	2,747,216	68,224	17,798	4,400	**3,655,898**
Disposals	-	-	(62,859)	(9,075)	(1,276)	-	**(73,210)**
Balance as at March 31, 2021	**-**	**6,987,965**	**24,224,635**	**1,129,968**	**714,118**	**10,862**	**33,067,548**
Net Carrying Value							
As at April 01, 2019	**839,844**	**13,406,426**	**26,136,632**	**248,504**	**65,143**	**19,939**	**40,716,488**
Add:-Capital Work in Progress							**2,280,620**
Total at April 01, 2019							**42,997,108**
As at March 31, 2020	**839,844**	**12,613,495**	**25,830,458**	**174,266**	**37,028**	**15,538**	**39,510,629**
Add:-Capital Work in Progress							**2,186,332**
Total at March 31, 2020							**41,696,961**
As at March 31, 2021	**839,844**	**12,268,719**	**23,867,653**	**106,042**	**19,230**	**11,138**	**37,112,626**
Add:-Capital Work in Progress							**1,449,229**
Total at March 31, 2021							**38,561,855**

Capital commitment: As of March 31, 2021 and 2020 the company had capital commitments of USD 242,606 and USD 173,925 under agreements for purchase property plant and equipment. The amount is net of capital advances paid in respect of such commitments.

(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

11. Goodwill

Goodwill arising upon business acquisitions is not amortized but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired.

The following table presents the changes in goodwill during the years ended March 31, 2021 and 2020:

	As of,	
	March 31, 2021	**March 31, 2020**
Opening balance, gross	2,479,209	2,479,209
Goodwill arising on business combinations during the year	-	-
Effect of translation adjustments	-	-
Impairment loss	-	-
Closing balance	**2,479,209**	**2,479,209**

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. Key assumptions on which the Company has based its determinations of value-in-use include:

a) Estimated cash flows for five years based on management's budgets and estimates.

b) Terminal value arrived by extrapolating 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.

c) The post-tax discount rates used are based on the Company's weighted average cost of capital.

d) Value-in-use is calculated using after tax assumptions. The use of after tax assumptions does not result in a value-in-use that is materially different from the value-in-use that would result if the calculation was performed using before tax assumptions. The after tax discount rates used for impairment evaluation was 7.6% and the pre-tax discount rate was 9.7%.

The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

12. Other intangible assets

The following is a summary of changes in carrying value of other intangible assets:

Particulars	Product related intangibles	Other intangibles	Total
Gross carrying value			
Balance as at April 1, 2019	3,900,000	313,291	4,213,291
Additions	-	-	-
De–recognitions	-	-	-
Balance as at March 31, 2020	**3,900,000**	**313,291**	**4,213,291**
Balance as at April 1, 2020	3,900,000	313,291	4,213,291
Additions	-	-	-
De–recognitions*	-	-	-
Balance as at March 31, 2021	**3,900,000**	**313,291**	**4,213,291**
amortization/Impairment Loss			
Balance as at April 1, 2019	3,900,000	313,291	4,213,291
amortization during the period	-	-	-
De–recognitions*	-	-	-
Balance as at March 31, 2020	**3,900,000**	**313,291**	**4,213,291**
Balance as at April 1, 2020	3,900,000	313,291	4,213,291
amortization during the period	-	-	-
De–recognitions*	-	-	-
Balance as at March 31, 2021	**3,900,000**	**313,291**	**4,213,291**
Net carrying amount			
As at April 01, 2019	-	-	-
As at March 31, 2020	-	-	-
As at March 31, 2021	-	-	-

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

13. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Due to related parties*	296,916	238,341
Others trade payables	3,018,431	2,656,003
Capital creditors	252,684	101,050
Creditors for expenses	1,092,986	883,232
Total	**4,661,017**	**3,878,626**

* Refer Note 18

14. Other Liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Current Liabilities		
Accrued expenses	2,787,689	2,770,349
Other Current Liabilities	72,183	149,020
Other liabilities – inter unit*	9,405	23,605
Total	**2,869,277**	**2,942,974**

* Refer Note 18

15. Share Capital

	As of	
	March 31, 2021	**March 31, 2020**
Fully paid up capital	**40,000,000**	**40,000,000**
As at April 01	40,000,000	40,000,000
Add: Additional paid up share capital	-	-
As at March 31	**40,000,000**	**40,000,000**

The company presently has only one class of equity shares with an par value of USD 10 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 on the date of shareholders meeting shall have one vote in respect of each share field.

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.

16. Revenue from contract with customers

Revenue consists of the following:

	For the year ended	
	March 31, 2021	**March 31, 2020**
Sales to third parties	18,233,869	7,654,897
Sales to related parties*	21,632,438	17,713,741
Service income from third parties	414,113	-
Loss share from related parties*	(637,906)	(90,137)
	39,642,514	**25,278,501**

* Refer note 18

17. Other (income)/expense, net

Other expense/ (income), net consist of the following:

	For the year ended	
	March 31, 2021	**March 31, 2020**
Loss/(gain) on disposal of property, plant and equipment, net	177,774	(12,986)
Liabilities written back	-	(318,750)
Others	(62)	(1,238,798)
	177,712	**(1,570,534)**

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

18. Related parties

The Company has entered into transactions with the following related parties:

(a) Dr. Reddy's Laboratories Limited	Ultimate Parent company
(b) Dr. Reddy's Laboratories Inc	Parent company
(c) Dr. Reddy's Laboratories Tennessee, LLC*	Company under common control
(d) Promius Pharma LLC	Company under common control
(e) Dr. Reddy's Laboratories New York, LLC	Company under common control
(f) Dr. Reddy's Labs Canada	Company under common control
(g) Dr. Reddy's Laboratories, SA	Company under common control

* Liquidated with effect from September 28, 2018

The following is a summary of significant related party transactions:

Particulars	For the year ended	
	March 31, 2021	**March 31, 2020**
Purchases from:		
Dr. Reddy's Laboratories Limited	471,893	407,810
Loan from:		
Dr. Reddy's Laboratories Inc.	14,714,888	13,535,979
Sales to:		
Dr. Reddy's Laboratories Inc.	17,123,584	13,731,462
Dr. Reddy's Laboratories, SA	4,507,837	3,982,279
Dr. Reddy's Laboratories Limited	1,017	-
Service income from:		
(Loss)/Profit share from Dr. Reddy's Laboratories Inc.	(637,906)	(90,137)
Reimbursement of Expenses to:		
Dr. Reddy's Laboratories New York,Inc	9,405	-

The Company has the following amounts due from related parties (included in trade receivables and other current assets):

Particulars	As of	
	March 31, 2021	**March 31, 2020**
Dr. Reddy's Laboratories Inc.	516,095	-
Dr. Reddy's Laboratories, SA	1,532,625	430,397
Total amounts due from related parties	**2,048,720**	**430,397**

The Company has the following amounts due to related parties (Included in Loan & Borrowings, Trade payables & Other Liabilities):

Particulars	As of	
	March 31, 2021	**March 31, 2020**
Dr. Reddy's Laboratories Limited	296,916	238,341
Dr. Reddy's Laboratories Inc. (refer note a)	89,982,836	74,751,853
Promius Pharma LLC	-	23,605
Dr. Reddy's Laboratories New York,Inc	9,405	-
	90,289,157	**75,013,799**

Note a:

Represents loans and borrowings received from group companies. Refer to Note 2(d) for details. These borrowings are repayable on demand and hence presented as current liability in the financial statements.

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

19. Income taxes

a. Income tax expense/(benefit) recognized in the income statement

Income tax expense/(benefit) recognized in the income statement consists of the following:

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Current taxes		
Current taxes expense/(benefit)	(2,588,821)	(4,330,758)
	(2,588,821)	**(4,330,758)**
Deferred taxes		
Deferred taxes expense/(benefit)	(332,350)	(287,870)
	(332,350)	**(287,870)**
Total income tax expense/(benefit) in income statement	**(2,921,171)**	**(4,618,628)**

The Company is considered as disregarded entity for the purpose of Income taxes. The tax expense in the Income Statement of the Company is on account of tax allocation from the consolidated tax expense/(benefit) of Dr. Reddy's Laboratories Inc.

The tax expenses are computed and presented at consolidated financial statements of Dr. Reddy's Laboratories Inc. as per the tax laws of the United States.

b. Income tax expense/(benefit) recognized directly in equity

There were no income tax expenses / benefits recognized directly in equity for the year ended March 31, 2021 and 2020.

c. Reconciliation of effective tax rate

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Loss before Tax	(13,041,610)	(21,738,745)
Enacted tax rate in US	21.00%	21.00%
Computed expected tax benefit/(expense)	**(2,738,738)**	**4,565,136**
Effect of change in tax laws and rate		-
Expenses not deductible for tax purposes	52,019	150,365
Effect of permanent differences	(241,204)	(56,601)
Others	6,752	(40,272)
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	-	-
Income tax benefit/ (expense)	**(2,921,171)**	**(4,618,628)**
Effective tax rate	22.40%	21.25%
		-

The Company's weighted average effective tax rates for the years ended 31 March 2021 and 31 March 2020 were 22.40% and 21.25%, respectively. Effective tax rate is effected due to allocation of tax expenses based on Parent Down approach which are computed at Parent Company level and consolidated basis.

d. Unrecognsied deferred tax assets and liabilities

During the financial year ending March 31, 2021 and 2020, the Company does not have any unrecognsied deferred tax assets.

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 of	
	March 31, 2021	**March 31, 2020**
Deferred tax assets/(liabilities):		
Property plant and equipment	(4,937,114)	(5,019,662)
Accounts receivable	78,695	75,191
Other current assets	1,016,513	805,654
Stock based compensation/ equity	3,076	757
Other current liabilities	25,405	(7,715)
Net deferred tax liabilities	**(3,813,425)**	**(4,145,775)**

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment.

Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognsied deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. Periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognsied deductible differences and tax loss carry forwards.

f. Movement in temporary differences during the years ended March 31, 2021 and 2020:

The details of movement in deferred tax assets and liabilities are summarised below:

	As at March 31, 2020	**Movement**	**As at March 31, 2021**
Deferred tax assets/(liabilities):			
Property, plant and equipment and intangibles	(5,019,662)	82,548	(4,937,114)
Accounts receivable	75,191	3,504	78,695
Stock based compensation	757	2,319	3,076
Other current assets	805,654	210,859	1,016,513
Other current liabilities	(7,715)	33,120	25,405
Net deferred tax liabilities	**(4,145,775)**	**332,350**	**(3,813,425)**

	As at March 31, 2019	**Movement**	**As at March 31, 2020**
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	(4,678,848)	(340,814)	(5,019,662)
Accounts receivable	75,154	37	75,191
Stock based compensation	(1,122)	1,879	757
Other current assets	212,608	593,046	805,654
Other current liabilities	(41,437)	33,722	(7,715)
Net deferred tax liabilities	**(4,433,644)**	**287,870**	**(4,145,775)**

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

20. Employee stock incentive plan

Dr Reddy's Laboratories Limited (Ultimate Parent Company) issues employees stock option (ESOP) to the employees covered under various ESOP Plans managed by the ultimate Parent Company.

For the years ended March 31, 2021 and 2020 an amount of USD 76,017 and USD 57,049 respectively, has been recorded as employee share-based payment expense under all employee stock incentive plans with a corresponding credit to the Additional paid in capital, disclosed as part of stock holders' equity, representing capital contribution by Dr. Reddy's Laboratories Limited, the ultimate Parent Company.

21. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category are as follows:

Particulars	Note	As of			
		March 31, 2021		March 31, 2020	
		Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Assets:					
Cash and cash equivalents	6	1,313	1,313	29,711	29,711
Trade and other receivables	7	4,497,067	4,497,067	2,474,259	2,474,259
Other assets*	9	529,483	529,483	135,361	135,361
Total		**5,027,863**	**5,027,863**	**2,639,331**	**2,639,331**
Liabilities:					
Trade and other payables	13	4,661,017	4,661,017	3,878,626	3,878,626
Loans and borrowings	18	89,982,836	89,982,836	74,751,853	74,751,853
Other liabilities and provisions#	14	2,436,921	2,436,921	2,523,670	2,523,670
Total		**97,080,774**	**97,080,774**	**81,154,149**	**81,154,149**

***** Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD 190,754 and USD 180,409 as of March 31, 2021 and 2020, respectively, are not included.

Other liabilities that are not financial liabilities (such as deferred revenue, vacation accrual) of USD 432,356 and 419,304 as of March 31, 2021 and 2020, respectively, are not included.

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

21. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and 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 is responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.(Refer note 7 for provision for expected credit loss)

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.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, were past due or impaired as at March 31, 2021. Of the total trade receivables, USD 3,563,218 as at March 31, 2021 and USD 2,103,260 as at March 31, 2020 consisted of customer balances which were neither past due nor impaired.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 0 – 60 days. The age analysis of the trade receivables has been considered from the date of the invoice. The aging of trade receivables that are past due, net of allowance for doubtful receivables, is given below:

Period (in days)	Year ended March 31, 2020	Year ended March 31, 2019
00-90	933,849	370,999
90-180	-	-
More than 180	-	-
Total	**933,849**	**370,999**

See Note 7 for the activity in the allowance for impairment of trade account receivables. Other than trade receivables, the Company has no class of financial assets that is past due but not impaired.

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by raising additional funds from parent company and through its own operations to meet the financial obligations.

As of March 31, 2021 and 2020 the Company had working capital deficit of USD 75,251,810 and USD 68,010,144 respectively.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021:

Particulars	2022	2023	2024	2025	Thereafter	Total
Trade and other payables	4,661,017	-	-	-	-	4,661,017
Loans and borrowings	89,982,836	-	-	-	-	89,982,836
Other liabilities and provisions	2,436,921	-	-	-	-	2,436,921
Total	**97,080,774**	**-**	**-**	**-**	**-**	**97,080,774**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020:

Particulars	2021	2022	2023	2023	Thereafter	Total
Trade and other payables	3,878,626	-	-	-	-	3,878,626
Loans and borrowings	74,751,853	-	-	-	-	74,751,853
Other liabilities and provisions	2,523,670	-	-	-	-	2,523,670
Total	**81,154,149**	**-**	**-**	**-**	**-**	**81,154,149**

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and short term/or 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 exchange risk arises from its foreign operations, foreign currency revenues and expenses. A significant portion of the Company's revenues are in reporting currency, USD. As a result, the Company is not exposed to significant foreign currency 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. The Company has historically not entered into any derivative financial instruments or futures contracts to hedge exposure to fluctuations in commodity prices.

DR. REDDY'S LABORATORIES LOUISIANA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

23. Nature of Expense

The following table shows the expenses by nature:

Particulars	For the year ended March 31, 2021			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	15,253,030	1,758,161	681,804	17,692,995
Depreciation and amortization	3,655,898	-	-	3,655,898
	18,908,928	**1,758,161**	**681,804**	**21,348,893**

Particulars	For the year ended March 31, 2020			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	14,780,534	2,181,947	669,157	17,631,638
Depreciation and amortization	3,587,260	-	-	3,587,260
	18,367,794	**2,181,947**	**669,157**	**21,218,898**

24. Employee benefits

The Company's employees participate in Dr. Reddy's Laboratories 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2021 and 2020 was USD 766,052 and USD 783,692 respectively.

25. Impact of COVID-19

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of receivables, goodwill, intangible assets, investments and other assets. For this purpose, the Company considered internal and external sources of information up to the date of approval of these financial statements. The Company based on its judgments, estimates and assumptions including sensitivity analysis, expects to fully recover the carrying amount of receivables, goodwill, intangible assets, investments and other assets.

The Company will continue to closely monitor any material changes to future economic conditions.

26. Subsequent Events

There are no significant events that occurred after the balance sheet date.

DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
201701023988 (1238154-X)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
for the year ended 31 December 2020

YONG & LEONARD (AF 0075)
Chartered Accountants

Company No.: 201701023988 (1238154-X)

DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
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DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors hereby submit their report together with the audited financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is in the sales and marketing activities of pharmaceutical formulations. There have been no significant changes in the nature of the activities during the year.

RESULTS

	RM
Profit for the year	799,427

In the opinion of the directors, the results of the operations of the Company during the year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividends have been paid or declared since the end of the previous year. The directors do not recommend that a dividend to be paid in respect of the current year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions except as disclosed in the financial statements.

SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the year to take up unissued shares of the Company.

No shares have been issued during the year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the year, there were no unissued shares of the Company under options.

Company No.: 201701023988 (1238154-X)

DIRECTORS

The directors who held office since the date of the last report are:

Sameer Sudhakar Natu	
Venkata Ramana Motupalli	
Nitin Mehrotra	(Appointed on 29 June 2020)
Mohammed Izad Bin Ariffin	(Resigned on 30 June 2020)

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous year, no director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 14.3 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

No payment has been paid to or payable to any third party in respect of the services provided to the Company by the directors or past directors of the Company during the year.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the directors who held office at the end of the year have any shares or debentures in the Company during the year ended 31 December 2020.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given to or insurance effected for, during or since the end of the year, for any person who is or has been the director, officer or auditor of the Company.

OTHER STATUTORY INFORMATION

Before the statement of comprehensive income and the statement of financial position of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

As of the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

As of the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the year which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the director, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Company for the year in which this report is made.

HOLDING COMPANIES

The Company is a wholly owned subsidiary of Dr. Reddy's Laboratories SA, a company incorporated in Switzerland. The directors also regard Dr. Reddy's Laboratories Limited as the ultimate holding company, a company incorporated in India.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 14.2 to the financial statements.

Company No.: 201701023988 (1238154-X)

AUDITORS

The auditors, Yong & Leonard, have indicated their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,

DocuSigned by:
Sameer Natu
81F8D3735C294E1...

SAMEER SUDHAKAR NATU
Director

DocuSigned by:
Nitin Mehrotra
300C51B304664E5...

NITIN MEHROTRA
Director

Date: 11 May 2021

Company No.: 201701023988 (1238154-X)

DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 251 (2) of the Companies Act, 2016

The directors of Dr. Reddy's Laboratories Malaysia Sdn. Bhd. state that, in their opinion, the financial statements set out on pages 10 to 34 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and the cash flows of the Company for the year ended 31 December 2020.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,

DocuSigned by:
Sameer Natu
81F8D3735C294E1...
SAMEER SUDHAKAR NATU
Director

DocuSigned by:
Nitin Mehrotra
300C51B304664E5...
NITIN MEHROTRA
Director

Date: 11 May 2021

STATUTORY DECLARATION
Pursuant to Section 251 (1) of the Companies Act, 2016

I, Nitin Mehrotra, the director primarily responsible for the financial management of Dr. Reddy's Laboratories Malaysia Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 34 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act,1960.

Subscribed and solemnly declared)
the above-named Nitin Mehrotra)
on 11 May 2021 at)

DocuSigned by:
Nitin Mehrotra
300C51B304664E5...
NITIN MEHROTRA

Before me,

Commissioners for Oaths

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Company No.: 201701023988 (1238154-X))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories Malaysia Sdn. Bhd., which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical Responsibilities in accordance with the By-Laws and the IESBA Code.

YONG & LEONARD
Chartered Accountants (AF 0075)

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Company No.: 201701023988 (1238154-X))
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company 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 the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company 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 approved standards on auditing in Malaysia and International Standards on Auditing 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 financial statements.

YONG & LEONARD
Chartered Accountants (AF 0075)

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Company No.: 201701023988 (1238154-X))
(Incorporated in Malaysia)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 financial statements of the Company 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 financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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 the directors 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.

YONG & LEONARD
Chartered Accountants (AF 0075)

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Company No.: 201701023988 (1238154-X))
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Yong & Leonard

YONG & LEONARD
Firm Number: AF 0075
Chartered Accountants

Date: 11 May 2021
Petaling Jaya

Leong Pooi Wah

LEONG POOI WAH
Approval Number: 2228/03/22(J)
Partner of the Firm

Company No.: 201701023988 (1238154-X)

DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	4	57,554	133,052
Right-of-use assets	5	40,156	88,342
		97,710	221,394
CURRENT ASSETS			
Inventories	6	1,757,325	1,838,093
Trade receivables	7	5,406,902	3,483,082
Deposits and prepayments	8	290,375	330,398
Current tax assets		139,680	68,400
Cash and bank balances		320,782	283,243
		7,915,064	6,003,216
TOTAL ASSETS		8,012,774	6,224,610
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	3,090,100	3,090,100
Accumulated losses		(124,717)	(924,144)
SHAREHOLDERS' EQUITY		2,965,383	2,165,956
NON-CURRENT LIABILITIES			
Lease liabilities	10	-	41,093
CURRENT LIABILITIES			
Trade payables	11	4,781,878	3,402,785
Other payables and accruals	12	224,402	567,235
Lease liabilities	10	41,111	47,541
		5,047,391	4,017,561
NET CURRENT ASSETS		2,867,673	1,985,655
TOTAL LIABILITIES		5,047,391	4,058,654
TOTAL EQUITY AND LIABILITIES		8,012,774	6,224,610

The accompanying notes form an integral part of the financial statements.

Company No.: 201701023988 (1238154-X)

DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Revenue	13	10,712,679	6,554,718
Other operating income		-	41,620
Operating expenses		(9,910,573)	(6,420,040)
Profit from operations		802,106	176,298
Finance costs		(2,679)	(630)
Profit before tax	14	799,427	175,668
Income tax expense	15	-	-
Profit for the year		799,427	175,668
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		799,427	175,668

The accompanying notes form an integral part of the financial statements.

DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital RM	Accumulated losses RM	Total RM
As at 1 January 2019	3,090,100	(1,099,812)	1,990,288
Total comprehensive income for the year	-	175,668	175,668
As at 31 December 2019	3,090,100	(924,144)	2,165,956
Total comprehensive income for the year	-	799,427	799,427
As at 31 December 2020	3,090,100	(124,717)	2,965,383

The accompanying notes form an integral part of the financial statements.

Company No.: 201701023988 (1238154-X)

DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	799,427	175,668
Adjustments for:		
Depreciation of plant and equipment	81,568	82,825
Depreciation of right-of-use assets	48,186	8,031
Interest expense	2,679	630
Operating profit before working capital changes	931,860	267,154
Decrease/(increase) in inventories	80,768	(1,504,777)
Increase in receivables	(1,883,797)	(2,497,865)
Increase in payables	1,036,260	3,004,852
Cash generated from/(used in) operations	165,091	(730,636)
Tax paid	(71,280)	(68,400)
Net cash generated from/(used in) operating activities	93,811	(799,036)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of plant and equipment	(6,070)	(1,170)
Net cash used in investing activity	(6,070)	(1,170)
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of lease liabilities	(50,202)	(8,369)
Net cash used in financing activity	(50,202)	(8,369)
Net increase/(decrease) in cash and cash equivalents	37,539	(808,575)
Cash and cash equivalents at beginning of the year	283,243	1,091,818
Cash and cash equivalents at end of the year	320,782	283,243
Cash and cash equivalents comprise:		
Cash and bank balances	320,782	283,243

The accompanying notes form an integral part of the financial statements.

DR. REDDY'S LABORATORIES MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FOR THE YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

The Company is a private limited company incorporated and domiciled in Malaysia.

The principal activity of the Company is in the sales and marketing activities of pharmaceutical formulations. There have been no significant changes in the nature of the activities during the year.

The registered office is located at 10th floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The principal place of business is located at Unit 10-06, Level 10, Menara MBMR, No. 1, Jalan Syed Putra, 58000 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The financial statements of the Company are presented in the functional currency, which is the currency of the primary economic environment in which the entity operates.

The functional currency of the Company is Ringgit Malaysia ("RM") as the sales and purchases are mainly denominated in RM, receipts from operations are usually retained in RM and funds from financing activities are generated in RM.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards as issued by International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS

The accounting policies adopted by the Company are consistent with those of the prior year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current year.

Application of the new and revised MFRSs and interpretations has no material impact on the financial statements of the Company.

Several other amendments are effective for the first time in the year ended 31 December 2020. However, they do not impact the financial statements of the Company.

2.3 NEW AND REVISED MFRS IN ISSUE BUT NOT YET EFFECTIVE

As at the date of authorisation for issue of the financial statements, the following MFRSs applicable to the Company were in issue but not yet effective:

Description		Effective Date
Amendments to MFRS 16	Covid-19 – Related Rent Concessions	1 June 2020
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9	At issue date of 17 August 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contract – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020		1 January 2022
MFRS 17	Insurance Contracts	1 January 2023*
Amendment to MFRS 17	Insurance Contracts	1 January 2023
Amendments MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023**
Amendments to MFRS 10	Consolidated Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

- The effective date has been deferred from annual reporting periods beginning on or after 1 January 2021 to 1 January 2023 pursuant to the amendments to MFRS 17 issued by the MASB, namely 'Amendments MFRS 17 Insurance Contracts'.

- The effective date has been deferred from annual reporting periods beginning on or after 1 January 2022 to 1 January 2023 pursuant to the amendments to MFRS 101 issued by the MASB, namely 'Classification of Liabilities as Current or Non-current – Deferral of Effective Date'.

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis unless otherwise indicated in the summary of significant accounting policies. The principal accounting policies adopted are set out below:

3.1 PLANT AND EQUIPMENT

i) Recognition And Measurement

Items of 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 costs 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 plant and equipment have different useful life, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses upon disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within “Other (income)/expense, net” in profit or loss.

The cost of replacing part of an item of 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 profit or loss as incurred.

Items of 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.

ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset.

Depreciation methods, useful life and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

	Rate
Computer	33%
Furniture and fittings	25%
Office equipment	25%

Advances paid towards the acquisition of plant and equipment outstanding at each reporting date and the cost of plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

3.2 IMPAIRMENT OF NON-FINANCIAL ASSETS, OTHER THAN INVENTORIES AND GOODWILL

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.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised in the 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.

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.

3.3 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.

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, aging of inventory and introduction of competitive new products, to 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.

3.4 CASH AND CASH EQUIVALENTS

The Company adopts the indirect method in the preparation of the statement of cash flows.

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.5 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial Assets

<u>Initial recognition and measurement</u>

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.

<u>Subsequent measurement</u>

For purposes of subsequent measurement, financial assets of the Company are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at amortised cost (debt instruments)

This category is most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model whose objective is to hold financial assets for collecting contractual cash flows, and

b) Contractual terms of the financial 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 ("EIR") method and are subject to impairment. 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 EIR. Gains and losses are recognised in profit or loss when the asset is decognised or impaired, and through amortisation process. This category generally applies to trade and other receivables.

Fair value through profit or loss ("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 fair value through other comprehensive income ("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 carried in the statement of financial position at fair value with the net changes in fair value recognised in profit or loss.

The Company has not designated any debt instrument as at FVTPL.

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 statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- 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 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

In accordance with MFRS 9, the Company applies expected credit loss ("ECL') model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of MFRS 15.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of 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.

ii) 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, financial guarantee contracts 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 MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or 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 MFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains or losses attributable to changes in own credit risk are recognised in OCI. These gains or losses are not subsequently transferred to profit or 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 profit or 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 EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR 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 EIR. The EIR amortisation is included as finance costs in profit or 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 profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

3.6 LEASE

Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate as the discount rate.

The incremental borrowing rate determined by referring to rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The principal depreciation periods are as follows:

	Useful life
Buildings	Over the lease period up to 2 years

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimates of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.7 EQUITY INSTRUMENTS

Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received.

Dividends on ordinary shares will be recognised as liabilities when the shareholders' rights to receive the dividends are established.

3.8 REVENUE

The Company recognises revenue from contracts with customers for the provision of service and sale of information based on the five-step model as set out below:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time if the Company's performance:

(i) Does not create an asset with an alternative use to the Company and has an enforceable right to payment for performance completed to-date; or

(ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) Provides benefits that the customer simultaneously receives and consumes as the Company performs.

For performance obligations where any of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable.

3.9 EMPLOYMENT BENEFITS

i) *Short-Term Employment 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.

ii) *Defined Contribution Plan*

Contributions to the statutory pension scheme are recognised as an expense in profit or loss in the year to which they relate.

iii) *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.

3.10 INCOME TAX

Income tax expense consists of current and deferred tax. Income tax expense is recognised in profit or 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 payables 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 incomes taxes levied by the same tax authority on the same taxable entity, or 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 benefits will be realised.

Any deferred tax asset or liability arising from the 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. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expenses for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

4 PLANT AND EQUIPMENT

	As at 1 January 2020 RM	Additions RM	As at 31 December 2020 RM
Cost			
Computers	84,876	5,150	90,026
Furniture and fittings	209,776	-	209,776
Office equipment	10,384	920	11,304
	305,036	6,070	311,106

	As at 1 January 2020 RM	Charges for the year RM	As at 31 December 2020 RM
Accumulated Depreciation			
Computers	57,070	26,512	83,582
Furniture and fittings	109,258	52,445	161,703
Office equipment	5,656	2,611	8,267
	171,984	81,568	253,552

	2020 RM	2019 RM
Carrying Amounts		
Computers	6,444	27,806
Furniture and fittings	48,073	100,518
Office equipment	3,037	4,728
	57,554	133,052

5 RIGHT-OF-USE ASSETS

	As at 1 January 2020 RM	Additions RM	As at 31 December 2020 RM
Cost			
Buildings	96,373	-	96,373
	96,373	-	96,373

	As at 1 January 2020 RM	Charges for the year RM	As at 31 December 2020 RM
Accumulated Depreciation			
Buildings	8,031	48,186	56,217
	8,031	48,186	56,217

	2020 RM	2019 RM
Carrying Amounts		
Buildings	40,156	88,342
	40,156	88,342

6 INVENTORIES

	2020 RM	2019 RM
At cost:		
Finished goods	1,757,325	1,838,093
Recognised in profit or loss:		
Inventories recognised at cost of goods sold	6,703,248	3,462,199

7 TRADE RECEIVABLES

	2020 RM	2019 RM
Trade		
Third parties	5,406,902	3,483,082

The normal credit term of trade receivables is 90 days.

8 DEPOSITS AND PREPAYMENTS

	2020 RM	2019 RM
Deposits	25,214	25,214
Prepayments	265,161	305,184
	290,375	330,398

9 SHARE CAPITAL

	Number of shares			
	2020 Units	2019 Units	2020 RM	2019 RM
Issued and fully paid:				
Ordinary shares of RM10 each	309,010	309,010	3,090,100	3,090,100

10 LEASE LIABILITIES

	2020 RM	2019 RM
At beginning of the year	88,634	-
Additions	-	96,373
Lease interest (Note 14.4)	2,679	630
Payments	(50,202)	(8,369)
At end of year	41,111	88,634
Presented as:		
Current	41,111	47,541
Non-current	-	41,093
	41,111	88,634
Maturity analysis:		
Not later than 1 year	41,869	50,221
Later than 1 year and not later than 2 years	-	41,850
	41,869	92,071
Future finance charges	(758)	(3,437)
Present value of minimum lease payments	41,111	88,634

The lease payments are discounted using the Company's incremental borrowing rate of 4%.

11 TRADE PAYABLES

Trade payables balances arises from trade purchases with ultimate holding company as disclosed in Note 17 to the financial statements. The average credit period on trade payables is within 150 days to 180 days. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

12 OTHER PAYABLES AND ACCRUALS

	2020 RM	2019 RM
Other payables	189,475	406,732
Accruals	34,927	160,503
	224,402	567,235

13 REVENUE

	2020 RM	2019 RM
Sale of goods	10,712,679	6,554,718

The timing of revenue is recognised at point in time at which the performance obligation is satisfied.

14 PROFIT BEFORE TAX

14.1 OPERATING EXPENSES

	2020 RM	2019 RM
Included in the operating expenses are:		
Changes in inventories	80,768	(1,504,777)
Purchases	6,622,480	4,966,976
Depreciation of plant and equipment	81,568	82,825
Depreciation of right-of-use assets	48,186	8,031
Employee benefits expenses	1,572,834	1,474,289
Other operating expenses	1,504,737	1,392,696
	9,910,573	6,420,040

14.2 DISCLOSURE ITEMS

	2020 RM	2019 RM
This is stated after charging/(crediting):		
Auditors' remuneration	18,000	16,000
Loss on foreign exchange	69,137	-
Rental of premise	-	38,745
Gain on foreign exchange	-	(41,620)

14.3 EMPLOYEE BENEFITS EXPENSES

	2020 RM	2019 RM
Salaries, bonus and allowances	1,187,951	1,319,783
Contribution to defined contribution plans	129,638	154,506
Other employee benefits	255,245	-
	1,572,834	1,474,289

Included in employee benefits expenses are compensation for key management personnel as follows:

	2020 RM	2019 RM
Directors' remuneration:		
Salaries, allowances and bonuses	566,555	271,246
Contribution to defined contribution plans	380	32,552
Other employee benefits	50,500	-
	617,435	303,798

14.4 FINANCE COSTS

	2020 RM	2019 RM
Lease interest (Note 10)	2,679	630

15 INCOME TAX EXPENSE

No provision for taxation is necessary for the year as the Company has no chargeable income.

The income tax expense is reconciled to the accounting profit at the applicable tax rate as follows:

	2020 RM	2019 RM
Profit before tax	799,427	175,668
Tax at Malaysian statutory tax rate at 24%	191,862	42,160
Tax effects of:		
Non-deductible expenses	14,186	12,506
Utilisation of unrecognised deferred tax assets during the year	(206,048)	(54,666)
Total income tax expense	-	-

As mentioned in Note 3.10, deferred tax assets are generally recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unabsorbed capital allowances and unused tax losses can be utilised. As of 31 December 2020, the estimated amount of unused tax losses for which the tax effects have not been recognised in the financial statements due to uncertainty of their realisation, is as follows:

	2020 RM	2019 RM
Unused tax losses	-	874,768

The unused tax losses, which is subject to agreement by the Inland Revenue Board, is available for offset against future taxable profits of the Company.

Pursuant to the announcement of Finance Bill 2018 in conjunction with the Budget Announcement 2019, commencing from 1 January 2019, unabsorbed business losses and unabsorbed capital allowances from a year of assessment can only be carried forward up to 7 consecutive year of assessments before expiry. Unabsorbed business losses and unabsorbed capital allowances brought forward as at 1 January 2019 will also be allowed to be carried forward up to 7 consecutive year of assessments before expiry.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including market 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.

16.1 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash to meet its working capital requirements.

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	**Contractual cash flows RM**	**Under 1 year RM**	**1 year to 2 years RM**
2020				
Financial liabilities				
Trade payables	4,781,878	4,781,878	4,781,878	-
Other payables and accruals	224,402	224,402	224,402	-
Lease liabilities	41,111	41,869	41,869	-
2019				
Financial liabilities				
Trade payables	3,402,785	3,402,785	3,402,785	-
Other payables and accruals	567,235	567,235	567,235	-
Lease liabilities	88,634	92,071	50,221	41,850

16.2 FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk as a result of its normal trade activities in United States Dollar ("USD").

Foreign currency denominated liabilities together with expected cash flows from highly probable purchases give rise to foreign exchange exposures.

The net unhedged financial liabilities of the Company that are not denominated in their functional currencies are as follows:

	2020 RM	2019 RM
Trade payables		
- USD	4,781,878	3,402,785

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonable possible change in USD exchange rate against the respective functional currencies of the Company entities, with all other variables held constant.

		2020 RM	2019 RM
USD	- strengthened 3%	143,456	102,084
	- weakened 3%	(143,456)	(102,084)

16.3 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 not exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments.

16.4 FAIR VALUES

The carrying amounts of financial assets and liabilities of the Company as at reporting date approximate their fair values.

16.5 CREDIT RISK

Credit risk is the risk of the 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 cause 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 receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customers, 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.

In terms of concentration risk of trade receivables, 100% (2019: 100%) is due from a single debtor.

The following table provides information about the exposure to credit risk for trade receivables as at reporting date:

	2020 RM	2019 RM
Neither past due nor impaired	5,243,185	3,483,082
Past due 1 – 30 days	163,717	-
	5,406,902	3,483,082

16.6 CLASSIFICATION OF FINANCIAL INSTRUMENT

	2020 RM	2019 RM
Financial Assets		
Financial assets measured at amortised costs:		
Trade receivables	5,406,902	3,483,082
Deposits	25,214	25,214
Cash and bank balances	320,782	283,243
Financial Liabilities		
Financial liabilities measured at amortised costs:		
Trade payables	(4,781,878)	(3,402,785)
Other payables and accruals	(224,402)	(567,235)
Lease liabilities	(41,111)	(88,634)

17 RELATED PARTY TRANSACTIONS

During the year, significant transactions which are determined on a basis as negotiated between the Company and the related parties are as follows:

	2020	2019
	RM	RM
Ultimate holding company		
Purchases	(6,622,480)	(4,966,976)

The following balances were outstanding at the end of the reporting period:

	2020	2019
	RM	RM
Ultimate holding company		
Trade payables	(4,781,878)	(3,402,785)

18 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on 11 May 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories New York LLC (the Company), which comprise the statement of financial position as at March 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of managements 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 auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors 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.

Ernst & Young Associates LLP

The Skyview 10, 18th Floor,
"Zone A", Survey No 83/1, Raidurgam,
Hyderabad 500 032, India.

Date: 12 May 2021.

DR. REDDY'S LABORATORIES NEW YORK LLC
STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	As of March 31, 2021	As of March 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	9	1,884	2,185
Other current assets	8	5,421,325	544,090
Tax assets		15,578	64,944
Total current assets		**5,438,787**	**611,219**
Non-current assets			
Property, plant and equipment	6	8,140,883	9,872,591
Intangible assets	7	62,500	312,500
Other non-current assets	8	8,955	8,955
Deferred tax assets	18	9,696,078	-
Total non-current assets		**17,908,416**	**10,194,046**
Total assets		**23,347,203**	**10,805,265**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	106,339	110,743
Loans and Borrowings	17	40,713,713	36,799,722
Other current liabilities	12	490,461	1,268,002
Total current liabilities		**41,310,513**	**38,178,467**
Non-current liabilities			
Other liabilities - Non current	13	1,182,107	1,350,274
Total non-current liabilities		**1,182,107**	**1,350,274**
Total liabilities		**42,492,620**	**39,528,741**
Equity			
Share capital	10	5,000	5,000
Additional Paid up capital	10	49,995,000	49,995,000
Retained Earnings		(69,313,854)	(78,876,598)
Share based payment reserve		168,437	153,122
Total equity		**(19,145,417)**	**(28,723,476)**
Total liabilities and equity		**23,347,203**	**10,805,265**

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

DR. REDDY'S LABORATORIES NEW YORK LLC
INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenues		-	-
Cost of revenues		-	-
Gross (loss) / profit		**-**	**-**
Selling, general and administrative expenses		-	-
Research and development expenses	14	5,030,851	6,570,112
Other (income)/expense, net	15	(252,895)	(296,212)
Total operating expenses		**4,777,956**	**6,273,900**
Results from operating activities (A)		**(4,777,956)**	**(6,273,900)**
Finance income, net	16	8,855	31,174
Finance income, net (B)		**8,855**	**31,174**
Loss before tax [(A)+(B)]		**(4,769,101)**	**(6,242,726)**
Tax expense/(benefit), net		(14,331,845)	-
Profit/(Loss) for the year		**9,562,744**	**(6,242,726)**

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

DR. REDDY'S LABORATORIES NEW YORK LLC
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit/(Loss) for the year	**9,562,744**	**(6,242,726)**
Other comprehensive income		
Items that will not be reclassified to Income Statement:	-	-
Total items that will not be reclassified to Income Statement	-	-
Items that will be reclassified subsequently to the Income statement:	-	-
Total of items that will be reclassified subsequently to the income statement	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income/(loss) for the year	**9,562,744**	**(6,242,726)**

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

DR. REDDY'S LABORATORIES NEW YORK LLC
STATEMENT OF CHANGES IN EQUITY
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	Number of Shares	Share Capital	Share Premium	Share based payment Reserve	Retained earnings	Total
Balance as of April 01, 2019 (A)	**50,000**	**5,000**	**49,995,000**	**142,444**	**(72,633,872)**	**(22,491,428)**
Loss for the year	-	-	-	-	(6,242,726)	(6,242,726)
Total Comprehensive income (B)	**-**	**-**	**-**	**-**	**(6,242,726)**	**(6,242,726)**
Share-based payment expense (Refer note 20)	-	-	-	10,678	-	10,678
Total transactions with owners of the Company (C)		**-**	**-**	**10,678**	**-**	**10,678**
Balance as of March 31,2020 [(A)+(B)+(C)]	**50,000**	**5,000**	**49,995,000**	**153,122**	**(78,876,598)**	**(28,723,476)**
Balance as of April 01, 2020 (A)	**50,000**	**5,000**	**49,995,000**	**153,122**	**(78,876,598)**	**(28,723,476)**
Profit for the year	-	-	-	-	9,562,744	9,562,744
Total Comprehensive income (B)		**-**		**-**	**9,562,744**	**9,562,744**
Share-based payment expense (Refer note 20)	-	-	-	15,315	-	15,315
Total transactions with owners of the Company (C)		**-**	**-**	**15,315**	**-**	**15,315**
Balance as of March 31,2021 [(A)+(B)+(C)]	**50,000**	**5,000**	**49,995,000**	**168,437**	**(69,313,854)**	**(19,145,417)**

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

DR. REDDY'S LABORATORIES NEW YORK LLC
STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	For the year ended March 31,2021	For the year ended March 31,2020
Cash flows from/(used in) operating activities:		
Profit/(Loss) for the year	9,562,744	(6,242,726)
Adjustments for:		
Depreciation and amortization	1,989,099	2,154,641
Tax expense/(benefit), net	(14,331,845)	-
Share-based payment expense	15,315	10,678
Interest income	(11,278)	(29,315)
Changes in operating assets and liabilities:		
Trade and other payables	(11,795)	(21,368)
Other assets and other liabilities, net	(568,775)	1,996,693
Cash used in operations	**(3,356,535)**	**(2,131,397)**
Net cash used in operating activities	**(3,356,535)**	**(2,131,397)**
Cash flows from/(used in) investing activities:		
Purchase of property, plant and equipment	-	(16,988)
Interest Received	14,585	23,721
Net cash from investing activities	**14,585**	**6,733**
Cash flows from financing activities:		
Proceeds from loans and borrowings from Parent Company, net	3,341,649	2,126,168
Net cash from financing activities	**3,341,649**	**2,126,168**
Net increase/ (decrease) in cash and cash equivalents	**(301)**	**1,504**
Cash and cash equivalents at the beginning of the year	2,185	681
Cash and cash equivalents at the end of the year (Refer to Note 9)	**1,884**	**2,185**

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

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

1. Reporting entity
Dr. Reddy's Laboratories New York LLC ("DRLNY"/"Company") was incorporated in the state of Delaware on May 24, 2011 as a wholly-owned subsidiary of Dr. Reddys Laboratories SA, Switzerland (DRLSA). Company has obtained a license from APR LLC which provides the process of manufacturing API pertaining to Conjugated Estrogen product. Besides the process acquired, as part of Research and development, the Company is in the process of developing an alternative manufacturing method of API.

In October 2020, as part of the planned restructuring, DRLSA has transferred the ownership interest in DRLNY to the Company. As a result of this, effective October 30 2020, DRLNY becomes a wholly-owned subsidiary of the Dr. Reddy's Laboratories Inc and operating with name of Dr. Reddy's Laboratories New York LLC. Prior to transfer of membership the Company name was **Dr. Reddy's Laboratories New York Inc.**

The Company currently is in the process of development of finished dosage pertaining to conjugated estrogen, which has active market across geographies. Revenue generation shall commence after successful development, manufacturing and commercialization of the finished dosage.

2. Basis of preparation of financial statements

a. Statement of compliance
These financial statements as of and for the year ended March 31, 2021 comply in all material aspects with the International Financial Reporting Standards and its interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared by the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company's annual reporting date, March 31, 2021. These financial statements were authorized for issuance by the Company's Board of Directors on May 12, 2021.

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 statement of financial position:
• derivative financial instruments are measured at fair value;
• financial assets are measured either at fair value or at amortized cost, depending on the classification;
• long-term borrowings are measured at amortized cost using the effective interest rate method;
• share-based payments are measured at fair value;
• right-of-use assets are recognized at the present value of lease payments that are not paid at that date. This amount is adjusted for any lease payments made at or before the commencement date, lease incentives received and initial direct costs, incurred, if any.

c. Functional and presentation currency
The Company's operations are self-contained and integrated within the respective countries/regions (i.e., United States of America), the functional currency has been determined to be the local currency of that country (i.e., U.S. Dollar).All amounts included in the financial statements are reported in US dollar, (presentation currency).

d. Going Concern
The Company's financial statement for the year ended March 31, 2021 and March 31, 2020 have been prepared on a going concern basis which assumes that the Group (Parent Company / Ultimate Parent Company) will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As at March 31, 2021 and March 31, 2020, the Company had a working capital deficit of USD 35,871,716 and USD 37,567,248 respectively. The Company had incurred (profit)/losses of USD (9,562,754) and USD 6,242,726 and had negative cash flow from operations of USD 3,356,535 and USD 2,131,397 for the year ended March 31,2021 and March 31, 2020 respectively. The Company is currently in the process of research and development of API pertaining to Conjugated Estrogen product and would be able to derive positive cash flows and working capital from the business upon successful development and commercialization of the said product.

The resource requirements of the Company have been currently funded by its Parent Company (Dr. Reddy's Laboratories Inc. The directors of Parent Company closely monitor the progress of research and development pertaining to API of Conjugated Estrogen product. Considering the positive progress of the product development process, the Parent Company continues to financially support the Company till the product is successfully developed and commercialized in the market. Based on these factors, inspite of the incurred losses and negative cash flows from operations in the Company, the financial statements are prepared with going concern assumption.

e. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2(c) — Functional currency;
- Note 3(b) and 20 — Financial instruments;
- Note 3(e) — Useful life of Property, Plant and Equipment;
- Note 3(f) — Useful life of intangible assets;
- Note 3(g) — Provisions;
- Note 3(k) —Income tax;
- Note 3(l) —Share based payment transactions.

3. Significant accounting policies

New Standards adopted by the Company

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provided a new definition to the word "material" as follows:

'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

An information is considered to be obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The amendments provided examples of circumstances that may result in information being obscured.

Amendments to IFRS 3: Definition of a Business

The amendments clarified the definition of a business for the purpose of identifying a business combination under IFRS 3, "Business Combinations". As per the revised definition, business is 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities'.

A related amendment has been made to the definition of 'output' as an element of business.

The amendments include an election to use a 'concentration test'. This is a simplified assessment that would cause an acquisition to qualify as an asset acquisition. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets.

An entity is required to apply the amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that

This amendment had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7 and IFRS 9: Interest Rate Benchmark Reform

The IASB published "Interest Rate Benchmark Reform – Phase II (Amendments to IFRS 9, IAS 39 and IFRS 7)" representing the finalization of Phase II of the project on August 27, 2020 to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

The amendments to IFRS 9, "Financial Instruments" provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments to IFRS 7, "Financial Instruments: Disclosures" prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in IFRS 9 are applied.

These amendments are applicable for annual periods beginning on or after January 1, 2020.

These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Amendments to IFRS 16: COVID-19 related rent concessions

IFRS 16, "Leases" was amended by IASB on May 28, 2020 to provide limited relief to lessees in respect of rent concessions arising due to COVID-19 pandemic. No relief has been allowed to the lessors.

The amendments provide a practical expedient that lessees may elect to not treat any rent concessions, provided by lessors as a direct consequence of COVID-19 pandemic, as lease modifications. However, to be eligible for this relief:
- the revised consideration for the lease should be less than or equal to the lease consideration immediately before the change;
- the rent concession should be for a period that does not extend beyond June 30, 2021 (for example, lease rents are reduced for a perio up to June 30, 2021 and increased for periods thereafter); and
- there should be no substantial modification to the other terms and conditions of the lease.

Lessee should apply the amendments for annual reporting periods beginning on or after January 1, 2020. In case a lessee has not yet approved the financial statements for issue before the issuance of the amendments, then the same may be applied for annual reporting periods beginning on or after the January 1, 2019.

The aforesaid amendments had no impact on the financial statements of the Company.

Summary of significant accounting policies

a. Foreign currency
Foreign currency transactions
Transactions in foreign currencies are translated to the functional currencies of the Company at exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the income statement in the period in which they arise.

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.

b. Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (e.g., regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified:

- Debt instruments at amortized 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 amortized cost
A "debt instrument" is measured at the amortized cost if both the following conditions are met:
a) the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
b) contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method and are subject to impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.
Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in income statement and presented in other income/(losses),net. The losses arising from impairment are recognized in the income statement. This category generally applies to trade and other receivables.

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Debt instrument at FVTOCI
A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the OCI. However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the income statement. On de-recognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified to the income statement. Interest earned while holding a FVTOCI debt instrument is reported as interest income using the effective interest rate method.

Debt instrument at FVTPL
FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.
In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as 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"). The Company has not designated any debt instrument as at FVTPL.
Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the income statement.

Equity investments
All equity investments in scope of IFRS 9 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 IFRS 3 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 income statement, 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 income statement.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's financial position) when:
• The rights to receive cash flows from the asset have expired; or
• Both (1) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and (2) either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to 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 IFRS 9, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a "simplified approach" for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at 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 IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the income statement.

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 IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains or losses are not subsequently transferred to the income statement. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the income statement. The Company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

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.

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

c. Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in IAS 1, "Presentation of financial statements".

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realized within twelve months after the reporting date; or
d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities include the current portion of non-current assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

d. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

e. Property, Plant and Equipment

Recognition and measurement

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment and are recognized net within "Other (income)/expense, net" in the income statement.

The cost of replacing part of an item of Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the income statement as incurred.

Items of Property, Plant and Equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognized in the income statement on a straight line basis over the estimated useful lives of Property, Plant and Equipment. The depreciation expense is included in the costs of the functions using the asset. Land is not depreciated but subject to impairment.

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

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any changes are considered prospectively. The estimated useful lives are as follows:

Buildings	
Factory and administrative buildings	25 - 50 years
Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Computer equipment	3 - 5 years

Software for internal use, which is primarily acquired from third-party vendors and which is an integral part of a Property, Plant and Equipment, including consultancy charges for implementing the software, is capitalized as part of the related Property, Plant and Equipment. Subsequent costs associated with maintaining such software are recognized as expense as incurred. The capitalized costs are amortized over the estimated useful life of the software or the remaining useful life of the Property, Plant and Equipment, whichever is lower.

Advances paid towards the acquisition of Property, Plant and Equipment outstanding at each reporting date and the cost of Property, Plant and Equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated but are tested for impairment.

f. Goodwill and other Intangible assets

Goodwill
Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired.
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

Other intangible assets
Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.
Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development
Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the income statement when incurred.

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

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

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the income statement as incurred. As of March 31, 2021, none of the development expenditure amounts has met the aforesaid recognition criteria.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 ("IAS 38") (i.e., the receipt of economic benefits embodied in each intangible asset separately purchased or licensed in the transaction is considered to be probable).

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In-Process Research and Development assets ("IPR&D")

Acquired research and development intangible assets that are under development are recognized as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the income statement under "Impairment of non-current assets".

Subsequent expenditure
Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, is recognized in the income statement as incurred.

Amortization
Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.The amortization expense is recognized in the income statement in the expense category that is consistent with the function of the intangible asset.

The estimated useful lives of Product related intangibles is 10 years.
The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date. Changes in the expected useful lives or expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortization period or method, as appropriate and are treated as change in accounting estimate.

Goodwill, intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in the income statement under "Impairment of non-current assets".

De-recognition of intangible assets
Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the income statement, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as at the date of de-recognition.

g. Provisions

A provision is recognized in the income statement if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring
A provision for restructuring is recognized in the income statement when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts
A provision for onerous contracts is recognized in the income statement when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Reimbursement rights
Expected reimbursements for expenditures required to settle a provision are recognized in the income statement only when receipt of such reimbursements is virtually certain. Such reimbursements are recognized as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

h. Contingent liabilities and contingent assets
Contingent liabilities and contingent assets
A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognized in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

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i. Revenue

Revenue from contracts with customers:

The Company currently is in the process of development of finished dosage pertaining to conjugated estrogen, which has active market across geographies. Revenue generation shall commence after successful development, manufacturing and commercialization of the finished dosage.

j. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

k. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Accruals for uncertain tax positions require management to make judgments of potential exposures. Accruals for uncertain tax positions are measured using either the most likely amount or the expected value amount depending on which method the entity expects to better predict the resolution of the uncertainty. Tax benefits are not recognized unless the tax positions will probably be accepted by the tax authorities. This is based upon management's interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter. Once considered probable of not being accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable amounts.

l. Share-based payment transactions

Equity settled share-based payment transactions

Dr. Reddy's Laboratories Limited (Ultimate Parent Company) issues Employees Stock Options (ESOP) to the employees covered under various ESOP Plans managed by the Ultimate Parent Company.

The grant date fair value of options granted to employees is recognized as an employee expense in the income statement, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and performance conditions at the vesting date. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest.

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Cash settled share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognized in the income statement.

m. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented as a deferred revenue expenditure and the amount is recognised as other income over the uselife of the asset in income statement. Grants related to income are deducted in reporting the related expense in the income statement.

n. Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized in the income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in a joint venture is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in a joint venture

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognized in the income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

o. Finance income and expense

Finance income consists of interest income on funds invested, dividend income and gains on the disposal of financial assets. Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend income is recognized in the income statement on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognized in the income statement using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within finance income and expense. These primarily include: exchange differences arising on the settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

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4. Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as assets acquired in a business combination and significant liabilities, such as contingent consideration. Involvement of external valuers is determined by the Management, based on market knowledge, reputation, independence and whether professional standards are maintained.

(i) Property, plant and equipment

Property, plant and equipment, if acquired in a business combination or through an exchange of non-monetary assets, is measured at fair value on the acquisition date. For this purpose, fair value is based on appraised market values and replacement cost.

(ii) Intangible assets

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method. Under this method, value is estimated as the present value of the benefits anticipated from ownership of the intangible assets in excess of the returns required or the investment in the contributory assets necessary to realize those benefits.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) 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.

(v) 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).

5. 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 it's 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 2021 and 31 March 2020 was 189% and 456%, respectively.

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6. Property plant and equipment: The following is a summary of the change in carrying value of property, plant and equipment.

Particulars	Land	Buildings(Factory and Administrative)	Lease Hold Improvements	Plant & Machinery	Furniture & fixtures	Computers	Total
Gross Carrying Value							
Balance as at April 1, 2019	400,000	1,564,124	7,144,552	14,133,162	12,610	18,425	**23,272,873**
Additions	-	-	-		-	-	-
Disposals	-	-	-	-	-	-	-
Balance as at March 31, 2020	**400,000**	**1,564,124**	**7,144,552**	**14,133,162**	**12,610**	**18,425**	**23,272,873**
Balance as at April 1, 2020	400,000	1,564,124	7,144,552	14,133,162	12,610	18,425	23,272,873
Additions	-	-	-	36,953	-	32,586	**69,539**
Disposals	-	-	-	-	-	-	-
Balance as at March 31, 2021	**400,000**	**1,564,124**	**7,144,552**	**14,170,115**	**12,610**	**51,011**	**23,342,412**
Accumulated Depreciation							
Balance as at April 1, 2019	-	844,002	1,900,120	9,068,245	12,610	18,425	**11,843,402**
Depreciation during the year	-	116,663	344,697	1,443,281	-	-	**1,904,641**
Disposals	-	-	-	-	-	-	-
Balance as at March 31, 2020	**-**	**960,665**	**2,244,817**	**10,511,526**	**12,610**	**18,425**	**13,748,043**
Balance as at April 1, 2020	-	960,665	2,244,817	10,511,526	12,610	18,425	**13,748,043**
Depreciation during the year	-	114,960	344,697	1,271,049	-	8,392	**1,739,099**
Disposals	-	-	-	-	-	-	-
Balance as at March 31, 2021	**-**	**1,075,625**	**2,589,514**	**11,782,575**	**12,610**	**26,817**	**15,487,142**
Net Carrying Value							
As at April 01, 2019	**400,000**	**720,122**	**5,244,432**	**5,064,917**	**-**	**-**	**11,429,471**
Add:-Capital Work in Progress							**337,422**
Total at April 01, 2019							**11,766,893**
As at March 31, 2020	**400,000**	**603,459**	**4,899,735**	**3,621,636**	**-**	**-**	**9,524,830**
Add:-Capital Work in Progress							**347,761**
Total at March 31, 2020							**9,872,591**
As at March 31, 2021	**400,000**	**488,499**	**4,555,038**	**2,387,540**	**-**	**24,194**	**7,855,270**
Add:-Capital Work in Progress							**285,613**
Total at March 31, 2021							**8,140,883**

Capital commitment: As of March 31, 2021 and 2020 the Company had capital commitments of USD Nil and USD Nil under agreements for purchase of property plant and equipment. The amount is net of capital advances paid in respect of such agreements.

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7. Intangible assets
The following is a summary of changes in carrying value of other intangible assets:

Particulars	Product related intangibles	Total
Gross carrying value		
Balance as at April 1, 2019	2,500,000	2,500,000
Additions	-	-
De–recognitions	-	-
Balance as at March 31, 2020	**2,500,000**	**2,500,000**
Balance as at April 1, 2020	2,500,000	2,500,000
Additions	-	-
De–recognitions	-	-
Balance as at March 31, 2021	**2,500,000**	**2,500,000**
amortization/Impairment Loss		
Balance as at April 1, 2019	1,937,500	1,937,500
amortization during the period	250,000	250,000
De–recognitions	-	-
Balance as at March 31, 2020	**2,187,500**	**2,187,500**
Balance as at April 1, 2020	2,187,500	2,187,500
amortization during the period	250,000	250,000
De–recognitions	-	-
Balance as at March 31, 2021	**2,437,500**	**2,437,500**
Net carrying amount		
As at April 01, 2019	**562,500**	**562,500**
As at March 31, 2020	**312,500**	**312,500**
As at March 31, 2021	**62,500**	**62,500**

The weighted average remaining useful life of intangibles was approximately 0.25 years as at March 31, 2021.

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8. Other Assets

Other assets consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Current		
Due from related parties (Refer note 17)	5,300,454	115,483
Prepaid expenses	43,069	40,964
Other assets	77,802	387,643
Total Current Assets	**5,421,325**	**544,090**
Non-current		
Deposits and other assets – non current	8,955	8,955
Total Non-current Assets	**8,955**	**8,955**
Total other assets	**5,430,280**	**553,045**

[(1)] Other assets includes current portion of amount receivable from Nostrum Pharmaceuticals LLC and Nostrum Laboratories Inc. (referred as "Nostrum Pharma") on account of settlement of litigation in Company's favor pertaining to violation of Non-compete and confidentiality restrictive covenant mentioned in the Consulting and Transition Services Agreement dated July 8, 2011. Nostrum Pharma shall pay the sum of USD 1,500,000 over five years, bearing interest of 5% per annum, making quarterly payments, beginning from June 30, 2016.

9. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Current		
Cash on hand	1,884	2,185
Balances with banks	-	-
Cash and cash equivalents in the statement of cash flow	**1,884**	**2,185**

10. Share Capital

	As of	
	March 31, 2021	**March 31, 2020**
Par value per share	**0.10**	**0.10**
Authorized share capital (75,000 shares)	**7,500**	**7,500**
Fully paid up capital		
As at April 01	5,000	5,000
Add: Issued during the year	-	-
As at March 31	**5,000**	**5,000**
Additional paid in capital		
As at April 1	49,995,000	49,995,000
Add: Issued during the year	**-**	**-**
As at March 31	**49,995,000**	**49,995,000**

The Company presently has only one class of equity shares. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

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.

11. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Capital creditors	13,287	5,918
Creditors for expenses	93,052	104,825
Total trade and other payables	**106,339**	**110,743**

12. Other Liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Current Liabilities		
Accrued expenses	258,218	1,041,736
Other Current Liabilities	232,243	226,149
Other liabilities – Related party *	-	117
Total other liabilities	**490,461**	**1,268,002**

* Refer note 17

13. Other Non-Current Liabilities

Other Non-current liabilities consist of the following:

	As of	
	March 31, 2021	**March 31, 2020**
Non-Current Liabilities		
Deferred Revenue Expenditure	1,182,107	1,350,274
Total other non-current liabilities	**1,182,107**	**1,350,274**

14. Research and development expenses

	For the year ended	
	March 31, 2021	**March 31, 2020**
Employee Cost	1,647,477	1,977,821
Depreciation & Amortization	1,989,099	2,154,641
Professional/Consultant charges	540,667	1,123,752
Others	853,608	1,313,898
Total research and development expenses	**5,030,851**	**6,570,112**

15. Other (income)/expense, net

Other expense/ (income), net consist of the following:

	For the year ended	
	March 31, 2021	**March 31, 2020**
Miscellaneous Income - Related party* (Refer note 17)	-	(113,743)
Liabilities written back	(26,558)	-
Others'	(226,337)	(182,469)
Total other (income)/expense, net	**(252,895)**	**(296,212)**

* The Miscellaneous income consists of income from corporate services provided to fellow group companies.

16. Finance income, net

	For the year ended	
	March 31, 2021	**March 31, 2020**
Interest Income	11,278	29,315
Foreign Exchange Gain	(2,423)	1,859
Total finance income	**8,855**	**31,174**

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17. Related parties

The Company has entered into transactions with the following related parties:

(a) Dr. Reddy's Laboratories Limited	Ultimate Parent Company
(b) Dr. Reddy's Laboratories Inc.*	Parent Company
(c) Dr. Reddy's Laboratories SA*	Company under Common Control
(d) Dr. Reddy's Laboratories Lousiana, LLC	Company under common control
(e) Promius Pharma LLC	Company under common control

** Dr. Reddy's Laboratories SA has transferred the ownership interest in the Company to Dr. Reddy's Laboratories Inc. With effect October 30, 2020, the Company becomes a wholly-owned subsidiary of the Dr. Reddy's Laboratories Inc.*

The following is a summary of significant related party transactions:

Particulars	For the year ended	
	March 31, 2021	**March 31, 2020**
Other Income:		
Dr. Reddy's Laboratories Limited	-	113,743
Loan from:		
Dr. Reddy's Laboratories Inc.	3,341,649	2,126,168
Reimbursement of Expenses from:		
Dr. Reddy's Laboratories Lousiana, LLC	9,405	-

The Company has the following amounts due from related parties (included in Other Assets):

Particulars	As of	
	March 31, 2021	**March 31, 2020**
Dr. Reddy's Laboratories Inc.	5,291,049	82,940
Dr. Reddy's Laboratories Lousiana, LLC	9,405	-
Dr. Reddy's Laboratories Limited	-	32,543
Total amounts due from related parties	**5,300,454**	**115,483**

The Company has the following amounts due to related parties (Included in Other current liabilities and Loans and Borrowings):

Particulars	As of	
	March 31, 2021	**March 31, 2020**
Dr. Reddy's Laboratories Inc. (refer note a)	40,713,713	36,799,722
Promius Pharma LLC	-	117
Total amounts due to related parties	**40,713,713**	**36,799,839**

Note a:

Represents loans and borrowings received from group companies. Refer to Note 3(b) for details. These borrowings are repayable on demand and hence presented as current liability in the financial statements.

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18. Income taxes

a. Income tax expense/(benefit) recognized in the income statement

Income tax expense/(benefit) recognized in the income statement consists of the following:

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Current taxes		
Current taxes expense/(benefit)	(4,635,767)	-
	(4,635,767)	**-**
Deferred taxes		
Deferred taxes expense/(benefit)	(9,696,078)	-
	(9,696,078)	**-**
Total income tax (expense)/benefit in income statement	**(14,331,845)**	**-**

The Company is considered as disregarded entity for the purpose of Income taxes. The tax expense in the Income Statement of the Company is on account of tax allocation from the consolidated tax expense/(benefit) of Dr. Reddy's Laboratories Inc.

The tax expenses are computed and presented at consolidated financial statements of Dr. Reddy's Laboratories Inc. as per the tax laws of the United States.

b. Income tax (expense)/benefit recognsied directly in equity

There were no income tax expenses / benefits recognsied directly in equity for the year ended March 31, 2020 and 2021.

c. Reconciliation of effective tax rate

Particulars	For the year ended	
	March 31, 2021	March 31, 2020
Profit/ (loss) before income taxes	(4,769,101)	(6,242,726)
Enacted tax rate in US	21.00%	21.00%
Computed expected tax benefit/(expense)	**(1,001,511)**	**(1,310,972)**
Effect of permanent differences	(39,761)	-
Others	-	1,310,972
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	(13,290,573)	-
Income tax benefit/ (expense)	**(14,331,845)**	**-**
Effective tax rate	-300.51%	0.00%

The Company's weighted average effective tax rates for the years ended 31 March 2021 and 31 March 2020 were (300.51)% and 0%, respectively. Effective tax rate is effected due to allocation of tax expenses based on Parent Down approach which are computed at Parent Company level and consolidated basis.

d. Unrecognsied deferred tax assets and liabilities

During the financial year ending March 31 2021, the Company has unrecognsied deferred tax assets of USD 3,442,643.

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 of	
	March 31, 2021	March 31, 2020
Deferred tax assets/(liabilities):		
Property plant and equipment	144,841	-
Accounts receivable	507	-
Stock based compensation/ equity	(4,298)	-
Operating loss carry forward	9,555,028	-
Net deferred tax assets	**9,696,078**	**-**

In assessing whether the deferred income tax assets will be realized, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry-forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment.

Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry-forwards. Recoverability of deferred tax assets is based on estimates of future taxable income. Any changes in such future taxable income would impact the recoverability of deferred tax assets.

f. Movement in temporary differences during the years ended March 31, 2021 and 2020:

The details of movement in deferred tax assets and liabilities are summarised below:

	March 31, 2020	Movement	As at March 31, 2021
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	-	144,841	144,841
Accounts receivable	-	507	507
Stock based compensation	-	(4,298)	(4,298)
Operating loss carry forward	-	9,555,028	9,555,028
Net deferred tax assets	**-**	**9,696,078**	**9,696,078**

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

19. Employee stock incentive plan

Dr Reddy's Laboratories Limited (Ultimate Parent Company) issues employees stock option (ESOP) to the employees covered under various ESOP Plans managed by the ultimate Parent Company.

For the years ended March 31, 2021 and 2020 an amount of USD 15,315 and USD 10,678 respectively, has been recorded as employee share-based payment expense under all employee stock incentive plans with a corresponding credit to the Additional paid in capital, disclosed as part of stock holders' equity, representing capital contribution by Dr. Reddy's Laboratories Limited, the ultimate Parent Company.

20. Financial Instruments

The carrying value and fair value of the financial instruments were as follows:

Particulars	Note	For year ended March 31, 2021		For year ended March 31, 2020	
		Total Carrying Value	Total fair value	Total Carrying Value	Total fair value
Assets:					
Cash and cash equivalents	9	1,884	1,884	2,185	2,185
Other assets*	8	5,387,211	5,387,211	512,081	512,081
Total		**5,389,095**	**5,389,095**	**514,266**	**514,266**
Liabilities:					
Trade and other payables	11	106,339	106,339	110,743	110,743
Loans and borrowings	17	40,713,713	40,713,713	36,799,722	36,799,722
Other liabilities and provisions #	12 & 13	453,913	453,913	1,240,028	1,240,028
Total		**41,273,965**	**41,273,965**	**38,150,493**	**38,150,493**

* Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD 43,069 and USD 40,964 as of March 31, 2021 and 2020, respectively, are not included.

Other liabilities that are not financial liabilities (such as Deferred Deferred Revenue Expenditure, vacation accruals) of USD 1,218,655 and USD 1,378,248 as of March 31, 2021 and March 31, 2020 are not included.

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

21. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and 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 is responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

Credit risk is the risk of an unexpected loss if counterparty to a financial instrument fails to meet its contractual obligations. There are no financial instruments advance to suppliers which potentially subject the Company to credit risk. The Company establishes an allowance for doubtful advances that represent its estimate of incurred losses in respect of such advances.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by raising additional funds from Parent Company or from group companies to meet the financial obligations till the successful development and commercialization of Conjugated Estrogen product.

As of March 31, 2021 and 2020 the Company had working capital deficit of USD 35,871,726 and USD 37,567,248 respectively.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021:

Particulars	Year 2022	Year 2023	Year 2024	Year 2025	Thereafter	Total
Trade and other payables	106,339	-	-	-	-	106,339
Loans and borrowings	40,713,713	-	-	-	-	40,713,713
Other liabilities and provisions	453,913	-	-	-	-	453,913
Total	**41,273,965**	**-**	**-**	**-**	**-**	**41,273,965**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020:

Particulars	Year 2021	Year 2022	Year 2023	Year 2024	Thereafter	Total
Trade and other payables	110,743	-	-	-	-	110,743
Loans and borrowings	36,799,722	-	-	-	-	36,799,722
Other liabilities and provisions	1,240,028	-	-	-	-	1,240,028
Total	**38,150,493**	**-**	**-**	**-**	**-**	**38,150,493**

c. Market risk

Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses. A significant portion of the Company's revenues are in reporting currency, USD. As a result, the Company is not exposed to significant foreign currency risk.

DR. REDDY'S LABORATORIES NEW YORK LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

22. Nature of Expense

The following table shows the expenses by nature:

Particulars	For the year ended March 31, 2021			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	-	-	1,647,477	1,647,477
Depreciation and amortization	-	-	1,989,099	1,989,099
	-	**-**	**3,636,576**	**3,636,576**

Particulars	For the year ended March 31, 2020			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	-	-	1,977,821	1,977,821
Depreciation and amortization	-	-	2,154,641	2,154,641
	-	**-**	**4,132,462**	**4,132,462**

23. Employee benefits

The Company employees participate in DR. REDDY'S LABORATORIES NEW YORK LLC., 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2021 and March 31, 2020 was USD 76,877 and USD 107,025 respectively.

24. Impact of COVID-19

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of intangible assets and other assets. For this purpose, the Company considered internal and external sources of information up to the date of approval of these financial statements. The Company based on its judgments, estimates and assumptions including sensitivity analysis, expects to fully recover the carrying amount of intangible assets and other assets.

The Company will continue to closely monitor any material changes to future economic conditions.

25. Subsequent Events

There are no subsequent events that occurred after balance sheet date.

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BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Dr. Reddy's Laboratories Philippines, Inc.
24/F Philam Life Tower, 8767 Paseo de Roxas Bel-Air
City of Makati Fourth District
NCR, Philippines 1226

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Dr. Reddy's Laboratories Philippines, Inc. (a wholly-owned subsidiary of Dr. Reddy's Laboratories S.A.) (the "Company") which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of changes in equity (capital deficiency) and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SE).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines, 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS for SE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- 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 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 the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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 audits.

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 10 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Dr. Reddy's Laboratories Philippines, Inc. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

DQGalangad

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8534288
Issued January 5, 2021, Makati City

April 23, 2021
Makati City, Metro Manila

DR. REDDY'S LABORATORIES PHILIPPINES, INC.
(A Wholly-Owned Subsidiary of Dr. Reddy's Laboratories S.A.)

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash in bank	3	**₱1,588,965**	₱1,655,561
Other current assets	4	**1,413,811**	902,410
Total Current Assets		**3,002,776**	2,557,971
Noncurrent Assets			
Office equipment	5	**9,195**	12,177
		₱3,011,971	₱2,570,148
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	6	**₱1,058,022**	₱717,640
Due to Parent Company	7	**7,354,683**	103,659
Total Current Liabilities		**8,412,705**	821,299
Noncurrent Liability			
Deferred tax liability	8	**16,880**	–
Total Liabilities		**8,429,585**	821,299
Equity (Capital Deficiency)			
Capital stock		**10,000,000**	10,000,000
Additional paid-in capital		**26,095**	26,095
Deficit		**(15,443,709)**	(8,277,246)
Total Equity (Capital Deficiency)		**(5,417,614)**	1,748,849
		₱3,011,971	₱2,570,148

See accompanying Notes to Financial Statements.

DR. REDDY'S LABORATORIES PHILIPPINES, INC.
(A Wholly-Owned Subsidiary of Dr. Reddy's Laboratories S.A.)

STATEMENTS OF INCOME

	Note	**2020**	2019
		Years Ended December 31	
EXPENSES			
Salaries and other employee benefits		**₱3,828,917**	₱3,916,755
Professional fees		**2,642,050**	2,042,290
Rent	4	**210,000**	60,000
Taxes and licenses		**58,390**	56,108
Interest expense	7	**25,590**	–
Depreciation	5	**2,982**	2,734
Others		**437,920**	358,350
		7,205,849	6,436,237
FOREIGN EXCHANGE GAIN		**56,266**	–
LOSS BEFORE INCOME TAX		**7,149,583**	6,436,237
PROVISION FOR DEFERRED TAX EXPENSE	8	**16,880**	–
NET LOSS		**₱7,166,463**	₱6,436,237

See accompanying Notes to Financial Statements.

DR. REDDY'S LABORATORIES PHILIPPINES, INC.
(A Wholly-Owned Subsidiary of Dr. Reddy's Laboratories S.A.)

STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

	Years Ended December 31	
	2020	2019
CAPITAL STOCK - ₱100 par value		
Authorized, issued and outstanding - 100,000 shares	**₱10,000,000**	₱10,000,000
ADDITIONAL PAID-IN CAPITAL	**26,095**	26,095
DEFICIT		
Balance at beginning of year	**(8,277,246)**	(1,841,009)
Net loss	**(7,166,463)**	(6,436,237)
Balance at end of year	**(15,443,709)**	(8,277,246)
	(₱5,417,614)	₱1,748,849

See accompanying Notes to Financial Statements.

DR. REDDY'S LABORATORIES PHILIPPINES, INC.

(A Wholly-Owned Subsidiary of Dr. Reddy's Laboratories S.A.)

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱7,149,583)**	(₱6,436,237)
Adjustments for:			
Unrealized foreign exchange gain		**(56,266)**	–
Interest expense	7	**25,590**	–
Depreciation	5	**2,982**	2,734
Operating loss before working capital changes		**(7,177,277)**	(6,433,503)
Increase in other current assets		**(511,401)**	(781,586)
Increase (decrease) in accounts and other payables		**340,382**	(149,908)
Net cash used in operating activities		**(7,348,296)**	(7,364,997)
CASH FLOW FROM AN INVESTING ACTIVITY			
Acquisition of office equipment	5	**–**	(14,911)
CASH FLOWS FROM A FINANCING ACTIVITY			
Increase in due to Parent Company		**7,281,700**	–
NET DECREASE IN CASH		**(66,596)**	(7,379,908)
CASH IN BANK AT BEGINNING OF YEAR		**1,655,561**	9,035,469
CASH IN BANK AT END OF YEAR	3	**₱1,588,965**	₱1,655,561

See accompanying Notes to Financial Statements.

DR. REDDY'S LABORATORIES PHILIPPINES, INC.
(A Wholly-Owned Subsidiary of Dr. Reddy's Laboratories S.A.)

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

Dr. Reddy's Laboratories Philippines, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 9, 2018 to engage in the registration, importation, processing, promotion, distribution, and wholesale of pharmaceutical product for domestic consumption.

The Company is a wholly-owned subsidiary of Dr. Reddy's Laboratories S.A. (the Parent Company), a company domiciled in Switzerland. Its ultimate parent company is Dr. Reddy's Laboratories Limited, a company incorporated and domiciled in India.

The registered office address of the Company is at 24/F Philam Life Tower, 8767 Paseo de Roxas Bel-Air, City of Makati Fourth District, NCR, Philippines, 1226.

Status of Operations

As at December 31, 2020, the Company is yet to commence commercial operations. In March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic causing the government to declare the country in a state of public health emergency followed by the implementation of mandated lockdowns all over the country, resulting in a slowdown in the Philippine economy. The Company continues to monitor the situation closely and may implement further measures to provide additional financial flexibility and improve the Company's cash position and liquidity. The Parent Company has committed to provide continuous financial support necessary to enable the Company to defray its pre-operating costs.

The financial statements of the Company as at and for the years ended December 31, 2020 and 2019, were approved and authorized for issue by the Board of Directors on April 23, 2021.

2. Summary of Significant Accounting Policies and Reporting Policies

Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SE) as approved by the Financial Reporting Standards Council, the Board of Accountancy and SEC.

Bases of Measurement

The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (Peso), the Company's functional currency. All values are rounded to the nearest Peso unless otherwise indicated.

The financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Basic Financial Instruments
The Company recognizes a financial asset and a financial liability only when it becomes a party to the contractual provisions of an instrument.

The Company initially measures its financial assets and liabilities at the transaction prices including transaction costs except in the initial measurement at financial assets and liabilities that are subsequently measured at fair value through profit or loss unless the arrangement constitutes, in effect, a financing transaction. After initial measurement, financial assets and liabilities are measured at the undiscounted amount of cash or other consideration expected to be received or paid, less allowance for impairment, if any, except for financial assets or liabilities measured at fair value.

If the arrangement constitutes a financing transaction, the Company initially measures the financial assets and liabilities at the present value of the future payments discounted at a market rate of interest for a similar instrument. These are subsequently measured at amortized cost using the effective interest rate method.

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Company when:

- the rights to the cash flows from the assets have expired or are settled;
- the entity has transferred substantially all the risks and rewards of ownership of the financial asset; or
- the entity has retained some significant risks and rewards but has transferred control of the asset to another party.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Any difference between the carrying amount and the fair value of the consideration is recognized in profit or loss.

The Company classifies its cash in bank, accounts and other payables (excluding statutory payables) and due to Parent Company as basic financial instruments. The Company has no complex financial instruments.

Cash in Bank. Cash in bank is stated at face value.

Accounts and Other Payables and Due to Parent Company. Accounts and other payables (excluding statutory payables) and due to Parent Company are recognized initially at the transaction price and subsequently measured at the undiscounted amount of cash expected to be paid.

Impairment of Basic Financial Instruments
The Company assesses at the end of each reporting period whether there is objective evidence of impairment of any financial assets or group of assets that are measured at cost or amortized cost. If there is objective evidence of impairment, an impairment loss is recognized in profit or loss immediately.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Any subsequent reversal of an impairment loss is recognized in profit or loss.

The impairment loss for an instrument measured at amortized cost is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the entity would be received for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not been recognized. The amount of the reversal shall be recognized in profit or loss immediately.

Offsetting Financial Instruments
Financial asset and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related asset and liabilities are presented gross in the statements of financial position.

Other Current Assets
Other current assets include advances to a third party, input value-added tax (VAT), deferred input VAT, prepaid rent and advances to an employee.

Advances to a Third Party. This pertains to advances to a third party for future expenditures. These are derecognized when the related disbursements are made by the third party.

Input VAT. Input VAT represents the net amount of VAT recoverable from the authorities. Revenue, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the taxation authorities is recognized under "Other current assets" account in the statements of financial position.

Deferred Input VAT. Deferred input VAT represents the input VAT on the unpaid portion of purchased services. Deferred input VAT is classified as current assets if it is expected to be claimed against output VAT over no more than 12 months after the reporting date. Otherwise these are classified as noncurrent assets.

Prepaid Rent. This represents rent not yet incurred but already paid in cash. This is initially recorded as assets and measured at the amount of cash paid.

Advances to an Employee. These represent cash advances for business expenses. These are measured at transaction amount and are subject to liquidation.

Office Equipment
Office equipment is stated at cost less accumulated depreciation and any impairment in value.

The initial cost of office equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in increase in the future economic benefits expected to be obtained from the use of an item of office equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of the office equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of five years.

The asset's estimated useful life and depreciation method is reviewed annually, and adjusted prospectively, as appropriate, if there is an indication of a significant change since the last reporting date.

An item of office equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an orderly transaction, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life. 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, had no impairment loss been recognized.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

Additional Paid-in Capital (APIC). APIC includes any premium received in the issuance of capital stock.

Deficit. Deficit represents accumulated results of Company's operations.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability, other than those relating to distributions to equity participants, has arisen that can be measured reliably. Costs and expenses include the costs of administering the business, and are expensed as incurred.

Foreign Currency-Denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at reporting date. Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in the profit or loss in the period these arise.

Income Tax
The Company uses the deferred income taxes method to account for income taxes. Under this method, the Company recognizes the current and future tax consequences of transactions and other events that have been recognized in the financial statements. These recognized tax amounts comprise of the current and deferred tax.

Current Tax. Current tax is the expected tax payable on the taxable income or loss for the year, using tax rate and tax laws enacted or substantively enacted as of the reporting date, and any adjustment to tax payable in the previous years.

Deferred Tax. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for carry forward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against the carry forward benefits of unused tax losses can be utilized. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted by the reporting date.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Related Party Relationships and Transactions
Related party relationships exist when party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and or among entities which are under common control with reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period. Some agreements do not take the legal form of a lease but convey rights to use assets in return for payments. Such arrangements are in substance leases of assets.

The Company recognizes lease payments as expense in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss, net of any reimbursement. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Cash in Bank

Cash in bank amounting to ₱1,588,965 and ₱1,655,561 as at December 31, 2020 and 2019, respectively. Cash in bank does not earn interest.

4. Other Current Assets

This account consists of:

	2020	2019
Advances to a third party	**₱696,021**	₱479,927
Input VAT	**637,756**	338,260
Deferred input VAT	**39,864**	7,920
Prepaid rent	**25,000**	60,000
Advances to an employee	**15,170**	16,303
	₱1,413,811	₱902,410

Advances to a Third Party
This pertains to advances for future expenditures which are noninterest-bearing and are subject to liquidation.

Prepaid Rent
On October 1, 2019, the Company entered into a six-month shared space agreement with a third party for its office space and can be renewed by the Company on a month-by-month basis. The Company was also required to pay upfront rental fee of ₱120,000, which represents the rent payment for six months. The Company did not renew the agreement and use its office space from April to June 2020.

On June 24, 2020, the Company renewed the shared space agreement for another twelve months. The Company is required to pay a monthly fee of ₱25,000 starting July 2020.

Rent expense amounting to ₱210,000 and ₱60,000 was recognized in 2020 and 2019, respectively, under “Expenses” in statements of income.

Advances to an Employee
This pertains to cash advances which are noninterest-bearing and are subject to liquidation.

5. **Office Equipment**

Details of this account are as follows:

	2020	2019
Cost		
Balance at beginning of year	**₱14,911**	₱–
Acquisition	**–**	14,911
Balance at end of year	**14,911**	14,911
Accumulated Depreciation		
Balance at beginning of year	**2,734**	–
Depreciation	**2,982**	2,734
Balance at end of year	**5,716**	2,734
Carrying Amount	**₱9,195**	₱12,177

6. **Accounts and Other Payables**

This account consists of:

	2020	2019
Accounts payable	**₱499,447**	₱321,006
Accrued expenses	**354,790**	248,200
Statutory payables	**203,785**	148,434
	₱1,058,022	₱717,640

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within the next reporting period.

Statutory payables pertain to liabilities to government agencies that are normally settled within the month following the reporting period.

7. Related Party Transactions

Transaction and outstanding balance of the Company with the Parent Company are as follows:

	Nature of Transaction	Transaction Amounts		Outstanding Balance	
		2020	2019	**2020**	2019
Due to					
Parent Company	Loan availment	**₱4,760,525**	₱–	**₱4,816,956**	₱–
	Advances	**2,521,900**	–	**2,512,137**	103,659
	Interest	**25,590**	–	**25,590**	–
				₱7,354,683	₱103,659

Terms and Conditions of Transactions with Parent Company

Loans
On October 6, 2020, the Company entered into unsecured loan agreement with its Parent Company amounting to US$100,000 (equivalent to ₱4,760,525). The loan bears interest at 2.25% per annum and has no stipulated maturity date.

Interest expense from loans amounted to ₱25,590 in 2020.

Advances
Outstanding balance at year end is unsecured and noninterest-bearing. There have been no guarantees provided for related party liability. The outstanding balance of due to the Parent Company is normally payable on demand.

Bureau of Internal Revenue (BIR) Revenue Regulations (RR) No. 34-2020
The Company is covered by the requirements and procedures provided by the RR No. 34-2020.

Compensation of Key Management Personnel
The Company has no key management personnel compensation in 2020 and 2019.

8. Income Tax

The Company has no provision for current income tax in 2020 and 2019 due to its tax loss position. The Company will be subjected to minimum corporate income tax in the fourth taxable year following the year of its registration with the Bureau of Internal Revenue.

As at December 31, 2020 and 2019, the reconciliation of income tax benefit computed at the statutory tax rate and the effective tax rate is shown below:

	2020	2019
Income tax benefit computed at the statutory tax rate	**(₱2,144,875)**	(₱1,930,871)
Change in unrecognized deferred tax asset	**2,154,078**	1,930,871
Nondeductible expense	**7,677**	–
	₱16,880	₱–

Deferred tax asset on NOLCO amounting to ₱4,640,796 and ₱2,486,719 as at December 31, 2020 and 2019, respectively, was not recognized because management has assessed that it is not probable that the Company will have sufficient future taxable profits against which the benefit of NOLCO can be utilized before its expiration.

The details of NOLCO which can be applied against future taxable income follow:

Year Incurred	Amount	Incurred	Balance	Expiry Year
2020	₱–	₱7,180,259	₱7,180,259	2025
2019	6,436,237	–	6,436,237	2022
2018	1,852,825	–	1,852,825	2021
	₱8,289,062	₱7,180,259	₱15,469,321	

Under the Republic Act No. 11494, also known as "*Bayanihan to Recover As One Act*" and Revenue Regulations No. 25-2020, the Company is allowed to carry-over its operating losses incurred for taxable years 2020 and 2021 for the next five (5) years immediately following the year of such loss. Consequently, NOLCO incurred in 2020 shall be carried over until 2025.

Deferred tax liability pertains to unrealized foreign exchange gain amounting to ₱16,880 as at December 31, 2020.

Corporate Recovery and Tax Incentives for Enterprises (CREATE)

On March 26, 2021, the CREATE was approved and signed into law by the country's President. Under the CREATE Law, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

Management believes that the developments of the CREATE Law does not have any significant impact to the Company due to its net taxable loss position and non-recognition of deferred tax asset as at December 31, 2020.

9. **Other Matters**

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic causing the government to declare the country in a state of public health emergency followed by the implementation of mandated lockdowns all over the country, resulting in a slowdown in the Philippine economy. The Company continues to monitor the situation closely and may implement further measures to provide additional financial flexibility and improve the Company's cash position and liquidity. The COVID-19 pandemic is still happening and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. Management believes that the Company can continue as a going concern given its liquidity and its ability to obtain short-term and long-term funding.

10. **Supplementary Information Required by Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

The information for 2020 required by the above regulations is presented below.

Output VAT
The Company has no output VAT in 2020 since it has not yet started its operations.

Input VAT
Movements in input VAT for the year ended December 31, 2020 are as follows:

	Amount
Balance at beginning of year	₱338,260
Add: Current year's domestic purchases/payments -	
Domestic purchase of services	299,496
	₱637,756

Other Local and National Taxes
Other local and national taxes paid and accrued by the Company as at and for the year ended December 31, 2020 consist of:

Permits and licenses	₱57,890
Community tax	500
	₱58,390

Withholding taxes
Withholding taxes paid and accrued by the Company for the year ended December 31, 2020 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	₱856,945	₱149,925	₱1,006,870
Expanded withholding tax	108,645	49,430	158,075
	₱974,590	₱199,355	₱1,164,945

Tax Assessments and Tax Cases
The Company has no outstanding tax assessments and tax cases as at and for the year ended December 31, 2020.

DR REDDY'S LABORATORIES PROPRIETARY LIMITED

(Registration Number: 2002/014163/07)

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2021

Dr Reddy's Laboratories Proprietary Limited

Annual Financial Statements
for the year ended 31 March 2021

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

CONTENTS	PAGE

Dr Reddy's Laboratories Proprietary Limited

General Information

Company Registration number	2002/014163/07
Country of incorporation and domicile	Republic of South Africa
Nature of business and principal activities	The company is involved in trading and marketing of generic pharmaceutical products.
Tax reference number	9249/485/14/6
Directors	Venkata Ramana Motupalli (Indian) Anuj Shravan Kumar Gupta (Indian) Sunil Kumar Chebrolu (US citizen)
Registered office and business address	Block B, Ground Floor 204 Rivonia Road, Morningside, Sandton South Africa 2057
Holding company	Dr Reddy's Laboratories SA (Incorporated in Switzerland)
Ultimate holding company	Dr Reddy's Laboratories Ltd (Incorporated in India)
Bankers	Nedbank Limited (South Africa) Standard Chartered Bank (South Africa)
Auditor	PricewaterhouseCoopers Inc. Registered Auditor
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The financial statements have been internally prepared by Thulani Msimanga, Senior Accountant (Chartered Secretaries of South Africa).
Secretary	None
Issued	6th May'2021

Dr Reddy's Laboratories Proprietary Limited

Directors' Responsibility and Approval

for the year ended 31 March 2021

The directors are responsible for the preparation and fair presentation of the annual financial statements of Dr Reddy's Laboratories Proprietary Limited, comprising the statement of financial position at 31 March 2021 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable directors to meet these responsibilities, the board sets standards of internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. All employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across operations. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The directors have reviewed the current financial position and performance forecast for the year to 31 March 2022 and, in the light of review, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework. The financial statements have been examined by the company's external auditor and their report is presented on pages 5 to 7.

The external auditor was given unrestricted access to all financial records and related data. The directors believe that all representations made to the independent auditor during their audit are valid and appropriate.

Approval of the annual financial statements

The annual financial statements of Dr Reddy's Laboratories Proprietary Limited, as identified in the first paragraph, were approved by the board of directors on 6th May 2021 and signed by:

DocuSigned by:
MV Ramana
B80550D11853419...
Director

DocuSigned by:
59E4C2BD71024AB...
Director

Dr Reddy’s Laboratories Proprietary Limited

(Registration Number: 2002/014163/07)
Annual Financial Statements for the year ended 31 March 2021

Directors' report

for the year ended 31 March 2021

The directors have pleasure in presenting their report on the activities of the company for the year ended 31 March 2021.

1) Incorporation

The company was incorporated on 13 June 2002 and obtained its certificate to commence business on 01 July 2002.

2) Nature of business

Dr Reddy's Laboratories Proprietary Limited (DRL SA), a South African registered entity, is primarily engaged in the activity of trading and marketing of generic pharmaceutical products. There have been no material changes to the nature of business from prior year.

3) Financial results

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

4) Going concern

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead. Since activities of the company are regarded as essential services, COVID-19 has not had a material impact on operations.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

5) Liquidity and solvency

The directors have performed the liquidity and solvency test required by the Companies Act of South Africa.

6) Subsequent events

The directors are not aware of any other matters or circumstances arising since the financial year end to date of this report, which may substantially affect the fair presentation of these financial statements.

7) Holding company

The company is 100% owned by Dr Reddy's Laboratories SA, a company incorporated in Switzerland.

8) Ultimate Holding company

The ultimate holding company is Dr Reddy's Laboratories Limited, a company incorporated in India.

9) Control over unissued shares

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act of South Africa.

10) Dividends

No dividends were declared or paid to the shareholder during the year. (2020: None)

11) Borrowing Powers

In terms of the Memorandum of Incorporation, the borrowing powers of the company are unlimited.

Directors' report continued

for the year ended 31 March 2021

12) Special Resolutions

No special resolutions, the nature of which might be significant to the shareholder in their appreciation of the state of affairs of the company were made by the company during the period covered by this report.

13) COVID-19

The directors of the company recognise the impact of COVID-19 on society and the economy.

In compliance with various regulations under the National State of Disaster Act, employees have been allowed to work remotely, with only a limited number continuing to work from our premises as essential service workers. The change to remote working environment is well managed with changes to necessary policies and guidelines for remote working and related compliances.

The company implemented various workplace safety protocols and measures to ensure employees work in a safe and healthy environment. Employees were appropriately trained and continue to receive ongoing communication on related awareness. Employees who have tested positive for COVID-19 receive support from their management team who monitor the status.

The operations of company were regarded as essential services and were not directly impacted by lockdown regulations.

At this stage, the impact of COVID-19 on the company's results is limited.

14) Directors

The directors of the company during the year under review and at date of this report were as follows:

Venkata Ramana Motupalli*+	Appointed 1 October 2014
Anuj Shravan Kumar Gupta*^	Appointed 1 April 2019
Sunil Kumar Chebrolu (US Citizen) +	Appointed 1 April 2019

* Indian // + Non-executive director // ^ Executive director

15) Preparation of Annual Financial Statements

Thulani Msimanga, Senior Accountant (Chartered Secretaries of South Africa), was responsible for the supervision of the preparation of the financial statements.

16) Auditor

PricewaterhouseCoopers Inc. has continued in office as auditor for the company in accordance with section 90 of the Companies Act of South Africa.

17) Contacts

Registered office and business address
Block B, Ground Floor
204 Rivonia Road,
Morningside, Sandton
South Africa
2057

Postal address
P.O. Box 784746
Sandton City
South Africa
2146

Independent auditor's report

To the Shareholder of Dr Reddy's Laboratories Proprietary Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dr Reddy's Laboratories Proprietary Limited (the Company) as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Dr Reddy's Laboratories Proprietary Limited's financial statements set out on pages 8 to 41 comprise:

- the statement of financial position as at 31 March 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Dr Reddy's Laboratories Proprietary Limited (Registration Number: 2002/014163/07) Annual Financial Statements for the year ended 31 March 2021", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

PRICEWATERHOUSECOOPERS INC.

PricewaterhouseCoopers Inc.

Director: JR Mistri

Registered Auditor

Waterfall City

06th May 2021

Dr Reddy's Laboratories Proprietary Limited
(Registration Number: 2002/014163/07)
Annual Financial Statements for the year ended 31 March 2021

Statement of financial position
as at 31 March 2021

	Notes	31 March 2021 R	31 March 2020 R
ASSETS			
Non-current assets		11 086 503	12 198 471
Property and equipment	*5*	3 264 936	4 117 746
Right-of-use asset	*28*	3 913 027	5 032 361
Intangible assets	*6*	1 845 648	147 323
Deferred tax	*7*	2 062 891	2 901 041
Current assets		240 472 412	174 497 937
Inventories	*8*	101 400 025	50 333 968
Trade and other receivables	*9*	133 633 105	93 347 754
Cash and cash equivalents	*10*	4 205 643	30 667 010
Current Income Taxation receivable		1 233 639	149 205
Total assets		251 558 915	186 696 408
EQUITY AND LIABILITIES			
Equity		81 550 870	63 737 370
Share capital	*11*	665	665
Retained income		81 550 205	63 736 705
Non-Current liabilities			
Right-of-use liability	*28*	3 352 292	4 326 658
Current liabilities		166 655 753	118 632 380
Trade and other payables	*12*	165 681 387	102 858 435
Right-of-use liability	*28*	974 366	773 945
Borrowings	*13*	-	15 000 000
Total equity and liabilities		251 558 915	186 696 408

Dr Reddy’s Laboratories Proprietary Limited
(Registration Number: 2002/014163/07)
Annual Financial Statements for the year ended 31 March 2021

Statement of profit or loss and other comprehensive income
for the year ended 31 March 2021

	Notes	31 March 2021 R	31 March 2020 R
Revenue	*14*	395 419 164	376 335 565
Cost of sales	*15*	(219 628 926)	(197 273 616)
Gross profit		175 790 238	179 061 948
Administrative costs		(6 222 893)	(11 520 416)
Selling and marketing costs		(49 397 058)	(55 941 068)
Other operating expenses		(94 877 505)	(92 149 405)
Other income		34 699	10 261
Profit from operations	*16*	25 327 481	19 461 320
Finance income	*17*	258 824	931 719
Finance costs	*18*	(680 856)	(2 469 242)
Profit before taxation		24 905 449	17 923 797
Taxation	*19*	(7 091 949)	(5 122 472)
Net profit and total comprehensive income for the year		17 813 500	12 801 325

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Statement of changes in equity
for the year ended 31 March 2021

	Share capital	Retained income	Total
	R	R	R
Balance at 31 March 2019	665	50 935 380	50 936 045
Total comprehensive income for the year	-	12 801 325	12 801 325
Balance at 31 March 2020	665	63 736 705	63 737 370
Total comprehensive income for the year	-	**17 813 500**	**17 813 500**
Balance at 31 March 2021	**665**	**81 550 205**	**81 550 870**
Note	11		

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Statement of cash flows
for the year ended 31 March 2021

	Notes	31 March 2021 R	31 March 2020 R
Operating activities			
Net cash (used in)/generated from operations	21	(798 044)	24 480 019
Finance income	17	258 824	931 719
Finance costs	18	(680 856)	(2 469 242)
Taxation paid	22	(7 338 232)	(6 215 064)
Net cash from operating activities		(8 558 309)	16 727 433
Investing activities			
Additions to property and equipment	5	(738 050)	(3 892 432)
Other adjustments to property and equipment	5	297 205	
Proceeds from disposal of property and equipment	5	10 057	10 271
Purchase of intangibles	6	(1 698 325)	
Net cash from investing activities		(2 129 113)	(3 882 171)
Financing Activities			
Borrowings raised	13	-	15 000 000
Borrowing repaid	13	(15 000 000)	(15 000 000)
Principal payment of lease liability		(773 945)	(235 341)
		(15 773 945)	(235 341)
Movement in cash and cash equivalents		(26 461 367)	12 609 921
Cash and cash equivalents at the beginning of the year	10	30 667 010	18 057 089
Cash and cash equivalents at the end of the year	10	4 205 643	30 667 010

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Notes to the financial statements
for the year ended 31 March 2021

1 Presentation of financial statements

Dr Reddy's Laboratories Proprietary Limited, a South African registered company, is primarily engaged in the business of trading and marketing of pharmaceutical products.

Dr Reddy's Laboratories Proprietary Limited (the "company") is a company domiciled in the Republic of South Africa.

2 Basis of preparation

2.1 Statement of compliance
These financial statements are prepared in accordance and compliance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

The accounting policies are consistent with those of the previous year.

These financial statements were authorised for issue by the board of directors on 5th May 2021.

2.2 Basis of measurement
These financial statements are prepared under the historical cost convention.

2.3 Functional and presentation currency
These financial statements are presented in South African Rands ("R"), which is the company's functional currency.

2.4 Standards and interpretations effective and adopted in current year
In the current year, the company has adopted the following standards and interpretations that are effective for the current year and that are relevant to its operation:

	Effective Date (year beginning on or after)
• IAS 1 Presentation of Financial Statement and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2020
• Amendments to IFRS 9 and IFRS 7 Financial Instruments	01 January 2020
• IFRS 16 Leases, COVID-19 related rent concessions amendment	01 June 2020 (early adoption permitted)

IAS 1 Presentation of Financial Statement and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments were published in October 2018. It clarifies and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The amended definition is:
Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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Notes to the financial statements
for the year ended 31 March 2021 (continued)

2 **Basis for preparation** *(continued)*

2.4 Standards and interpretations effective and adopted in current year *(continued)*

Impact of the implementation of amendment on the Company:
The amendment doesn't have a material impact on the Company. This is because the principles introduced with the changes in the definition of material were inherently considered in defining material information by management prior to the revision and consistently applied in current year.

Amendments to IFRS 9 and IFRS 7 Financial Instruments

In September 2019, the International Accounting Standards Board ("IASB") published "Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7," which amended certain of its requirements for hedge accounting. The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs").

The amendments revise the IASB's new and old financial instruments Standards, IFRS 9, "Financial Instruments" and IAS 39, "Financial Instruments: Recognition and Measurement", as well as the related Standard on disclosures, IFRS 7, "Financial Instruments: Disclosures".

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBORs reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments didn't have material impact as the Company does not apply hedge accounting.

IFRS 16 Leases, COVID-19 related rent concessions amendment

In June 2020, the International Accounting Standards Board ("IASB") published amendments to IFRS 16, which provided lessees (but not Lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications.

The Company has applied the practical expedient to the rent concession received by it for its lease of office premises from Sep'20 to Feb'21 period. The amount of rent concession recognised in the Statement of profit or loss and other comprehensive income amounted to R 561 281

Notes to the financial statements

for the year ended 31 March 2021 (continued)

2.5 New standards and interpretations not yet adopted

Narrow scope amendments to IAS 1, Presentation of financial statements

In January 2020, The IASB issued narrow-scope amendments to IAS 1, "Presentation of Financial Statements" to clarify how to classify debt and other liabilities as current or non-current.
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa;

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted. The Company is in the process of evaluating the impact of such amendments on its financial statements.

All standards and interpretations will be adopted at their effective dates (except for those Standards and Interpretations that are not applicable to the company).

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Notes to the financial statements
for the year ended 31 March 2021 (continued)

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements:

3.1 Property and equipment

Recognition and measurement
Items of property, and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The carrying amount of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognised in profit or loss.

Subsequent costs
Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied with the asset will flow to the company and its cost can be measured reliably. All repairs and maintenance costs are charged in profit or loss during the financial periods in which they are incurred.

Depreciation
The basis for depreciation is cost less estimated residual value. The residual value is the estimated amount that would be earned if selling the asset today net of selling costs, assuming that the asset is of an age and a condition that is expected after the end of its useful life. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment and each component is depreciated separately.

Depreciation is charged so as to write off the cost of the assets to their estimated residual values over their estimated useful lives, using the straight-line method, on the following basis:

Computer equipment	3 years
Furniture and fittings	6 years
Office equipment	5 years
Motor Vehicles	5 years
Leasehold improvements	5 years (Depreciated over the period of lease agreement or useful life, whichever is shorter)
Right-of-use lease asset	5 years (Depreciated over the period of lease agreement)

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. In re-assessing the assets useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value adjustments consider issues such as current market conditions and the remaining useful life of the asset.

3 Summary of significant accounting policies *(continued)*

3.2 Intangible assets

Intangible assets, other than goodwill, are recognised if it is probable that future economic benefits will flow from the intangible assets and the costs of the intangible assets can be reliably measured.

Intangible assets, other than goodwill are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement
Intangible assets with finite useful lives are amortised on a straight-line basis over the shorter of their estimated useful lives or contractual period from the date that they are available for use. Amortisation is based on the cost of the asset, less its residual value and is recognised in "Other operating expenses" in Statement of profit or loss and other comprehensive income. The amortisation methods, residual values and estimated remaining useful lives are reviewed at each financial year end.

The estimated useful lives for the current and comparative periods are as follows:

Dossiers	5 years

Research and amortised development expenditure
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands is recognised in statement of profit or loss and other comprehensive income when incurred.

3.3 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 or whenever events or circumstances indicate the carrying amount may not be recoverable, to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash inflows from continuing use that largely are independent from other assets or groups of assets. Impairment losses are recognised in "Other operating expenses" in statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs 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 (group of units) 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.

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

Notes to the financial statements
for the year ended 31 March 2021 (continued)

3 Summary of significant accounting policies *(continued)*

3.3 Impairment *(continued)*

Financial assets (continued)
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in Statement of profit or loss and other comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in Statement of profit or loss and other comprehensive income.

3.4 Inventory

Inventory is measured at the lower of cost and net realisable value.

The cost of inventory comprises all costs of purchase, conversion and other costs incurred in bringing the inventory to its present location and condition. The cost of work-in-progress and finished goods includes direct costs.

Cost is determined using the weighted average cost method. The same cost formula is used for all inventories having a similar nature and use to the entity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

When inventories are sold, the carrying amount of those inventories are recognised as an expense (cost of sales) in the period in which related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the value of inventories recognised as an expense in the period in which the reversal occurs.

Inventory items that have expired or become damaged during storage are written off during the year at cost. A provision for obsolete stock is based on inventory items with a shelf life of less than 6 months from the reporting date.

Notes to the financial statements
for the year ended 31 March 2021 (continued)

3 Summary of significant accounting policies *(continued)*

3.5 Financial Instruments

Financial Assets

Initial recognition and measurement
All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchase 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 traded) are recognized 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 recognized at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under IFRS 15.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following 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")

Debt instruments at amortised cost
A "debt instrument" is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flow that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included in other income in the Statement of Profit or Loss and other comprehensive income.

Debt instruments at FVTOCI
A "debt instrument" is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- The assets contractual cash flows are SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income and impairment losses in the profit or loss statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the profit or loss statement. Interest earned while holding a FVTOCI debt instrument is reported as interest income using the EIR method.

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Notes to the financial statements
for the year ended 31 March 2021 (continued)

3 Summary of significant accounting policies *(continued)*

3.5 Financial Instruments *(continued)*

Debt instruments at FVTPL
FVTPL is the residual category for debt instruments. Debt instruments included within the FVTPL category are measured at fair value with all the changes recognized in the statement of profit or loss and other comprehensive income.

Derecognition
A financial asset is primarily derecognised 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 asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of asset.

When the Company has transferred its rights to receive the cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk 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 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 retained.

Impairment of trade receivables and other financial assets
In accordance with IFRS 9, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a "simplified approach" for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it 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 a portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of trade receivables and is adjusted for forward looking estimates. At every reporting date, the historically 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 through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction cost.

The Company's financial liabilities include trade and other payables and loans and borrowings.

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Notes to the financial statements
for the year ended 31 March 2021 (continued)

3 Summary of significant accounting policies *(continued)*

3.5 Financial Instruments *(continued)*

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss (FVTPL)
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.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

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 IFRS 9 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 profit or loss statement. However, the Company may transfer the cumulative gain or loss within equity. All other changes in the fair value of such liability are recognised in the statement of profit or loss and other comprehensive income. The Company has not designated any financial liability as fair value through profit or loss.

Loans & Borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the profit or loss statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the profit or loss statement.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another form 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 old liability and the recognition of the new liability. The difference in the respective carrying amount is recognized in the profit or loss statement.

<u>Cash and cash equivalents</u>
Cash and cash equivalents comprise cash on hand and demand deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

3.6 Revenue from contracts with customers

The Company recognises revenue from the following major sources:
- Sale of goods
- License fee income

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a product to customer. Variable consideration, in the form of rebates, discounts and fees is estimated at the most likely amount payable in terms of contracts with customers and netted off revenue at the time of recognition. No element of financing is deemed present as the sales are usually made with a 30-day credit period from monthly statement date.

The Company recognises revenue, net of sales taxes and estimated sales returns, at the time it sells inventory to the customer, which is generally when delivery has taken place. Delivery occurs when the goods have been shipped to the specific location and the customer has accepted the goods by means of a signed delivery receipt.

Revenue from sale of licenses is recognised at a point in time at which the license is assigned and the customer can direct the use of and obtain substantially all the remaining benefits from the license at the point in time at which the license transfers.

3.7 Finance income

Finance income comprises interest income on funds invested and gains on foreign exchange transactions arising on purchases of inventory and foreign debtors. Interest income is recognised as it accrues in profit or loss using the effective interest method.

3.8 Cost of sales

When inventories are sold the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period in which the write-down, loss or reversal occurs.

3.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an equity after deducting all of its liabilities.

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs are directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business reduce the proceeds from the equity issue.

3 Summary of significant accounting policies *(continued)*

3.10 Employee benefits

Short term employee benefit
Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered.

The accruals for employee entitlements to salaries, performance bonuses, sales incentives and annual leave represent the amounts which the Company has a present obligation to pay as a result of employees' services provided to the reporting date.

Defined contribution plan
The Company operates a provident fund scheme for employees. The scheme is funded through payments to a trustee-administered fund. The funds are funded by contributions from employees and the Company. Company contributions are determined in terms of the rules governing these funds. The fund is a defined contribution plan. A defined contribution plan is a pension plan under which the company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution funds are recognised as an expense as they fall due.

Leave Pay provision
Leave pay provision on leave days owing to staff members is based on their daily cost of employment rate at the reporting date.

3.11 Leases

Assets and liabilities arising from a lease are initially measured on a net present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and interest cost. The interest cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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Notes to the financial statements
for the year ended 31 March 2021 (continued)

3 Summary of significant accounting policies *(continued)*

3.11 Leases *(continued)*

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The residual value, useful life and depreciation method for each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The depreciation charge for each year is recognised in Statement of profit or loss and other comprehensive income.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company incurred cost of R 149 898 on short term leases relating to office space during the year.

3.12 Taxation

Taxation comprises current taxation and deferred taxation. Taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively.

Current tax
Current taxation is the calculated taxation payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date and any adjustments to taxation payable in respect of prior periods.

Deferred tax
Deferred taxation is recognised in respect of temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. Deferred taxation is calculated using tax rates enacted or substantively enacted at the reporting date that are expected to apply when the asset is realised or liability settled.

Deferred taxation is not provided on temporary differences relating to:
- the initial recognition of goodwill;
- the initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on acquisition; and
- Investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

In the event that the applicable tax rate(s) are changed from those applied in the comparative financial reporting period, the opening balance of deferred tax shall be adjusted for the change in the tax rates.

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 taxation levied by the same authority on the same taxable entity, or on different taxation entities, but they intend to settle current taxation liabilities and assets on a net basis or their taxation 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 deferred taxation asset can be realised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4 Significant judgements and source of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting estimates and judgements
The estimates and judgements are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. No accounting policies have been identified as involving particularly complex or subjective judgements or assessments.

Key sources of estimation uncertainty
The Company makes estimates and assumptions concerning the future. Apart from the item mentioned below, there are no significant risks causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated useful lives and residual values of property and equipment
The Company's management determines the estimated useful lives and residual values of property, plant and equipment annually. Management estimates are based on historical experience and taking into account any relevant information on hand of residual value of assets being utilised. See note 3.1 for actual estimates used.

Estimated useful lives of intangible assets
The Company's management determines the estimated useful lives and related amortisation charges for its intangible assets. The actual lives of the intangible assets are assessed annually and may vary depending on a number of factors such as new products and product life cycles. See note 3.2 for actual estimates used.

Provision for expected credit loss
A provision for expected credit loss is arrived using provision matrix which is based on historically observed default rates over the expected life of trade receivables and is adjusted for forward looking estimates.

Provision for short dated inventory
A provision for short dated inventory is made for inventory items with a shelf life of six months or less.

Incremental borrowing rate
Management cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate(IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of lease.

Deferred tax assets
The company uses budgets and financial forecasts for the foreseeable future to estimate whether deferred tax assets are recoverable or not. Management has reviewed the 4 year projected sales and financial plan of the Company and based on that consider it probable that future taxable profits will be available against which the related deferred tax assets are realised.

Notes to the financial statements
for the year ended 31 March 2021 (continued)

4 Significant judgements and source of estimation uncertainty *(continued)*

Determination of lease term
In determining the lease term, management considers all facts and circumstances that create and economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated)

For leases of building and office space, the following factors are normally the most relevant:
a) If there are significant penalties to terminate (or not extend)
b) If any leasehold improvements are expected to have a significant remaining value
c) Otherwise, the Company considers other factors including the costs and business disruptions required to replace the leased asset. Extension options in building leases have not been included in the lease term, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of lessee.

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5 Property and equipment

Summary

	2021 R			2020 R		
	Cost	Accumulated depreciation	Carrying Value	Cost	Accumulated depreciation	Carrying Value
Computer equipment	3 252 635	(2 307 010)	945 625	3 027 955	(2 327 588)	700 367
Furniture and fittings	1 521 764	(852 104)	669 660	1 645 405	(777 507)	867 898
Office equipment	262 304	(134 316)	127 988	261 883	(125 810)	136 073
Leasehold improvements	1 828 946	(564 683)	1 264 263	2 126 151	(141 743)	1 984 408
Motor vehicles	858 000	(600 600)	257 400	858 000	(429 000)	429 000
Total	7 723 649	(4 458 713)	3 264 936	7 919 394	(3 801 648)	4 117 746

Please refer Note 28 Leases for Right-of-use asset disclosure

Reconciliation of property and equipment 2021

2021	Computer equipment R	Furniture and fittings R	Office equipment R	Leasehold improvements R	Motor vehicles R	Total R
Cost						
1 April 2020	3 027 955	1 645 405	261 883	2 126 151	858 000	7 919 394
Additions	707 330	-	30 720	-	-	738 050
Other Adjustments	-	-	-	(297 205)	-	(297 205)
Disposals	(482 650)	(123 641)	(30 299)	-	-	(636 590)
At 31 March 2021	3 252 635	1 521 764	262 304	1 828 946	858 000	7 723 649
Accumulated depreciation						
1 April 2020	2 327 588	777 507	125 810	141 743	429 000	3 801 648
Depreciation	462 073	198 238	38 805	422 940	171 600	1 293 655
Disposals	(482 650)	(123 641)	(30 299)	-	-	(636 590)
At 31 March 2021	2 307 010	852 104	134 316	564 683	600 600	4 458 713
Carrying value At 31 March 2021	945 625	669 660	127 988	1 264 263	257 400	3 264 936

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5 Property and equipment *(continued)*

Reconciliation of property and equipment 2020

2020	Computer equipment	Furniture and fittings	Office equipment	Leasehold improvements	Motor vehicles	Total
	R	R	R	R	R	R
Cost						
1 April 2019	3 917 145	826 715	158 259	1 266 902	858 000	6 027 021
Additions	825 862	836 795	103 624	2 126 151	-	3 892 432
Disposals	(715 052)	(18 105)	-	(1 266 902)	-	(2 000 059)
At 31 March 2020	3 027 955	1 645 405	261 883	2 126 151	858 000	7 919 394
Accumulated depreciation						
1 April 2019	2 609 390	641 017	102 026	1 050 820	257 400	4 660 653
Depreciation	433 250	154 595	23 784	357 825	171 600	1 141 054
Disposals	(715 051)	(18 105)	-	(1 266 902)	-	(2 000 059)
At 31 March 2020	2 327 588	777 507	125 810	141 743	429 000	3 801 648
Carrying value						
At 31 March 2020	700 367	867 898	136 073	1 984 408	429 000	4 117 746

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

6 Intangible assets
Intangible assets relate to amounts paid for purchase of dossiers.

	2021 (R)			2020 (R)		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying Value
Medical Product Licences	**1 845 644**	**-**	**1 845 644**	147 319	-	147 319
Dr Reddys Dossiers	**2 500 000**	**(2 499 996)**	**4**	2 500 000	(2 499 996)	4
Total	**4 345 644**	**(2 499 996)**	**1 845 648**	**2 647 319**	**(2 499 996)**	**147 323**

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6 Intangibles *(continued)*

Reconciliation of intangible assets 2021

2021	Medical Products Licenses R	Dr Reddys Dossiers R	Total R
Cost			
1 April 2020	147 319	2 500 000	2 647 319
Additions	1 698 325	-	1 698 325
At 31 March 2021	1 845 644	2 500 000	4 345 644
Accumulated amortisation			
1 April 2020	-	2 499 996	2 499 996
Additions	-	-	-
At 31 March 2021	-	2 499 996	2 499 996
Carrying Value			
At 31 March 2021	1 845 644	4	1 845 648

Reconciliation of intangible assets 2020

2020	Technimed R	Orchid R	Dr Reddys Dossiers R	Total R
Cost				
1 April 2019	88 495	58 824	2 500 000	2 647 319
Additions	-	-	-	-
At 31 March 2020	88 495	58 824	2 500 000	2 647 319
Accumulated amortisation				
1 April 2019	-	-	2 499 996	2 499 996
Additions	-	-	-	-
At 31 March 2020	-	-	2 499 996	2 499 996
Carrying Value				
At 31 March 2020	88 495	58 824	4	147 423

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		31 March 2021	31 March 2020
7	**Deferred tax**	R	R
	The movement on deferred tax is as follows:		
	Balance at the beginning of the year	2 901 041	1 769 670
	Temporary differences	838 150	1 131 371
	Balance at the end of the year	2 062 891	2 901 041
	The deferred tax assets and (liability) are attributable to the following:		
	Prepayments	(813 273)	(1 112 262)
	Doubtful debt allowance	119 867	421 685
	Employee benefits-Leave pay	397 055	394 326
	Leases Accounting (Right-of-use asset)	115 817	19 108
	Employee benefits-Bonus	1 252 783	1 516 744
	Inventory provision	990 641	1 661 440
		2 062 891	2 901 041

8	**Inventories**		
	Gross inventory - Pharmaceutical products	104 938 029	56 267 682
	Provision for obsolescence (write down)	(3 538 004)	(5 933 714)
		101 400 025	50 333 968

The cost of inventories recognised as an expense and included in cost of sales amounted to R 267 501 705 (2020: R164 536 341)

9	**Trade and other receivables**		
	Financial instruments at amortised cost	123 928 100	86 463 920
	Trade receivables	124 475 113	88 392 978
	Provision for impairment of trade receivables	(547 013)	(1 929 058)
	Non-financial instrument	9 705 005	6 883 834
	Prepayments	3 105 800	5 713 307
	Staff advances	523 501	375 672
	Value Added Tax (VAT)	5 688 146	-
	Other receivables	387 558	794 855
		133 633 105	93 347 754

Carrying value of Trade and other receivables equals their fair values.

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9 Trade and other receivables *(continued)*

Exposure to credit risk

Trade receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due. Primarily all debtors are insured through credit risk insurance with Credit Guarantee Insurance Corporation of Africa Limited. In order to mitigate the risk of financial loss from defaults, the Company only deals with reputable customers with consistent payment histories. New customers are not offered any credit limit for an initial 6 months period. Customer credit limits are in place and provided based on approval from credit risk insurance provider. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Trade receivables arise from the sale of goods. There is no specific significant concentration of credit risk from these trade receivables. No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

As of 31 March 2021, trade receivables of R547 013 (2020: R1 929 058) were impaired and provided for. The ageing of these receivables is as follows:

	31 March 2021	31 March 2020
	R	R
Up to 12 months	**-**	-
Greater than 12 months	**547 013**	1 929 058
	547 013	1 929 058
Movements in the loss allowance are as follows:		
Balance at the beginning of the year	**1 929 058**	2 055 011
Provision raised on trade receivables	**547 013**	-
Provision reversed on settled trade receivables	**-**	(125 953)
Trade receivables written-off	**(1 929 058)**	-
Balance at the end of the year	**547 013**	1 929 058

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9 Trade and other receivables *(continued)*

	31 March 2021		31 March 2020	
Expected Credit Loss Rate	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Ageing Bucket				
Not Past Due	109 479 448	-	71 547 665	-
Less than 30 days past due	9 310 833	-	10 990 614	-
31-60 days past due	541 657	-	519 367	-
More than 60 days past due	5 143 172	(547 013)	4 128 718	-

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the statement of profit or loss and other comprehensive income.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above less the insured debt. The Company does not hold any collateral as security.

There are no receivables at the end of year without credit ratings (excluding government debt) from Credit Guarantee Insurance Corporation - insurer for credit risk.

The carrying amount of all trade and other receivables are denominated in Rands.

10 Cash and cash equivalents

	31 March 2021	31 March 2020
	R	R
Current Assets		
Cash at bank and on hand	**4 205 643**	30 667 010
Concentration of Credit Risk		
Nedbank - Rating Ba1	**3 977 648**	30 333 172
Standard Chartered Bank - Rating A1	**227 922**	333 764

Carrying amount of cash and cash equivalents are denominated in Rands.
Refer note 13 for details of borrowing from Standard Chartered Bank.

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11 Share Capital and share premium

	31 March 2021 R	31 March 2020 R
Authorised		
1 000 ordinary shares of R1 each	1 000	1 000
Issued		
100 ordinary shares of R1 each	100	100
Share Premium		
100 ordinary shares were issued at premium of R5.65 each	565	565

Unissued shares are under the control of the board of directors until the next annual general meeting.

12 Trade and other payables

The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying value of trade and other payables equals their fair value.

All payables as of 31 March 2021 and 31 March 2020 are denominated in Rands.

Financial Liabilities	31 March 2021 R	31 March 2020 R
Trade payables Dr Reddys Laboratories India, Ltd.	122 735 606	71 645 512
Trade payables third parties	11 909 235	4 905 392
Logistics & Marketing fees	21 948 822	15 714 599
Other payables	322 266	1 625 603
	156 915 929	93 891 106
Non-Financial liabilities - Salaries related payables	8 765 458	8 967 329

13 Borrowings

The Company has access to a short-term loan facility from Standard Chartered Bank for an amount of USD 10 000 000 or Rand equivalent, for the purpose of working capital. Multiple drawdowns are permitted as part of the agreement, subject to minimum drawdown of USD 1 000 000 or Rand equivalent. The term for each drawdown can be up to 12 months. Rate of interest applicable is 1.2% per annum over 1month Johannesburg inter-bank rate (JIBAR). Interest is payable at monthly intervals.

As of 31 March 2021, the Company has no outstanding balance under this facility.

14 Revenue from contracts with customer

At a point in time:

Sales of Products	395 419 164	376 335 565
License fee income	-	-
	395 419 164	376 335 565

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		31 March 2021 R	31 March 2020 R
15	**Cost of Sales**		
	Cost of goods sold	(219 628 926)	(197 273 616)
16	**Profit from operations**		
	This is arrived at after taking the following into account:		
	Other administration costs	6 072 996	7 844 331
	Rent	149 898	3 676 085
	Agent fees	14 466 731	13 308 610
	Marketing costs	34 930 327	42 632 459
	Salaries and related costs	87 286 265	84 870168
	Other operating expenses	7 591 239	7 279 237
		150 497 456	159 610 890
17	**Finance Income**		
	Interest received - Cash balance	258 824	931 719
18	**Finance Cost**		
	Cash balance	(5 275)	(208 767)
	Right-of-use liability	(229 776)	(136 890)
	Borrowings	(445 805)	(2 123 585)
		(680 856)	(2 469 242)
19	**Taxation**		
	Current tax expense	6 253 799	6 253 843
	Current year charge	6 253 799	6 250 224
	Previous year charge	-	3619
	Deferred tax expense	838 150	(1 131 371)
		7 091 949	5 122 472
		%	%
	Income tax charge to income statement	28	29
	Non-deductible expenditure	(0)	(1)
	Standard tax rate	28	28

Notes to the financial statements

for the year ended 31 March 2021 (continued)

20 Financial Risk management

The Company has exposure to the following risks from its use of financial instruments:

- Market Risk
- Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing financial risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

20.1 Risk Management Activities

The Board of Directors of Dr Reddy's Laboratories Proprietary Limited have the overall responsibility for the establishment and oversight of the company's risk management framework, including implementation and monitoring of these policies.

The company's risk management policies are established to identify and analyse the risks faced by the company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

20.2 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity will affect the company's income, cash flows or the value of its holdings of financial instruments.

(i) Foreign Exchange Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in the foreign exchange rates.

Foreign currency risk is limited as majority of the foreign purchases by the company are dominated in South African Rands. As a result, the company does not use forward exchange contracts.

(ii) Cash flow and fair value interest rate risk

Cash flow and fair value interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates. As the Company has interest-bearing assets and liabilities, the Company's income and operating cash flows are partly dependent on changes in market rates.

The Company's majority of interest rate risk arises from short term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value risk. As of March 31, 2021, the company had no borrowings.

The company's holding of credit balances in operation accounts are for short durations, and therefore do not expose the company to significant interest rates risk.

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Notes to the financial statements
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20 Financial Risk management *(continued)*

20.3 Price Risk

The company is not exposed to equity securities or commodity price risk.

20.4 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial and lease obligations as they fall due. The company's approach to managing liquidity is to ensure, 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 risking damage to the company's reputation.

Typically, the company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial and lease obligations; this excluded the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

	31 March 2021 R	31 March 2020 R
Trade and other payables	**165 681 387**	102 858 435
Borrowings	**-**	15 000 000
Lease liabilities (current)	**974 366**	773 945
Lease liabilities (non-current)	**3 352 292**	4 326 658

20.5 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.

Trade and other receivables
The company's principal exposure to credit risk is in its trade and other receivables balance. Trade receivables principally represent amounts owing to the company by their customers and credit risk is managed at that level. Credit evaluations are performed on all customers requiring credit.

The company individually analyses each new customer before the company's standard payment and delivery terms and conditions are offered. The review includes external ratings, where available, and in some cases bank references.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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Notes to the financial statements
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20 Financial Risk management *(continued)*

20.5 Credit Risk *(continued)*

Cash and cash equivalents
The exposure to cash and cash equivalents is managed by only depositing funds with established financial institutions. Funds as of 31 March 2021 and 31 March 2020 are held with Nedbank and Standard Chartered Bank South Africa.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. Based on the company's monitoring of customer credit risk, the company believes that, except as indicated in the accompanying notes, no impairment allowance is necessary on the trade receivables not past due (Invoices which are outstanding for a period exceeding their credit terms). The maximum exposure to credit risk at the reporting date was:

	31 March 2021 R	31 March 2020 R
Trade and other receivables	123 928 100	86 463 920
Cash and cash equivalents	4 205 643	30 667 010

Details of financial assets - ageing and impaired
None of the Company's cash and cash equivalents, were past due to impaired as at March 31, 2020. The company's credit period for trade and other receivables payable by its customer generally ranges from 30-60 days from monthly statement date.

	Gross 2021 R	Credit loss allowance 2021 R	Gross 2020 R	Credit loss allowance 2020 R
Less than 1 year	123 665 236	-	86 463 920	-
Between 1 to 5 years	809 874	(547 013)	1 929 058	(1 929 058)
	124 475 110	(547 013)	88 392 978	(1 929 058)

See Note 9 of these financial statements for the activity in the allowance for credit losses on trade and other receivables.

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20 Financial Risk management *(continued)*

20.6 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the company defines as the result from operating activities divided by total shareholders' equity. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt to total capital. Net debt is calculated as total "borrowings" (including current and non-current "borrowings" as shown in the statement of financial position) less "cash and cash equivalents". Total capital is calculated as "equity" as shown in the statement of financial position plus net debt. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2021 and 2020 respectively were as follows

	Notes	31 March 2021 R	31 March 2020 R
Total borrowings			
Borrowings	13	-	15 000 000
Less: Cash and cash equivalents	10	(4 205 643)	(30 667 010)
Net Debt		(4 205 643)	(15 667 010)
Total Equity		81 550 870	63 737 370
Total Capital		77 345 227	48 070 361
Gearing Ratio		(5%)	(33%)

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Notes to the financial statements
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21 Net cash used in operations

	Notes	31 March 2021 R	31 March 2020 R
Profit before taxation		24 905 449	17 923 797
Adjustments for:			
Other income		(10 057)	(10 261)
Depreciation	*5*	1 293 655	1 141 054
Depreciation on right-of-use assets		1 119 333	303 584
Finance costs	*18*	680 856	2 469 242
Finance income	*17*	(258 824)	(931 719)
Operating profit before working capital changes		27 730 412	20 895 697
Adjustments for working capital changes:			
Movement in inventories		(51 066 057)	29 707 899
Movement in trade and other receivables		(40 285 351)	(16 951 712)
Movement in trade and other payables		62 822 952	(9 171 864)
Net cash used in operations		(798 044)	24 480 019

Net Debt Recon

	31 March 2021 R	31 March 2020 R
Net Debt Movement Recon		
Balance as at 01 April	20 100 604	15 000 000
Movement		
Additional borrowings raised		
Loans (cash)	-	15 000 000
Acquisition Lease (non-cash)	-	5 335 945
Repayment of borrowings		
Loans Repaid (cash)	(15 000 000)	(15 000 000)
Lease liability (non-cash)	(385 875)	
Lease liability (cash)	(388 070)	(235 341)
Balance as at 31 March	4 326 659	20 100 604

22 Taxation Paid

	R	R
Amount outstanding at the beginning of the year	(149 205)	(187 985)
Current tax expense as per Note 19	6 253 798	6 253 844
Amount outstanding at the end of the year	1 233 639	149 205
	7 338 232	6 215 064

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Notes to the financial statements
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23 Retirement benefits

Defined contribution plans
It is the policy of the company to encourage, facilitate and contribute to the provision of retirement benefits for all permanent employees. To this end the company's permanent employees are usually required to be members of either a pension or provident fund. The company provides a defined contribution retirement benefit plan that covers a total of 94 (2020: 94) employees. The retirement benefit plan, Funds at work Umbrella Provident Fund, is governed by the Pensions Funds Act, 1956 (Act no. 24 of 1956).

The total cost for the year ended 31 March 2021 is R 7 740 110 (2020: R 6 901 785) charged to the statement of profit or loss and other comprehensive income represents contributions payable to the fund by the company at rates specified in the rules of the funds.

24 Related party transactions

The company is a wholly owned subsidiary of Dr Reddy's Laboratories SA, incorporated in Switzerland. Dr Reddy's Laboratories SA in turn is a 100% subsidiary of Dr Reddy's Laboratories Limited India, incorporated in India. Below are transactions entered into with Dr Reddy's Laboratories Limited, India.

During the year under review, the company, in the ordinary course of business, entered into various sale and purchase transactions with related parties. Unless specifically disclosed, these transactions occurred under terms that were no less favourable than those entered into with third parties.

The following is a summary of transactions with related parties during the year and balances due at year end:

	31 March 2021 R	31 March 2020 R
Purchase of goods from		
Dr Reddy's Laboratories Limited, India	265 541 667	155 505 220
Net amounts due to related parties at year end		
Trade payables		
Dr Reddy's Laboratories Limited, India	122 735 606	71 645 512

Notes to the financial statements

for the year ended 31 March 2021 (continued)

25 Commitments

Lease commitments

The future aggregate minimum lease payments under non-cancellable leases are as follows:

	31 March 2021 R	31 March 2020 R
Within 1 year	974 366	773 945
Within 2 - 5 years	3 352 292	4 326 658
	4 326 659	5 100 604

26 Events after the reporting period

The directors have performed an assessment of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, that would affect the operations of the company. The directors are not aware of any such matters or circumstances.

27 Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

The company implemented various workplace safety protocols and measures to ensure employees work in a safe and healthy environment in view of COVID19. Employees were appropriately trained and continue to receive ongoing communication on related awareness on COVID19.

28 Leases

The balance sheet shows the following amounts relating to leases:

	31 March 2021 R	31 March 2020 R
Right-of-use assets		
Building		
Opening Balance	5 032 361	-
Acquisition	-	5 335 945
Less depreciation	(1 119 334)	(303 584)
Closing Balance	3 913 027	5 032 361
Lease liabilities		
Current	974 366	773 945
Non-current	3 352 292	4 326 658
	4 326 659	5 100 604

Dr Reddy's Laboratories Proprietary Limited
(Registration Number: 2002/014163/07)
Annual Financial Statements for the year ended 31 March 2021

Notes to the financial statements
for the year ended 31 March 2021 (continued)

29 Directors emoluments

Directors remuneration from the company for years ended 31 March 2021 and 31 March 2020.

	31 March 2021 R	31 March 2020 R
Venkata Ramana Motupalli	-	-
Sunil Kumar Chebrolu	-	-
Anuj Shravan Kumar Gupta		
Basic	2 446 172	2 306 976
Bonus & incentives	414 652	198 398
Other Benefits	339 729	326 958
Total	3 200 553	2 832 332

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Bucuresti - 3
Romania 030922

INDEPENDENT AUDITOR'S REPORT

To the Shareholders **Dr. Reddy's Laboratories Romania SRL**

Report for the audit of individual financial statements

Qualified Opinion

1. We have audited the accompanying financial statements of **Dr. Reddy's** Laboratories Romania SRL (hereinafter refer to as "the Company"), with the headquarter in Bucharest, identified by the fiscal code 27144903, which comprise the balance sheet as at December 31, 2020, the income statement, the cash flow statement, the statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

   The above mentioned individual financial statements are identified by:
   - Net turnover: RON 126,433,280
   - Net result of the period: RON 5,895,546, profit
   - Net assets/Total equity: RON 25,627,935

2. In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1802/2014 for the approval of Accounting regulations for individual and consolidated financial statements, with subsequent amendments ("OMFP 1802/2014").

Basis for Qualified Opinion

3. As of December 31, 2020, the Company reports inventories of goods held for resale amounting to LEI 35,807,217. We did not attend an inventory count since we have been informed that storage supplier did not allow such procedure due to restrictions imposed to prevent infections with Covid -19. We were not able to obtain sufficient appropriate audit evidence about the existence and condition of inventories through alternative audit procedures. Consequently, we were not able to determine whether any adjustments are necessary for the carrying amount of inventories.

4. We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law no. 162/2017 („The law"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company, in accordance with the International Ethic Standards of the Accounting Professionals issued by International Council of Ethic Standards for Accountants (IESBA code), according to ethical requirements that are relevant to our audit of the financial statements in Romania, including The Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and according to IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information - ***Administrator's Report***

5. The administrators are responsible for preparation and presentation of other information. The other information comprises the Administrator's Report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and except for the cases where there is explicit mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements as at December 31, 2020, our responsibility is to read the Administrators' Report and, in doing so, consider whether the Administrator's Report is materially inconsistent with the financial statements, or with the information gathered during the audit, of if those appear to be significantly misstated.

In relation with the Administrator's Report, we have read and we report if it was prepared, in all material aspects, in accordance with the MoPF Order no. 1802/2014, articles 489-492 of the Accounting regulations regarding the preparation of individual and consolidated financial statements.

Based on our activity, we report as follow:

a) In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with information presented in the accompanying financial statements;

b) The Administrators' Report identified above, includes in all material respects, the information required by the MoPF Order no. 1802/2014, articles 489-492 of the Accounting regulations regarding individual financial statements and consolidated financial statements.

6. In addition, based on our knowledge and understanding of the company gained during the audit of financial statements ended at December 31, 2020 we have not identified any information included into Administrators' Report that is material misstated. We do not have anything to report in relation with this aspect.

Responsibilities of Management and Those charged with Governance for the Financial Statements

7. Management is responsible for the preparation of the financial statements in accordance with MoPF Order no. 1802/2014, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 decision of users taken on the basis of these financial statements.

11. As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

   - Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. 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.

Other matters

13. This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

On behalf of BDO AUDIT SRL
Registered to Electronic Pubic Register of financial auditors and audit companies no. FA18

Refer to original signed version in Romanian language

Name of the engagement partner: Cristian Iliescu
Registered to Electronic Pubic Register of financial auditors and audit companies no. AF1530

May 11, 2021
Bucharest, Romania

Translation from Romanian language - excerpt

Financial situation type: BL

Check only if necessary:	
[ ]	Big Contributors submitting the balance sheet in Bucharest
[ ]	Branch
[ ]	GIE - Groups of economic interest
[ ]	Net assets smaller than 1/2 of the value of the subscribed capital

Control amount: 1,700,000

Year 2020

Legal Entity	Dr. Reddy's Laboratories Romania SRL

Address

Bucharest, 1st District, 71, Nicolae Caramfil Street, apt. 10, phone: 0212240032

Trade Register number	J40/6590/2010	Sole Registration Number:	27144903

Form of Property

35 - Limited liability companies

Preponderant activity (code and name from the NACE classification)

4646 Wholesale of pharmaceutical goods

Actual preponderant activity (code and name from the NACE classification)

4646 Wholesale of pharmaceutical goods

Financial annual statement
Middle-sized, big and public interest entities

The financial annual statements as of December 31, 2020 issued by the entities listed at point 9 paragraph (4) of the Accounting Regulations approved by OMFP no. 1.802/2014 with subsequent changes and ammendments whose financial year is the same with the calendar year.

F10 - SHORT BALANCE SHEET
F20 - PROFIT AND LOSS ACCOUNT
F30 - INFORMATION
F40 - SITUATION OF PERMANENT ASSETS

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

electronic signature

The entity is legally forced to yearly audit of the financial statements	NO
The entity has volunteered for auditing the annual financial statements	YES

VALIDATED form

AUDITOR
BDO AUDIT SRL Sole Registration Code 6546223

BALANCE SHEET

F10

December 31st, 2020

Code **10**

Lei

Name of the item (calculation formulas refer to Row no. in column B)	Row no. OMF 58/ 2021	Row no.	BALANCE ON Jan. 1st, 2020	BALANCE ON Dec. 31st, 2020
A		B	1	2
A. PERMANENT ASSETS				
I. INTANGIBLE PERMANENT ASSETS				
1. Set-up costs (acc. 201-2801)	01	01		
2. Development costs (acc. 203-2803-2903)	02	02		
3. Concessions, patents, licences, trademarks and similar rights and assets (acc. 205+ 208-2805-2808-2905-2908)	03	03	5,258	10,118
4. Commercial fund (acc. 2071-2807)	04	04		
5. Exploration and evaluation intangible assets for mineral resources (acc. 206-2806-2906)	05	05		
6. Advances (acc. 4094-4904)	06	06		
TOTAL (**rows 01 to 06**)	07	07	5,258	10,118
II. TANGIBLE PERMANENT ASSETS				
1. Freehold land and constructions (acc. 211+212-2811-2812-2911-2912)	08	08		
2. Plant and machinery (acc. 213+233-2813-2913)	09	09	120,744	286,448
3. Fixtures and fittings (acc. 214+224-2814-2914)	10	10	40,674	69,774
4. Real estate investments (acc. 215-2815-2915)	11	11		
5. Tangible assets in progress (acc. 231-2931)	12	12		
6. Real estate investments in progress (acc. 235-2935)	13	13		
7. Exploration and evaluation tangible assets for mineral resources (acc. 216-2816-2916)	14	14		
8. Production biological assets (acc. 217+227-2817-2917)	15	15		
9. Advances (acc. 4093-4903)	16	16		
TOTAL (row 08 to 16)	17	17	161,418	356,222
III. FINANCIAL PERMANENT ASSETS				
1. Shares in related parties (acc. 261-2961)	18	18		
2. Loans granted to group entities (acc. 2671+2672-2964)	19	19		
3. Shares in associated entities and entities jointly controled (acc. 262+263-2962)	20	20		
4. Loans granted to associated entities and entities jointly controled (acc. 2673+2674 -2965)	21	21		
5. Other long term investments (acc. 265-2963)	22	22		
6. Other loans (acc. 2675*+2676*+2677+2678*+2679*-2966*-2968*)	23	23	85,708	91,751
TOTAL (row 18 to 23)	24	24	85,708	91,751
PERMANENT ASSETS TOTAL (row 07+17+24)	25	25	252,384	458,091
B. CURRENT ASSETS				
I. **STOCKS**				
1. Raw materials and consumables (acc. 301+302+303+/-308+321+322+323+328+351 +358+381+/-388-391-392-3951-3958-398)	26	26	44,077	26,123
2. Work in progress (acc. 331+332+341+/-348*-393-3941-3952)	27	27		
3. Goods (acc. 345+346+347+/-348*+354+356+357+361+326+/-368+371+327+/-378 -3945-3946-3947-3953-3954-3955-3956-3957-396-397-from acc. 4428)	28	28	0	35,807,217
4. Advances (acc. 4091-4901)	29	29		
TOTAL (row 26 to 29)	30	30	44,077	35,833,340
II. **DEBTS** (Amounts which are to be cashed in more than one year must be presented separately for each element)				
1. Long term receivables 1) (acc. 2675*+2676*+2678*+2679*-2966*-2968*+4092+411+ 413+418-4902-491)	31	31	19,269,862	49,798,963
2. Receivables from affiliated entities (acc. 451**-495*)	32	32		
3. Receivables from associated entities and entities jointly controled (acc. 453**-495*)	33	33		
4. Other receivables (acc. 425+4282+431**+437**+4382+441**+4427+from acc. 4428**+ 444**+445+446**+447**+4482+4582+4662+461+473**-496+5187)	34	34	1,948,877	7,409,959
5. Subscribed not paid in capital (acc. 456-495*)	35	35		
6. Receivables representing dividends distributed during the financial year (acc. 463)	36	35a (301)		
TOTAL (row. 31 to 35 +35a)	37	36	21,218,739	57,208,922
III. SHORT TERM INVESTMENTS				
1. Shares in affiliated entities (acc. 501-591)	38	37		
2. Other short-term investments (acc. 505+506+507+from acc. 508-595-596-598+ 5113+5114)	39	38		
TOTAL (row 37+38)	40	39	0	0

IV. CASH AND BANK ACCOUNTS (from acc. 508+ acc. 5112+512+531+532+541+542)	41	40	936,804	4,861,346
CURRENT ASSETS – TOTAL (row 30+36+39+40)	42	41	22,199,620	97,903,608
C. PREPAID EXPENSES (acc. 471) **(row 43+44)**	43	42	240,506	283,202
Amounts to resume in a period of under a year (from acc. 471*)	44	43	240,506	283,202
Amounts to resume in a period of over a year (from acc. 471*)	45	44		
D. DEBTS: AMOUNTS PAYABLE WITHIN ONE YEAR				
1. Debenture loans (acc. 161+1681-169)	46	45		
2. Long-term bank loans (acc. 1621+1622+1624+1625+1627+1682+5191+5192+5198)	47	46		
3. Advance payments from customers (acc. 419)	48	47		
4. Suppliers and similar accounts (acc. 401+404+408)	49	48	1,059,503	70,490,389
5. Bills of exchange payable (acc. 403+405)	50	49		
6. Debts toward group entities (acc. 1661+1685+2691+451***)	51	50		
7. Debts toward associated entities and entities jointly controled (acc. 1663+1686+2692+ 2693+453***)	52	51		
8. Other debts, including tax debts and debts regarding social securities (acc. 1623+1626 +167+1687+2695+421+423+424+426+427+4281+431***+436***+437***+4381+441***+4423 +4428***+444***+446***+447***+4481+455+456***+457+4581+462+4661+473***+509+5186 +5193+5194+5195+5196+5197)	53	52	648,698	922,426
TOTAL (rows 45 to 52)	54	53	1,708,201	71,412,815
E. NET CURRENT ASSETS, RESPECTIVELY NET CURRENT LIABILITIES (row 41+43-53-70-73-76)	55	54	20,731,925	26,773,995
F. TOTAL ASSETS MINUS CURRENT DEBTS (row 25+44+54)	56	55	20,984,309	27,232,086
G. DEBTS: AMOUNTS PAYABLE WITHIN MORE THAN ONE YEAR				
1. Debenture loans (acc. 161+1681-169)	57	56		
2. Long-term bank loans (acc. 1621+1622+1624+1625+1627+1682+5191+5192+5198)	58	57		
3. Advance payments from customers (acc. 419)	59	58		
4. Suppliers and similar accounts (acc. 401+404+408)	60	59		
5. Bills of exchange payable (acc. 403+405)	61	60		
6. Debts toward group entities (acc. 1661+1685+2691+451***)	62	61		
7. Debts toward associated entities and entities jointly controled (acc. 1663+1686+2692+ 2693+453***)	63	62		
8. Other debts, including tax debts and debts regarding social securities (acc. 1623+1626 +167+1687+2695+421+423+424+426+427+4281+431***+436***+437***+4381+441***+4423 +4428***+444***+446***+447***+4481+455+456***+457+4581+462+4661+473***+509+5186 +5193+5194+5195+5196+5197)	64	63		
TOTAL (row 56 to 63)	65	64	0	0
H. PROVISIONS				
1. Provisions for employee's benefits (acc. 1515+1517)	66	65		
2. Provisions for taxes (acc. 1516)	67	66		
3. Other provisions (acc. 1511+1512+1513+1514+1518)	68	67	1,215,920	1,604,151
TOTAL (row 65 to 67)	69	68	1,215,920	1,604,151
I. EXPECTED INCOME				
1. Subventions for investments (acc. 475) (**row 70+71**)	70	69	0	0
Amounts to be resumed in a period of under a year (from acc. 475*)	71	70		
Amounts to be resumed in a period of over a year (from acc. 475*)	72	71		
2. Income registered in advance (acc. 472) - total (**rows 73+74**)	73	72	0	0
Amounts to be resumed in a period of under a year (acc. 472*)	74	73		
Amounts to be resumed in a period of over a year (acc. 472*)	75	74		
3. Expected income for assets received by transfer from clients (acc. 478) (**row 76+77**)	76	75	0	0
Amounts to be resumed in a period of under a year (from acc. 478*)	77	76		
Amounts to be resumed in a period of over a year (from acc. 478*)	78	77		
Negative commercial fund (acc. 2075)	79	78		
TOTAL (row 69+72+75+78)	80	79	0	0
J. CAPITAL AND RESERVES				
I. CAPITAL				
1. Paid subscribed capital (acc. 1012)	81	80	1,700,000	1,700,000
2. Unpaid subscribed capital (acc. 1011)	82	81		
3. Administration patrimony (acc. 1015)	83	82		
4. Patrimony of national institutes for research and development (acc. 1018)	84	83		
5. Other elements of own equity (1031)	85	84		
TOTAL (row 80 to 84)	86	85	1,700,000	1,700,000

II. CAPITAL PREMIUMS (acc. 104)	87	86		
III. REASSESSMENT RESERVES (acc. 105)	88	87		
IV. RESERVES				
1. Legal reserves (acc. 1061)	89	88	340,000	340,000
2. Statutory or contractual capital reserve (acc. 1063)	90	89		
3. Other reserves (acc. 1068)	91	90		
TOTAL (row 88 to 90)	92	91	340,000	340,000
Own shares (acc. 109)	93	92		
Earnings related to own capital instruments (acc. 141)	94	93		
Loses related to own capital instruments (acc. 149)	95	94		
V. RESULT CARRIED FORWARD ----------- **Balance C** (acc. 117)	96	95	14,548,025	17,728,389
----------- **Balance D** (acc. 117)	97	96	0	0
VI. RESULT OF THE FINANCIAL YEAR				
----------- **Balance C** (acc. 121)	98	97	3,180,364	5,859,546
----------- **Balance D** (acc. 121)	99	98	0	0
Profit distribution (acc. 129)	100	99		
TOTAL OWN EQUITY (row 85+86+87+91-92+93-94+95-96+97-98-99)	101	100	19,768,389	25,627,935
Public patrimony (acc. 1016)	102	101		
Private patrimony (acc. 1017) 2)	103	102		
TOTAL EQUITY (rows 100+101+102) (row 25+41+42-53-64-68-79)	104	103	19,768,389	25,627,935

*) Accounts to be distributed according to the nature of the elements concerned
**) Debit balances of the respective accounts
***) Credit balances of the respective accounts

01) - The amounts at this row and taken from the accounts 2675 to 2679 are the debts from the financial leasing contracts and from other assimilated contracts, as well as other permanent debts, due in less than 12 months

02) It will be filled in by entities for which the provisions of Order of the minister of public finances and of the delegated minister for budget no. 668/2014 for the approval of the mentions regarding the preparation and updating of the centralized inventory of movable goods privately owned by the state and of the rights in rem supposed to inventory, with subsequent changes and amendments are applied

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that
through the translation the document was not changed in the content and meaning

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

Translation from Romanian language

F20

PROFIT AND LOSS ACCOUNT
as of December 31st, 2020

Code 20 Lei

Index name (calculation formulas refer to row no. in column B)	Row no. OMF no. 58/2021	Row no.	Financial year 2019	Financial year 2020
A		B	1	2
1. Net turnover **(rows 02+03-04+06)**	*01*	01	37,801,263	126,433,280
Sold production (acc. 701+702+703+704+705+706+708)	*02*	02	37,801,263	38,782,768
Incomes from sales of commodities (acc. 707)	*03*	03	0	110,113,462
Commercial discounts granted (acc. 709)	*04*	04	0	22,462,950
~~Incomes from interests registered by entities deleted from the General Register, which still have leasing agreements in execution (acc. 766*)~~		~~05~~		
Incomes from operating subsidies corresponding to the net turnover (acc. 7411)	*05*	06		
2. Incomes pertaining to pending production costs (acc. 711+712)				
Balance C	*06*	07		
Balance D	*07*	08		
3. Incomes from production of intangible and tangible assets (acc. 721+722)	*08*	09		
4. Incomes from reassessment of tangible assets (acc. 755)	*09*	10		
5. Incomes from production of real estate investments (acc. 725)	*10*	11		
6. Incomes from operation subsidies (acc. 7412+7413+7414+7415+7416+7417+7419)	*11*	12		
7. Other operating incomes (acc. 751+758+7815)	*12*	13	3,619	5,186,508
'- out of which, incomes from the negative goodwill (acc. 7815)	*13*	14		
'- out of which, incomes from subsidies for investments (acc. 7584)	*14*	15		
OPERATING INCOMES – TOTAL (rows 01+07-08+09+10+11+12+13)	***15***	16	37,804,882	131,619,788
8.a) Expenses with raw materials and consumable materials (acc. 601+602)	*16*	17	568,402	487,042
Other material expenses (acc. 603+604+606+608)	*17*	18	207,224	198,067
b) Other external expenses (with energy and water) (acc. 605)	*18*	19	27,047	22,970
c) Expenses regarding commodities (acc. 607)	*19*	20	0	83,773,517
Commercial discounts received (acc. 609)	*20*	21		
9. Expenses with the staff (**rows 23+24**)	*21*	22	12,617,332	14,266,854
a) Salaries and allowances (acc. 641+642+643+644)	*22*	23	12,199,114	13,796,851
b) Expenses with social insurance and security (acc. 645+646)	*23*	24	418,218	470,003
10.a) Value adjustments regarding tangible and intangible assets (**rows 26-27**)	*24*	25	68,752	95,686
a.1) Expenses (acc. 6811+6813+6817+from acc. 6818)	*25*	26	68,752	95,686
a.2) Incomes (acc. 7813+from acc. 7818)	*26*	27		
b) Adjustment of the value of circulating assets (**rows 29-30**)	*27*	28	0	0
b.1) Expenses (acc. 654+6814+from acc. 6818)	*28*	29		
b.2) Incomes (acc. 754+7814+from acc. 7818)	*29*	30		
11. Other operating expenses (**rows 32 to 37**)	*30*	31	20,208,668	25,321,940
11.1 Expenses regarding external provided services (acc. 611+612+613+614+615+621+622+623+624+625+626+627+628)	*31*	32	18,249,358	20,242,398
11.2 Expenses with other taxes, charges and assimilated payments; expenses representing transfers and contributions due based on special regulations (acc. 635+6586*)	*32*	33	1,941,675	1,472,539
11.3 Expenses with environment protection (acc. 652)	*33*	34		
11.4 Expenses with reassessment of tangible assets (acc. 655)	*34*	35		
11.5 Expenses for calamities and other similar events (acc. 6587)	*35*	36		
11.6 Other expenses (acc. 651+6581+6582+6583+6584+6588)	*36*	37	17,635	3,607,003
~~Expenses with interests registered by entities deleted from the General Register, which still have leasing agreements in execution (acc. 666*)~~		~~38~~		
Adjustments regarding reserves (**rows 40-41**)	*37*	39	8,592	388,231
Expenses (acc. 6812)	*38*	40	2,772,194	3,119,522
Incomes (acc. 7812)	*39*	41	2,763,602	2,731,291
OPERATING EXPENSES – TOTAL (rows 17 to 20-21+22+25+28+31+39)	*40*	42	33,706,017	124,554,307
OPERATING RESULT				
– Profit (**rows 16-42**)	*41*	43	4,098,865	7,065,481
– Loss (**rows 42-16**)	*42*	44	0	0

12. Incomes from shares (acc. 7611+7612+7613)	43	45		
- out of which, incomes from affiliated entities	44	46		
13. Incomes from interests (acc. 766*)	45	47		
- out of which, incomes from affiliated entities	46	48		
14. Incomes from operation subsidies for owed interest (acc. 7418)	47	49		
15. Other financial incomes (acc. 762+764+765+767+768+7615)	48	50	1,046	26,711
- out of which, incomes from other financial assets (acc. 7615)	49	51	0	0
FINANCIAL INCOMES – TOTAL (rows 45+47+49+50)	**50**	52	1,046	26,711
16. Value adjustment of permanent assets and of financial investments owned as circulating assets (**rows 54-55**)	51	53		
- Expenses (acc. 686)	52	54		
- Incomes (acc. 786)	53	55		
17. Expenses regarding interests (acc. 666*)	54	56		
- out of which, expenses in relation to affiliated entities	55	57		
18. Other financial expenses (acc. 663+664+665+667+668)	56	58	4,835	35,170
FINANCIAL EXPENSES – TOTAL (rows 53+56+58)	57	59	4,835	35,170
FINANCIAL RESULT				
- Profit (**rows 52-59**)	58	60	0	0
- Loss (**rows 59-52**)	59	61	3,789	8,459
TOTAL INCOMES (rows 16+52)	60	62	37,805,928	131,646,499
TOTAL EXPENSES (rows 42+59)	61	63	33,710,852	124,589,477
19. GROSS RESULT				
- Profit (**rows 62-63**)	62	64	4,095,076	7,057,022
- Loss (**rows 63-62**)	63	65	0	0
20. PROFIT TAX (acc. 691)	64	66	914,712	1,197,476
21. Tax specific for certain activities (acc. 695)	65	67		
22. Other taxes that do not appear above (acc. 698)	66	68		
23. NET RESULT OF THE FINANCIAL YEAR				
Profit (**rows 64-65-66-67-68**)	67	69	3,180,364	5,859,546
Loss (**rows 65+66+67+68-64**)	68	70	0	0

*) Accounts to be distributed according to the nature of the elements concerned

In row 22 (according to OMF 58/2021) - also the rights of collaboartors will be included, set according to the labor legislation, taken from the debit side of the account 621 "Expenses with collaborators", analytic "Collaborators physical persons"

In row 32 (according to OMF 58/2021) - in acc. 6586 "Expenses representing transfers and contributions due based on special laws", expenses representing transfers and contributions due based on special laws are shown, others than those provided in the Tax Code.

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

Translation from Romanian language
In excerpt

F30

INFORMATION
as of December 31st, 2021

Code 30 (calculation formulas refer to row no. in column B) **Lei**

I. Information regarding the result	**Row no. OMF no. 58/2021**	**Row**	**No. of entities**	**Amounts**
A		**B**	**1**	**2**
Entities with profit	*01*	01	1	5,859,546
Entities with loss	*02*	02		
Entities with no profit or loss	*03*	03		

II. Information regarding outstanding payments		**Row**	**Total, out of which:**	**For current activity**	**For investment activity**
A		**B**	**1=2+3**	**2**	**3**
Outstanding payments - total (**row 05+09+15 to 17+18**):	*04*	04	0	0	0
Delayed suppliers - total (**row 06 to 08**)	*05*	05	0	0	0
- over 30 days	*06*	06			
- over 90 days	*07*	07			
- over 1 year	*08*	08			
Outstanding obligations to the social security budget - Total (**row 10 to 14**)	*09*	09	0	0	0
- contribution to state social securities, owed by employers, employees and other similar persons	*10*	10			
- contributions to the health social security fund	*11*	11			
- contribution for additional pension	*12*	12			
- contribution to unemployment budget	*13*	13			
- other social debts	*14*	14			
Outstanding obligations to the special funds and other funds	*15*	15			
Outstanding obligations to other creditors	*16*	16			
Overdue taxes, contributions and fees to the state budget, out of which:	*17*	17			
- work insurance contribution	*18*	17a (301)			
Overdue taxes to the local budget	*19*	18			

III. Average number of employees		**Row**	**Dec. 31. 2019**	**Dec. 31, 2020**
A		**B**	**1**	**2**
Average number of employees	*20*	19	78	83
Actual no. of employees at the end of the period of time (Dec. 31)	*21*	20	95	104

IV. Royalty and interest payments during reporting period, cashed in subsidies and outstanding receivables		**Row**	**Amount (Lei)**
…			

V. Food vouchers		Row	Amount (Lei)
Value of the food vouchers granted to employees	40	37	0
Value of the food vouchers granted to other categories of beneficiaries, other than the employees	41	37a (302)	0

VI. Expenses for research-development activity **)		Row	Dec. 31. 2019	Dec. 31, 2020
…				

VII. Innovation expenses ***)		Row	Dec. 31. 2019	Dec. 31, 2020
Innovation expenses	50	45		
VIII. Other information		**Row**	**Dec. 31. 2019**	**Dec. 31, 2020**
…		…		
Financial assets, gross amounts **(row 49+54)**	58	48	85,708	91,751
…				
Long-term receivables, gross amounts **(row 55+56)**	65	54	85,708	91,751
'- long-term receivables in Lei and expressed in Lei, the settlement of which is made based on the exchange rate of a foreign currency (from acc. 267)	66	55	85,708	91,751
…				
Commercial receivables, advances paid to suppliers and other similar accounts, in gross amounts (acc. 4091 +4092+411+413+418), out of which:	68	57	19,269,862	49,798,963
- commercial receivables in relation to non-affiliated non-resident entities, advances for acquisitions of inventories and for services delivered to non-affiliated non-resident suppliers and other assimilated accounts, in gross amounts in relation to non-resident non-affiliates (from acc. 4091 + from acc. 4092 + from acc. 411 + from acc. 413 + from acc. 418)	69	58	1,796	12,843,416
- commercial receivables in relation to the affiliated non-resident entities, advances for acquisitions of inventories and for services delivered to affiliated non-resident suppliers and other assimilated accounts, in gross amounts in relation to non-resident affiliates (from acc. 4091 + from acc. 4092 + from acc. 411 + from acc. 413 + from acc. 418)	70	58a (308)	19,268,066	36,955,547
…				
Receivables in connection to social security budget and state budget (from acc. 431+436+437+4382+441+ 4424+4428+444 + 445 + 446 + 447 + 4482) (**row 62 to 66)**	73	61	1,948,508	7,409,959
- receivables in connection to the budget of social security (acc. 431+437+4382)	74	62		
- tax receivables in connection to the state budget (acc. 436+441+4424+4428+444+446)	75	63	1,620,732	7,034,036
- subsidies to cash in (acc. 445)	76	64		
- special funds - fees and assimilated payments	77	65		
- other receivables in connection to the state budget (acc. 4482)	78	66	327,776	375,923
		…		
Other receivables (acc. 453+456+4582+461+471+473+4662) (**row 72 to 74**)	83	71	270,875	283,202
…		…		

- other receivables connected to physical persons and legal entities, other than recivables connected to public institutions (state institutions) (from acc. 461 + from acc. 471 + from acc. 473 + 4662)	*85*	73	270,875	283,202
		…		
Current bank accounts in Lei and foreign currency (**row 88+90**)	*101*	87	772,134	4,760,274
- in Lei (acc. 5121) out of which:	*102*	88	769,496	2,561,043
…		…		
'- in foreign currency (acc. 5124) out of which	*104*	90	2,638	2,199,231
Debts (**row 94+99+102+103+106+108+110+111+ 116+119+122+128**)	*109*	95	1,708,201	71,412,815
		…		
- commercial debts in relation to affiliated non-resident entities, advances received from affiliated non-resident clients and other assimilated accounts, in gross amounts in relation to affiliated non-residents (from acc. 401 + from acc. 403 + from acc. 404 + from acc. 405 + from acc. 408 + from acc. 419)	*125*	109a (309)		68,566,707
…		…		
Debts related to the social security budget and state budget (acc. 431+436+437+4381+441+4423+4428+444+446+ 447+4481) (**row 112 to 115**)	*127*	111	648,698	922,426
- debts related to the social security budget (acc. 431+437 +4381)	*128*	112	141,501	-31,085
- tax debts related to the state budget (acc. 436+441+ 4423+4428+444+446)	*129*	113	503,817	949,553
'- special funds - fees and assimilated payments (acc. 447)	*130*	114	3,380	3,958
…		…		
Subscribed paid in capital (acc. 1012), out of which:	*149*	130	1,700,000	1,700,000
…		…		
- subscribed capital, paid in by non-residents (from acc. 1012)	*153*	134	1,700,000	1,700,000
Patents and licenses (from acc. 205)	*154*	135	13,667	22,514
…		…		
IX. Information regarding expenses with collaborators		**Row**	**Dec. 31. 2019**	**Dec. 31, 2020**
A		**B**	**1**	**2**
Expenses with collaborators (acc. 621)	*155*	136	0	0
X. Information regarding the goods from the public state domain		**Row**	**Dec. 31. 2019**	**Dec. 31, 2020**
A		**B**	**1**	**2**
no figures are recorded				
XI. Information regarding state owned assets undergoing inventory according to. OMFP no. 668/2014		**Row**	**Dec. 31. 2019**	**Dec. 31, 2020**
A		**B**	**1**	**2**
Net accounting value of the assets 6)	*159*	140	**0**	**0**

XII. Paid in share capital			Dec. 31. 2019		Dec. 31, 2020	
		Row	Amount (Lei)	% 7)	Amount (Lei)	% 7)
A		B	Column 1	Column 2	Column 3	Column 4
Paid in share capital (acc. 1012) 7), (row 142+145+149+150+151+152)	*160*	141	1,700,000	X	1,700,000	X
		…				
- held by companies with private capital	*169*	150	1,699,990	100.00	1,699,990	100.00
- held by physical persons	*170*	151	10	0.00	10	0.00

		Row	Amounts	
A		B	2019	2020
XIII. Dividends/payingins belonging to the state or local budget, to be allocated from the year profit by the national companies, companies and autonomous administrations			0	0
no figures are recorded				
XIV. Dividends/payingins for the state or local budget, transferred within the reporting period of time from the profit of the national companies, companies and autonomous administrations, out of which				
no figures are recorded				
XV. Dividends distributed to shareholders from profit carried forward				
XVI. Temporary distributions of dividends according to Law no. 163/2018				
XVII. Receivables taken by assignment from legal entities***)**			**2019**	**2020**
no figures are recorded				
XVIII. Incomes obtained from agricultural activities****)**			**2019**	**2020**
no figures are recorded				

DIRECTOR,
Full name
Palamadai Vijay
Signature

Seal of the company

Drawn up,
Full name
Nastase Catalin
As
11 - Economic Manager
Signature

VALIDATED FORM

*) Subsidies for stimulating the employment (transfers from the state budget to employer) - it represents the amounts granted to employers for paying graduates of education institutions, for stimulating unemployed persons employed before the end of the unemployment period, for stimulating employers employing for undetermined period of time unemployed persons over 45 years old, unemployed persons supporting alone a family or unemployed persons who within 3 years since employment beginn are fulfilling the conditions for requesting partial early retirement or regular retirement, or for other situations stipulated in the legislation regarding the system of unemployment insurance and the stimulation of employment.
**) Expenses made for research-development activity, and fundamental research, applicative research, technological development and innovation respectively, set according to the provisions of the Government Ordinance no. 57/2002 regarding scientific research and technological development, approved with modifications and completions through the law no. 324/2003 with subsequent changes and amendments. The expenses will be recorded according to the (EU) Regulation for applying no. 996/2012 of the Commission from Oct. 26, 2012 for establishing the norms for applying the Decision no. 1.608/2003.EC of the European Parliament and Council regarding statistics in the field of science and technology, published in the Official Journal of the european Union, series L, no. 299/Oct. 27, 2012.
***) Expenses made for innovation according to the (EU) Regulation for applying no. 996/2012 of the Commission from Oct. 26, 2012 for establishing the norms for applying the Decision no. 1.608/2003.EC of the European Parliament and Council regarding statistics in the field of science and technology, published in the Official Journal of the european Union, series L, no. 299/Oct. 27, 2012.

****) In the category of economic agents, the entities regulated and supervised by the National Bank of Romania, the Authority for Financial SUpervision respectively, the companies re-classified in the sector of public aministration and the institutions without lucrative purpose in the service of population households will not be included.
*****) For receivables taken over by assignment from legal entities the nominal value and the aquisition cost will be recorded. For the statute of "affiliated legal entities" the provisions of art. 7 section 26 letter c) of the Law no. 2272015 regarding the Tax Code, with subsequent changes and amendments will be considered.
******) According to art. 11 from the (EU) Delegated Regulation no. 639/2014 of the Commission from Mrch 11, 2014 for completing the (EU) Regulation no. 1307/2013 of the European Parliament and Council for establishing norms regarding direct payments granted to farmers through supporting schemes within the common agriculatural policy and for modification of Annex X to the mentioned regulation, "(1) ... incomes obtained from agricultural activities are incomes obtained by a farmer from his agricultural activity within the meaning of art. 4 paragraph (1) letter c) of the mentioned regulation ((EU) R 1307/2013 within his farm, including the support from the Union from the European agricultural guarantee Fund (FEGA) and from the European agricultural fund for rural development (FEADR), as well as any national support granted for agricultural activities, except for direct national complement payments based on art. 18 and 19 from the (EU) Regulation no. 1307/2013.
Incomes obtained from preocessing agricultural produce within the meaning of art. 4 paragraph (1) letter d) of the (EU) Regulation no. 1307/2013 of the farm are considered to be incomes from agricultural activities provided that the processed produces remain the property of the farmer and such processing results in a different agricultural product within the meaning of art. 4 paragraph (1) letter d) from the (EU) Regulation no. 1307/2013.
Any other incomes are considered incomes from non-agricultural activities.
(2) Within the meaning of paragraph (1), "ïncomes" means gross incomes, before deduction of the costs and pertaining taxes ..."

1) The rents paid for occupied plots will be included (agricultural crops, grass land, meadows, etc.) and pertaining to commercial spaces (terraces, etc.) belonging to private owners or units of the public administration, including rents for using waters for recreational or other (fishing, etc.) purposes
2) The value in row "Debts with affiliated non-resident entities (from acc. 451), out of which" is NOT calculated by adding the values in rows "with initial maturity date over one year" and "commercial debts with non-resident affiliated entities regardless of maturity date (from acc. 451)"
3) In the category of "Other debts linked to physical persons and legal entities other than debts in connection to public institutions (state institutions)" the subsidies pertaining to the incomes in the balance of acc. 472 will not be recorded.
4) Securities granting property rights over companies, which are negotiable and traded according to the law.
5) Securities granting property rights over companies, which are not and traded.
6) To be filled in by economic agents to whom the provisions of the Order of the minister of public finances and of the delegated minister for budget no. 668/2014 are applied, for approving the mentions regarding the preparation and updating of the centralized inventory of immovable assets privately owned by the state and of rights in rem which are inventorized, with subsequent changes and admendments.
7) In section "XII Paid in capital" in row 155-165 column 2 and 4, the entities will record the percentage cooresponding to the capital held from the total paid in capital recorded in row 154.
8) In this row are shown dividends distributed according to Law no. 163/2018 for the change and amendment of Law 82/1991, the change and amendment of the company's law no. 31/1990 and the change of law no. 1/2005 regarding the organisation and operation of cooperation. No dividends are recorded, whic are shown in row 166.

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

SITUATION OF THE FIXED ASSETS

F40

as of 31st of December 2020

Code 40 lei

Permanent assets	Row	Gross values: Initial balance	Increases	Reductions: Total	out of which, fragmentations and cassations	Final balance (column 5=1+2-3)
A	B	1	2	3	4	5
I. Intangible permanent assets						
Incorporation and development expenses	01				X	0
Other permanent assets	02	13,667	8,847		X	22,514
Advances and current intangible permanent assets in process	03				X	0
Intangible assets for exploration and assessment of mineral resources	04				X	0
TOTAL (**row 01 to 04**)	05	13,667	8,847	0	X	22,514
II. Tangible permanent assets						
Real estate	06				X	0
Buildings	07	78,028				78,028
Technical installations and machines	08	305,282	246,381			551,663
Other installations, equipment and furniture	09	83,646	40,122			123,768
Real estate investments	10					0
Tangible assets for exploration and assessment of mineral resources	11					0
Biologic productive assets	12					0
Tangible assets in execution	13					0
real estate investments in execution	14					0
Advances granted for tangible permanent assets	15					0
TOTAL **(row 06 to 15)**	16	466,956	286,503	0	0	753,459
III. Financial permanent assets	17	85,708	6,043	0	X	91,751
PERMANENT ASSETS - TOTAL (**row 05+16+17**)	18	566,331	301,393			867,724

SITUATION OF THE AMORTIZATION OF THE PERMANENT ASSETS

Lei

Permanent assets	Row	Initial balance	Amorti-zation during the year	Amortization of permanent assets no longer registered	Amortization at year end (column 9 = 6+7-8)
A	B	6	7	8	9
I. Intangible permanent assets					
Incorporation and development expenses	19				0
Other permanent assets	20	8,409	3,987		12,396
Intangible assets for exploration and assessment of mineral resources	21				0
TOTAL **(row 19+20+21)**	22	8,409	3,987	0	12,396
II. Tangible permanent assets					
Real estate	23				0
Buildings	24	78,028			78,028
Technical installations and machines	25	184,538	80,677		265,215

Other installations, equipment and furniture	26	42,972	11,022		53,994
Real estate investments	27				0
Tangible assets for exploration and assessment of mineral resources	28				0
Biologic productive assets	29				0
TOTAL **(row 23 to 29)**	30	305,538	91,699	0	397,237
AMORTIZATION - TOTAL **(row 22+30)**	31	313,947	95,686	0	409,633

SITUATION OF THE PROVISIONS FOR DEPRECIATION

no recorded figures

DIRECTOR,
Full name
Palamadai Vijay
Signature

Seal of the company

Drawn up,
Full name
Nastase Catalin
As
11 - Economic Manger
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

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Aeschengraben 27
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To the General Meeting of

Dr. Reddy's Laboratories SA, Basel

Basel, 12 May 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Dr. Reddy's Laboratories SA, Basel, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2020.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Jauslin (Qualified Signature)	Kevin Hörler (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Enclosures

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

Dr. Reddy's Laboratories Ltd, Basel

Balance Sheet as of	Notes	31st Dec 2020	31st Dec 2019	31st Dec 2020	31st Dec 2019
Curr		**USD**	**USD**	**CHF**	**CHF**
ASSETS					
Current assets					
Cash and cash equivalents		1'308'000	758'784	1'156'199	734'787
Trade accounts receivable					
- from third parties		20'021'381	31'891'332	17'697'780	30'882'737
- from holders of participations and governing bodies					-
- from entities in which the entity holds a participation		139'269'453	81'288'979	123'106'397	78'718'133
Other short-term receivables					
- from third parties		3'689'093	4'519'710	3'260'952	4'376'770
- from entities in which the entity holds a participation		11'031'326	13'116'279	9'751'074	12'701'463
Inventories and non-invoiced services	2.1	13'211'607	22'457'463	11'678'321	21'747'223
Prepaid expenses and accrued income		586'900	281'941	518'787	273'025
		189'117'760	154'414'488	167'169'510	149'530'976
Non-current assets					
Financial Assets		183'425	183'200	162'137	177'406
Investments	1.5	402'682'748	398'972'010	355'948'999	386'354'121
Other Assets	2.4	29'000'000	-	25'634'376	-
Property, plant and equipment		54'526	41'832	48'198	40'509
Intangible Assets	2.2	148'883'924	227'816'803	131'605'051	220'611'869
		580'804'623	626'913'846	513'398'761	607'087'068
		769'922'383	781'328'334	680'568'271	756'618'044
LIABILITIES AND SHAREHOLDERS' EQUITY					
Short-term liabilities					
Trade accounts payable					
- to third parties		40'381'968	18'896'723	35'695'398	18'299'095
- to holders of participations and governing bodies		42'379'278	51'675'682	37'460'909	50'041'386
- to entities in which the entity holds a participation		3'753'890	7'261'873	3'318'229	7'032'209
- to other group companies		853'341	2'651'596	754'306	2'567'736
Short-term interest-bearing liabilities		-	16'300'000	-	15'784'496
Other short-term liabilities					
- to third parties		1'482'246	1'953'943	1'310'222	1'892'148
- to holders of participations and governing bodies		973'954	256'809	860'921	248'687
- to entities in which the entity holds a participation		84'198'669	41'816'935	74'426'908	40'494'432
Accrued expenses and deferred income		28'374'664	32'328'380	25'081'614	31'305'963
		202'398'010	173'141'940	178'908'507	167'666'153
Shareholders' equity					
Share capital	2.3	309'021'522	309'021'522	305'640'410	305'640'410
Legal capital reserves					
- Reserves from capital contributions		127'077'219	127'077'219	123'911'286	123'911'286
Legal retained earnings					
- General legal retained earnings		17'567'802	17'567'802	17'130'000	17'130'000
Available earnings					
- Retained earning brought forward		154'519'850	416'088'805	177'416'962	430'713'537
- Dividend Paid on Preference Share		(6'830'980)	-	(6'500'000)	-
- Profit or loss for the year		(33'831'040)	(261'568'955)	(29'904'744)	(253'296'575)
- Foreign exchange translation difference		-	-	(86'034'149)	(35'146'767)
		567'524'373	608'186'394	501'659'765	588'951'891
		769'922'383	781'328'334	680'568'271	756'618'044

Dr. Reddy's Laboratories Ltd, Basel

Income statement	Notes	2020	2019	2020	2019
		USD	USD	CHF	CHF
Revenue from sale of goods and services		338'891'309	227'743'133	299'560'939	220'540'528
Other operating income		761	273	673	265
Total operating income		338'892'070	227'743'406	299'561'612	220'540'793
Raw materials and supplies		(201'104'914)	(157'934'597)	(177'765'482)	(152'939'758)
Personnel expenses		(5'276'283)	(4'585'367)	(4'663'939)	(4'440'350)
Other operating expenses		(25'970'533)	(33'314'353)	(22'956'497)	(32'260'754)
R&D Expenses		(36'583'878)	(37'145'611)	(32'338'099)	(35'970'843)
Depreciation and impairment losses on property, plant and equipment		(2'612)	(6'044)	(2'309)	(5'852)
Amortization on intangible assets	2.2	(104'582'879)	(243'469'516)	(92'445'408)	(235'769'549)
Total operating expenses		(373'521'099)	(476'455'487)	(330'171'734)	(461'387'106)
Operating result		(34'629'029)	(248'712'081)	(30'610'122)	(240'846'313)
Financial income		2'520'752	1'475'367	2'228'204	1'428'707
Financial expenses		(1'396'975)	(14'245'216)	(1'234'848)	(13'794'697)
Profit or (loss) for the year before taxes		(33'505'252)	(261'481'930)	(29'616'766)	(253'212'303)
Direct taxes		(325'788)	(87'025)	(287'978)	(84'273)
Profit or (loss) for the year		(33'831'040)	(261'568'955)	(29'904'744)	(253'296'575)

Notes

1 Principles

1.1 General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves.

1.2 Inventories and non-invoiced services

Inventories and non-invoiced services are recorded at acquisition or manufacturing costs: If the net realizable value at the balance sheet date is lower than acquisition or manufacturing costs, net realizable values are used. Acquisition costs are calculated using the weighted average cost method, manufacturing costs using standard costs.

1.3 Securities and financial assets

Securities with a short-term holding period are valued at their quoted market price as at the balance-sheet date. A valuation adjustment reserve has not been accounted for. Financial assets include securities with a long-term holding period that have no quoted market price or no other observable market price. Financial assets are valued at their acquisition cost adjusted for impairment losses.

1.4 Property, plant and equipment

Property, plant and equipment (PPE) is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. With the exception of land, PPE is depreciated using the straightline method. As soon as there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

1.5 Investments

Investments are held at historical cost. The Company reviews the carrying amount of these investments annually, and if events and circumstances suggest that this amount may not be recoverable, an impairment is recognized in the statement of profit or loss.

1.6 Intangible Assets

Intangible assets are capitalized if they meet the following conditions cumulatively at the date of recognition:
• the intangible assets are identifiable and controlled by the entity;
• the intangible assets will generate a measurable benefit for the entity for more than one year;
• the expenses incurred in the creation of the intangible assets can be separately recognized and measured;
• it is likely that the resources required to complete and market or use the intangible assets for the entity's own purposes are available or will be made available.
Intangible assets are amortized using the straight-line method. As soon there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

1.7 Revenue from sale of goods and services

Sales are recognized when risks and rewards are transferred to the client or a service has been provided. Normally, this is the case upon delivery of the goods.

1.8 Leases

Leasing and rental contracts are recognized based on legal ownership. Therefore, any leasing or rental expenses are recognized as expenses in the period they are incurred; however, the leased or rented objects themselves are not recognized in the balance sheet.

Dr. Reddy's Laboratories Ltd, Basel

Notes

2	**Disclosure on balance sheet and income statement items**	**Dec 2020**	**Dec 2020**	**Dec 2019**	**Dec 2019**
		USD	CHF	USD	CHF
2.1	**Inventories and non-invoiced services**				
	Raw materials	13'211'607	11'678'321	20'166'775	19'528'981
	Finished goods	-	-	2'290'688	2'218'243
		13'211'607	11'678'321	22'457'463	21'747'224
2.2	**Intangible Assets**				
	Product related Intangibles	80'105'640	70'808'900	96'588'521	93'533'813
	Others (in process)	68'778'284	60'796'152	131'228'282	127'078'056
		148'883'924	131'605'052	227'816'803	220'611'869

During the year, the Company had additions of USD 25.7m and the Company amortised in the normal course of business USD 22.4m. Consequent to adverse market conditions with respect to certain of Company's products, the company recognised an impairment charge of USD 82.2m towards relevant product intangibles

2.3 Share capital and reserves from capital contributions

As at 31st Dec 2021, the share capital consists of 105,640,410 registered shares at a par value of CHF 1.00 each.
During previous period, the Company issued a 3.25% Preference share capital of CHF 200,000,000 (2,000,000 shares at CHF 100) to Dr. Reddys Laboratories Limited with a maturity date of 31st March 2022. The same is recognised in the books at historical cost of date of transaction on 26th Nov 2019. The preference shares have a forward cover contract expiring on 20th March 2022 with currency rate of 1.06055 (CHF/USD). Any loss or gain on such forward contract will be recognized to profit and loss account on the date of maturity.

2.4 Other Assets

Dr.Reddy's Laboratories S.A has invested an amount of USD 29m in fixed deposits with State Bank of India and maturity date of 29th March 2022.

Dr. Reddy's Laboratories Ltd, Basel

Notes

2.5 Investments in subsidiaries

Company	*Domicile*	Capital 31.12.2020 USD	Capital 31.12.2020 CHF	Capital 31.12.2019 USD	Capital 31.12.2019 CHF	Share in Capital and Voting 31.12.2020	Share in Capital and Voting 31.12.2019
Dr. Reddy's Laboratories Inc.*	United States of America	234'524'279	207'306'330	188'040'326	182'093'363	100%	100%
Dr. Reddy's Laboratories EU	United Kingdom	19'093'998	16'878'025	19'093'998	18'490'131	100%	100%
Dr. Reddy's New Zealand Ltd	New Zealand	1	1	1	1	100%	100%
Dr. Reddy's Laboratories, Romania SRL	Romania	551'620	487'601	551'620	534'174	99.99%	99.99%
Dr. Reddy's Laboratories Venezuela CA	Venezuela CA	1	1	1	1	100%	100%
Dr. Reddy's Laboratories Ukraine LLC	Ukraine LLC	1'360'503	1'202'608	1'360'503	1'317'475	99.99%	99.99%
Reddy Netherlands BV	The Netherlands	51'476'837	45'502'642	51'476'837	49'848'831	100%	100%
Dr. Reddy's Laboratories New York, Inc*	United States of America	-	-	46'483'953	45'013'852	0%	90%
Dr. Reddy's Laboratories Canada Inc	Canada	3'098'868	2'739'226	3'098'868	3'000'863	100%	100%
Dr. Reddy's Laboratories Proprietary Ltd	South Africa	15'694'784	13'873'310	15'694'784	15'198'420	100%	100%
OOO Dr. Reddy's Laboratories	Russia	42'501'426	37'568'881	42'501'426	41'157'276	99.99%	99.99%
Reddy Holdings GmbH	Germany	33'936	29'998	33'936	32'863	100%	100%
Lacock Holdings Ltd	Cyprus	7'790'873	6'886'696	6'150'473	5'955'959	100%	100%
Dr. Reddy's Laboratories (Australia) Pty Limited	Australia	5'526'976	4'885'537	5'526'976	5'352'179	100%	100%
Dr. Reddy's Laboratories SAS	Columbia	1'488'236	1'315'518	1'488'236	1'441'169	100%	100%
Dr. Reddy's Laboratories Japan, KK	Japan	817'431	722'563	817'431	791'579	100%	100%
Reddy Pharma SAS	France	5'705'428	5'043'279	5'705'428	5'524'988	100%	100%
Dr. Reddy’s Laboratories Kazakhstan Limited Liability	Kazaksthan	1'217'497	1'076'199	1'217'497	1'178'992	100%	100%
Dr. Reddy’s (WUXI) Pharmaceutical Co. Ltd	China	1	1	1	1	100%	100%
Dr. Reddy’s Laboratories Chile SPA.	Chile	2'000'000	1'767'888	1'000'000	968'374	100%	100%
Dr.Reddy's Laboratories Malaysia SD	Malaysia	750'000	662'958	750'000	726'281	100%	100%
Reddy Pharma Iberia S.A	Spain	6'891'192	6'091'428	6'891'192	6'673'251	100%	100%
Dr. Reddy’s Laboratories Philippine	Philippine	200'000	176'789	200'000	193'675	99.99%	99.99%
Dr. Reddy’s Taiwan Ltd	Taiwan	477'332	421'935	406'984	394'112	100%	100%
Dr. Reddy's Laboratories (Thailand)	Thailand	481'540	425'654	481'540	466'311	99.99%	99.99%
Dr. Reddy's (Beijing) Pharmaceuticals	China	999'990	883'935	-	-	100%	0.00%
Total investments in subsidiaries		402'682'748	355'948'999	398'972'010	386'354'121		

On 4 May 2020 Dr. Reddy's Laboratories SA has invested an amount of EUR 1.5m (USD 1.64m) in Lacock Holdings limited towards 100% shares.

On 17 June 2020 Dr. Reddy's Laboratories SA has invested an amount of USD 1m in Dr.Reddys Laboratories Chile SPA towards 100% shares.

On 16 September 2020 Dr. Reddy's Laboratories SA has invested an amount of TWD 2,000,000 (USD 70,348) in Dr. Reddy's Laboratories, Taiwan Ltd towards 100% of shares.

* On 26 Oct 2020 Dr. Reddy's Laboratories SA has an contribution agreement with Dr. Reddys Laboratories Inc for transfering the investment in Dr.Reddys laboratories New york to Dr.Reddys Laboroties Inc. Consequently USD 46,483,953 investment tranferred towards 100% shares and grouped in Dr.Reddys Laboratories Inc.

On 12 November 2020 Dr. Reddy's Laboratories SA has invested an amount of USD 999,990 in newly incorporated Dr.Reddys Beijing Pharmaceuticals, China towards 100% of shares.

3 Other information

3.1 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 50.

3.2 Audit Fees

	Dec 2020	Dec 2020	Dec 2019	Dec 2019
	USD	CHF	USD	CHF
Audit services	54'958	48'580	54'778	47'468
	54'958	48'580	54'778	47'468

3.3 Relevant currency for the business

In accordance with Article 958a para. 4 CO the company converted the balance sheet, income statements and financials within the notes for presentation purposes from the relevant currency for the business into the presentation currency. The general foreign currency rate applied was 0.883944 USD/CHF. The equity was translated with a historical foreign currency rate of 0.97508 USD/CHF, with new preference shares at 0.996602. The resulting translation difference is presented in the retained earnings.

3.4 Guarantees

In the ordinary course of business, the Company gives credit or performance guarantees to Banks or third parties. Based on the existing guarantee agreements payments by Dr. Reddy’s Laboratories Ltd. would be triggered in case the financial obligations could not be fulfilled. The nominal amount outstanding at 31st December 2020 was USD 6m (CHF 5.3m) (2019: USD 5.9m (CHF 5.7m)).

3.5 Subsequent event

There were no subsequent events after 31 December 2020 that require amendment or disclosure in these financial statements.

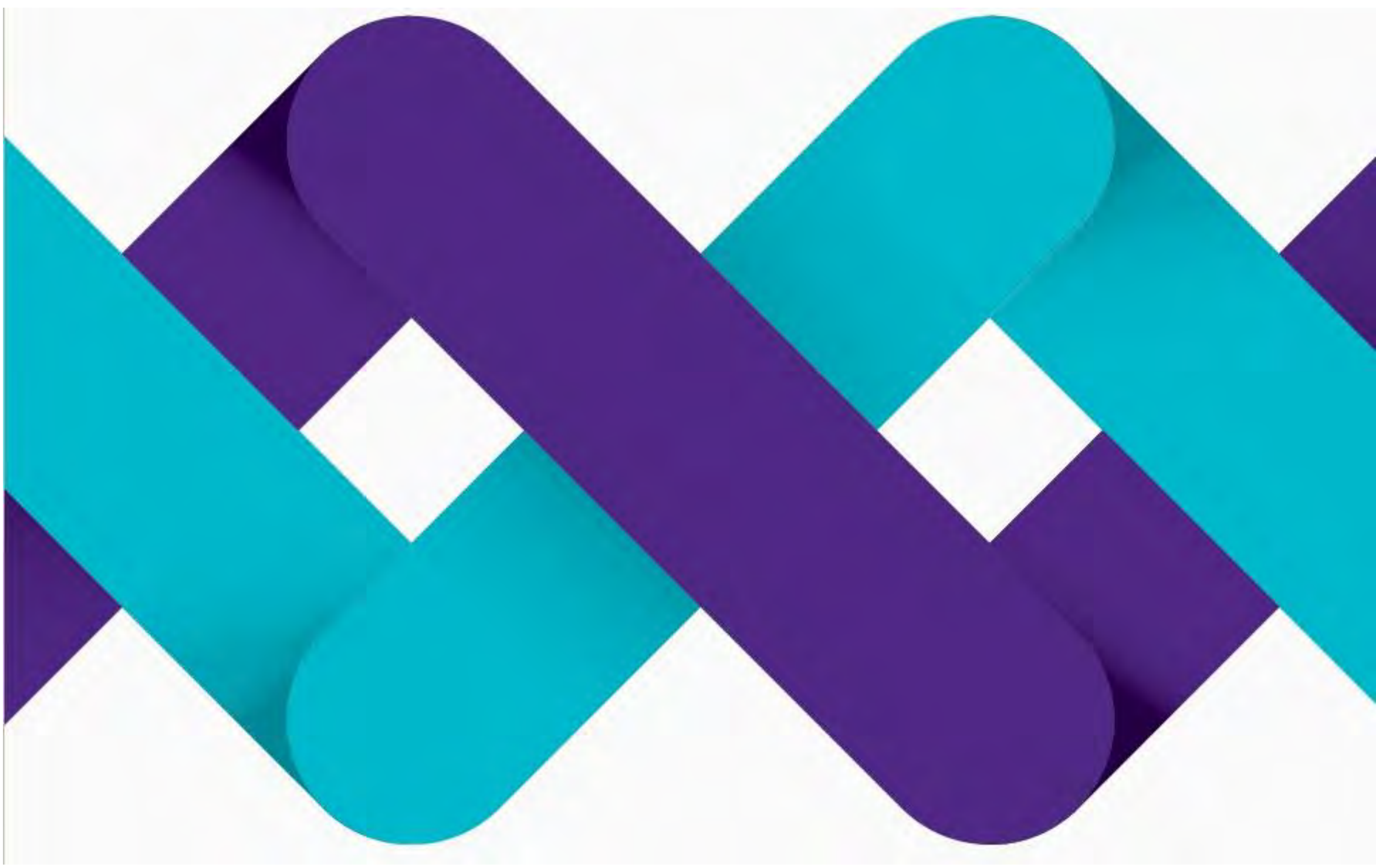
Dr. Reddy's Laboratories Ltd, Basel

Proposed Appropriation of Available Earnings	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
	USD	USD	CHF	CHF
Retained earnings brought forward	154'519'849	416'228'905	177'416'962	430'713'537
Profit or (loss) for the year	(33'831'040)	(261'568'955)	(29'904'744)	(253'296'575)
DRL SA International Merger profit/(Loss)	-	(140'101)	-	(135'670)
Dividend payout	(6'830'980)	-	(6'500'000)	-
Foreign exchange translation difference			(86'034'149)	(35'011'097)
Available earnings	113'857'829	154'519'849	54'978'068	142'270'195
The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:				
Dividend on preference shares	7'353'407	6'712'283	6'500'000	6'500'000
To be carried forward	106'504'422	147'807'567	48'478'068	135'770'195
	113'857'829	154'519'849	54'978'068	142'270'195

Financial Statements As of December 31, 2020 along with the Statutory Auditor's Report

DR REDDY`S LABORATORIES S.A.S.

(With comparative figures as of December 31, 2019)



Contents

Report of Statutory Auditor

Servicios de Auditoría y Consultoría de Negocios S.A.S.

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To the shareholder of
Dr. Reddy´s Laboratories S.A.S.

Opinion

I have audited the financial statements of Dr. Reddy´s Laboratories S.A.S. (the "Company"), which includes the statement of financial position as of December 31, 2019, and the corresponding statements of income, changes in equity and cash flows, for the years ended on these date, together with their respective notes, which include the summary of significant accounting policies.

In my opinion, the financial statements referred to in the preceding paragraph, faithfully taken from the accounting records and attached to this report, fairly present, in all aspects of material importance, the financial position of Dr. Reddy's Laboratories S.A.S. as of December 31, 2020, as well as the results of its operations and its cash flows corresponding to the year ended on that date, in conformity with the Accounting and Financial Reporting Standards (Group 2 - IFRS SMEs).

Basis of Opinion

I have conducted my audit in accordance with the International Standards on Auditing. My responsibility under those standards is described below in the section of my report entitled Responsibilities of the Statutory Auditor in connection with the audit of the financial statements.

I am independent from the Company and have complied with the ethical requirements and other responsibilities applicable in Colombia, for the audit of the financial statements.
I believe that the audit evidence I have obtained provides a sufficient and appropriate basis for the opinion expressed above.

Grant Thornton

Responsibilities of the Company's Management and those charged with governance in relation to the financial statements

The Company's Management is responsible for: a) Preparing and presenting the accompanying financial statements and their explanatory notes, in accordance with the Accounting and Financial Reporting Standards (Group 2 - IFRS SMEs); b) Overseeing the financial reporting process; c) Assessing the Company's ability to continue as a going concern, making appropriate disclosures and using the going concern accounting principle, except if the Company's shareholders intend to liquidate the Company or cease operations, or there is no other realistic alternative; and e) Designing, implementing and maintaining the relevant internal control for the preparation and presentation of financial statements, so that they are free from material misstatements, whether due to fraud or error, as well as, to select and apply appropriate accounting policies and establish accounting estimates that are reasonable in the circumstances.

Responsibilities of the Statutory Auditor in connection with the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. The concept of reasonable assurance represents a high degree of assurance, but does not guarantee that an audit, conducted in accordance with International Standards on Auditing, 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 the financial statements.

As part of an audit in accordance with International Standards on Auditing, I applied my professional judgment and maintained an attitude of professional skepticism throughout the audit. Also:

a). I Identified and assessed the risks of material misstatement in the financial statements, whether due to fraud or error; I designed and applied audit procedures to respond to those risks; and obtained sufficient appropriate audit evidence to provide a basis for my opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud can involve collusion, forgery, intentional omissions, intentionally misstatements, or the circumvention of internal control.

b). I evaluated the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and the corresponding information disclosed by the Management.

c). I concluded on the appropriateness of the Management’s use of the going concern accounting principle and, based on the audit evidence obtained, I concluded on whether or not there is a material uncertainty related to events or conditions that may cast significant doubts on the Company's ability to continue as a going concern. If I had concluded that a material uncertainty exists, I would have been required to draw attention in my report to the corresponding information disclosed in the financial statements or, whether or not such disclosures were adequate to express my corresponding opinion.

d). My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to be a going concern. I communicated with those charged with governance of the Company regarding, among other matters, the scope and timing of the audit and the significant findings identified, as well as any significant deficiencies in internal control established during the course of the audit.

Opinion on whether internal control measures and compliance with other legal and regulatory requirements are in place and adequate

The Commercial Code and other legal provisions establish the obligation to pronounce myself on: a) whether the actions of the Company's administrators are in accordance with the bylaws and the orders or instructions of the assembly; b) Whether the correspondence, the account vouchers and the minute books and share registry books, in its case, are properly kept and maintained; c) whether there are and are adequate the internal control measures, conservation and custody of the company’s assets and those of third parties in its possession; d) whether the management report of the Administration is duly consistent with the separate financial statements; e) whether the Company has made the settlement and timely payment to the Comprehensive Social Security System; and f) If the administrators left a record in the management report that they did not interfere with the free circulation of the invoices from their suppliers of goods and services.

In compliance with this legal mandate, I carried out the audit tests that I considered necessary in the circumstances, among others, the following: a) Reading of the minutes of the General Shareholders' Meeting and follow up on compliance with their orders or instructions by the company’s administrators; b) Review and monitoring of the Company's directors' compliance with the Company's bylaws; c) Review of the procedures for handling correspondence, account vouchers and minute books and share registry books; d) Review of the degree of compliance by the administrators with the legal regulations related to the preparation of financial statements, the hiring of personnel and the preparation and presentation of tax returns; and e) Review of the adequacy of the internal control measures taken by the Company for the conservation and custody of the company’s assets and those of third parties in its possession. I consider that the procedures carried out for my evaluation are a sufficient basis for expressing the conclusion that I state below.

The internal control, conservation and custody measures of the Company's and third parties' assets are processes carried out by those in charge of corporate governance, management and other personnel, established, among other reasons, to provide reasonable assurance regarding the preparation of reliable financial information, compliance with legal and internal regulations and the achievement of a high level of effectiveness and efficiency in operations.

The internal control, conservation and custody measures for the Company’s assets and those of third parties in its possession, include policies and procedures that: a) Allow the maintenance of records that, in reasonable detail, accurately and adequately reflect the transactions and dispositions of the Company's assets; b) Provide reasonable assurance that transactions are recorded as necessary, to permit the preparation of financial statements in accordance with the applicable regulatory technical framework and that the Company's income and disbursements are being processed in accordance with the authorizations of the Company’s administration and those in charge of corporate governance; c) Provide reasonable assurance in relation to the prevention, detection and timely correction of unauthorized transactions and the use or disposal of the Company's assets, which could have a significant effect on the financial statements; and d) Ensure compliance with the legal regulations that affect the Company, as well as the bylaws and the governing bodies and the achievement of the objectives proposed by the management, in terms of organizational efficiency and effectiveness.

Because of inherent limitations, including the possibility of collusion or omission of internal control measures by management, internal control measures may not prevent or detect and correct material errors. Also, the projections of any evaluation or effectiveness of the internal control measures for future periods are subject to the risk that such measures may become inadequate due to changes in conditions or that the degree of compliance may deteriorate.

Based on my review, the evidence obtained from the work carried out described above and subject to the inherent limitations raised, in my capacity as Statutory Auditor I report that during the year 2020:

a) The Company kept its accounting records in accordance with legal regulations and accounting technique; the transactions recorded in the books were adjusted to the bylaws and the decisions of the Shareholders' Meeting.

b) Correspondence, account vouchers, minute books and share registry books were duly kept and preserved.

c) The internal control, conservation and custody measures for the Company's assets and those of third parties in its possession are in place and adequate.

d) The management report that the Management presents for the consideration of the highest corporate body, is duly consistent with the financial statements and their explanatory notes.

e) The Company has made the settlement and timely payment to the Comprehensive Social Security System.

f) I have no evidence of restrictions imposed by the Company's Administration on the free circulation of invoices from its vendors or suppliers of goods and services.

Other matters

The financial statements as of and for the year ended December 31, 2019 are presented exclusively for comparative purposes, which were audited by me, in whose report dated March 26, 2020, I expressed an opinion without qualifications.

CLAUDIA PILAR ROMERO S.
Statutory Auditor
Professional Card No 157.592-T
Representing Servicios de Auditoría y Consultoría de Negocios S.A.S.

March 23, 2021 Bogotá, D.C., Colombia

2021 - 1932

Dr. Reddy´s Laboratories SAS
Financial statements

Certification of Financial Statements

Avinash Mishra acting as Legal Representative and María Elena Aponte as Accountant of Dr. Reddy's Laboratories S.A.S., we declare that the financial statements: statement of financial position as of December 31, 2020, income statement, statement of changes in equity, and the statement of cash flows, together with their explanatory notes for the year ended December 31, 2019, were prepared based on International Financial Reporting Standards, applied comparatively with the previous year, ensuring that they reasonably present the financial situation at December 31, 2020.

- We also confirm that:

- The figures included in the aforementioned financial statements and in their explanatory notes were faithfully taken from records that support the accounting of Dr. Reddy's Laboratories S.A.S.

- There have been no irregularities involving members of the administration that may have a material relative effect on the financial statements or their explanatory notes.

- We ensure the existence of quantifiable assets and liabilities, as well as their rights and obligations recorded in accordance with document cuts, accumulation and accounting compensation of their transactions in the year ended December 31, 2019 and evaluated under methods of recognized technical value.

- We confirm the integrity of the information provided, with respect to the fact that all the economic facts have been recognized in the financial statements and their explanatory notes.

- The economic events have been recorded, classified, described and disclosed within the financial statements or their explanatory notes including the encumbrances and restrictions of the assets, real liabilities and contingencies, as well as the guarantees that have been given to third parties.

- The information contained in the self-assessment forms for contributions to the general comprehensive social security system is correct, according to the legal provisions, Dr. Reddy's Laboratories S.A.S., is not in default for contributions to the aforementioned system.

- There have been no events subsequent to December 31, 2020 that require adjustment or disclosure in the Financial Statements or in their explanatory notes.

Cordially,

Avinash Mishra	María Elena Aponte
Legal Representative	Accountant T.P. 267.891 –T

Bogotá, D.C.
March 23, 2021

Financial Situation Statement

As of December 31, 2020
With comparative figures as of December 31, 2019
(Figures expressed in thousands of Colombian pesos)

	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	**6**	**4,273,670**	1,281,332
Trade accounts receivable and other accounts receivable	**7**	**10,537,573**	10,709,245
Current tax assets	**8**	**1,423,136**	938,774
Inventories	**9**	**6,423,679**	3,328,437
Non-current assets		**22,658,058**	16,257,788
Properties, plant and equipment			
Deferred tax assets	**10**	**500,901**	614,159
Total non-current assets	**14**	**658,071**	336,118
Total assets		**1,158,972**	950,277
Non-current assets		**23,817,030**	17,208,065
LIABILITIES AND EQUITY			
Total non-current assets			
Trade accounts payable and other accounts payable	**12**	**12,217,465**	7,920,614
Current tax liabilities	**13**	**28,114**	11,130
Employee benefits	**15**	**563,778**	230,027
Total current liabilities		**12,809,357**	8,161,771
Non-current Liabilities			
Other debt liabilities	**11**	**3,869,278**	3,604,854
Total Non-current Liabilities		**3,869,278**	3,604,854
Total Liabilities		**16,678,635**	11,766,625
Equity	16	**7,138,395**	5,441,440
Total equity		**7,138,395**	5,441,440
Total liabilities and equity		**23,817,030**	17,208,065

Avinash Mishra
Legal Representative
(See attached Certification)

Maria Elena Aponte Mendoza
Accountant P.C. No 267891-T
(See attached Certification)

Claudia Pilar Romero
Statutory Auditor P.C. No. 157592-T
Assigned by Servicios de Auditoría y Consultoría de Negocios S.A.S.

(Ver See attached report)

Income Statement

For the period from January 1 through December 31, 2020
With comparative figures to the period from January 1 to December 31, 2019.
(Figures expressed in thousands of Colombian pesos)

	Notes	2020	2019
Ordinary activities income	**17**	**26,569,216**	23,075,988
Sales cost	**18**	**(16,481,389)**	(11,904,650)
Gross profit		**10,087,827**	11,171,338
Administration expenses	**19**	**(7,440,642)**	(7,560,794)
Sales expenses - ICA Tax		**(126,496)**	(109,531)
Financial expenses	**20**	**(779,625)**	(683,065)
Financial income		**0**	634
Profit before taxes		**1,741,064**	2,818,582
(Expense) for Income Tax	**13**	**(367,470)**	(799,584)
Income (expense) for deferred taxes	**14**	**321,954**	(142,843)
Net Profit for the year		**1,695,548**	1,876,155
Net profit per share - in thousands of pesos		**37.14**	41.09

Avinash Mishra
Legal Representative
(See attached Certification)

Maria Elena Aponte Mendoza
Accountant P.C. No 267891-T
(See attached Certification)

Claudia Pilar Romero
Statutory Auditor P.C. No. 157592-T
Assigned by Servicios de Auditoría y Consultoría de Negocios S.A.S.

(Ver See attached report)

Statement of Changes in Equity

For the period from January 1 through December 31, 2020
With comparative figures to the period from January 1 to December 31, 2019.
(Figures expressed in thousands of Colombian pesos)

	Subscribed and paid capital	Results from previous fiscal years	Net (loss) profit for the year	Total
Balance as of December 31, 2019	**4,565,700**	**(892,643)**	**(107,772)**	**3,565,285**
Transfer of results from previous years	0	(107,772)	107,772	0
Net profit of the year	0	0	1,876,155	1,876,155
Balance as of December 31, 2019	**4,565,700**	**(1,000,415)**	**1,876,155**	**5,441,440**
Transfer of results from previous years	**0**	**1,876,155**	**(1,876,155)**	**0**
Prior period adjustments	**0**	**1,407**	**0**	**1,407**
Net profit of the year	**0**	**0**	**1,695,548**	**1,695,548**
Balance as of December 31, 2020	**4,565,700**	**877,147**	**1,695,548**	**7,138,395**

Avinash Mishra
Legal Representative
(See attached Certification)

María Elena Aponte
Accountant P.C. No 267891-T
(See attached Certification)

Claudia Pilar Romero
Statutory Auditor P.C. No. 157592-T
Assigned by Servicios de Auditoría y Consultoría de Negocios S.A.S.
(See attached report)

Cash Flow Statements (Indirect Method)

For the period from January 1 through December 31, 2020
With comparative figures to the period from January 1 to December 31, 2019.
(Figures expressed in thousands of Colombian pesos)

	2020	2019
Net profit for the year	**1,695,548**	1,876,155
Adjustments for income and expenses that did not require use of cash:		
Depreciation of property, plant and equipment	**140,775**	134,528
Deterioration of debtors	**2,683**	35,908
(Recovery) impairment of inventories, net	**(136,156)**	297,280
Difference in change, net	**444,278**	455,403
Deferred tax of the period	**(321,954)**	142,843
(Increase) in commercial accounts and other receivable accounts	**(315,372)**	(2,536,894)
(Increase) decrease in inventories	**(2,959,086)**	1,111,074
Increase) decrease in commercial accounts and other payable accounts	**3,852,573**	(846,832)
Increase in current taxes payable	**16,984**	1,652
Increase in liabilities for employee benefits	**333,751**	15,499
Net cash provided by operating activities	**2,754,024**	686,616
Cash flows provided (used) in investing activities		
Fixed asset purchases	**(27,517)**	(285,430)
Net adjustments and reclassifications in fixed assets	**0**	899
Net cash (used) from investing activities	**(27,517)**	(284,531)
Cash flows provided by (used in) financing activities		
Increase in other debt liabilities	**264,424**	30,130
Adjustments to shareholders' equity of prior periods	**1,407**	0
Net cash provided by financing activities	**265,831**	30,130
Net increase (decrease) in cash and cash equivalents	**2,992,338**	432,215
Cash from and cash equivalents at the beginning of the year	**1,281,332**	849,117
Cash and cash equivalents at the end of the year	**4,273,670**	1,281,332

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Accounting Policies and Explanatory Notes to the Individual Financial Statements

As of December 31, 2020
(With comparative figures as of December 31, 2019)
Expressed in thousands of Colombian pesos

Note 1. General Company Information

Dr. Reddy`s Laboratories S.A.S. is a joint stock company based in Colombia. The domicile of its registered office and principal place of business is the city of Bogotá. The term of its legal duration is indefinite.

Its main activity is the manufacture, distribution and sale in the territory of the Republic of Colombia or abroad of any type of vaccines, chemical, pharmaceutical, functional food, cosmetic and physiological products, reagents, antibiotics for human use.

Ongoing business

In preparing the financial statements, the management has evaluated the ability of Dr. Reddy's Laboratories S.A.S. to continue operating, considering all the information available on the future, which covers at least the following twelve months from the date on which it is reported, without limiting itself to said period, concluding that the Company will continue operating and not will have significant changes in the financial statements figures, which have been determined under the ongoing concern principle.

Effects of Covid-19 on the Company's operation during 2020

As a result of the pandemic generated by Covid 19, the Company was affected as follows:

a. The sale of products did not occur on time due to the fact that the importation of inventory presented difficulties at origin, as a result of backorders, although there was not a total decrease in income, this situation did lead customers to seek product from other companies.

b. The cost of inventory increased due to the increase in the exchange rate, which is not only attributable to the pandemic generated by Covid 19, but also to the significant drop in the price of oil.

c. Financial expenses increased due to the outflow of money, since the payment of obligations with the main supplier located abroad was maintained, issuing more pesos for one dollar, which reached a maximum of COP $ 4,153.91.

d. Interest and exchange difference financial expenses were recorded for a total amount of $547,948, which are not part of the cost of sales, since they correspond to items not attributable to cost.

In spite of the above, the Company did not have a loss, due to the inclusion of new products that allowed for an improvement, obtaining positive results, closing the year with a profit of 1,695,548.

Note 2. Declaration of compliance with the IFRS for SMEs

The individual financial statements of the Company Dr. Reddy's Laboratories S.A.S, corresponding to the years ended on December 31, 2020 and 2019 have been prepared in accordance with the Accounting and Financial Reporting Standards adopted in Colombia (NCIF), established in the Law 1314 of 2009, for preparers of financial information belonging to Group 2, regulated by the Single Regulatory Decree 2420 of 2015 modified by Decree 2496 of 2015. The NCIF are based on the International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs), issued by the International Accounting Standards Board (IASB). The base standard corresponds to that translated into Spanish and issued as of December 31, 2015 by the IASB.

Note 3. Summary of significant accounting policies

3.1. General considerations

The main accounting policies that have been used in the preparation of these financial statements are summarized below:

3.2. Currency

3.2.1. Functional and presentation currency

Functional currency: Colombian pesos

The functional currency of the Company is the Colombian peso, given that it is the currency of the main economic environment in which it generates and uses cash. Therefore, the accounting records and reporting of financial statements are presentation in Colombian pesos.

3.2.2. Transactions and balances in foreign currency

Transactions with foreign currencies are translated into Colombian pesos using the exchange rates prevailing on the dates of the transactions (spot exchange rate). Exchange gains and losses resulting from the liquidation of such operations and the modification of the measurement of monetary items at the exchange rate at the end of the year are recognized in income as income or expenses for exchange differences. The dollar peso exchange rate as of December 31, 2020 was COP 3,432.20 per USD 1 (2019 – COP 3,277.14 for each USD 1) and the average dollar peso exchange rate for 20120 was COP 3, 693.36 for each USD 1 (2019 - COP 3,281.09 for each USD 1).

3.3 Cash and cash equivalents

Cash is included in all monies that the Company has available for its immediate use in cash, checking accounts and savings accounts and are kept at their nominal value.

Investments with a maturity of less than three months, highly liquid and held to fulfill short-term payment commitments are included in the cash equivalents; they are valued at market prices.

3.4 Financial instruments

3.4.1 Accounts receivable

Sales are made under normal credit conditions without accruing interest, for this reason, the accounts receivable are initially recognized at their transaction price. Subsequently, they are measured at amortized cost using the effective interest method, less accumulated impairment.

When there is objective evidence that the amounts recorded for accounts receivable are not recoverable, the impairment loss is recognized in Income or results.

3.4.2 Financial obligations

Financial obligations are recognized when the Company receives the proceeds of the loan and they are measured at initial recognition at their nominal value, net of the costs incurred in the transaction. In their subsequent measurement, they are valued at amortized cost based on the debt's effective interest rate. Any difference between each valuation is recognized as financial expenses.

Financial obligations are removed from the liability when they are paid, settled, or expired.

3.4.3 Suppliers and accounts payable

Suppliers and accounts payable correspond to obligations agreed in normal credit conditions and have no interest. They are recognized when the Company has acquired an obligation generated by receiving the risks and benefits of purchased goods or by receiving the agreed services, measuring them by the value agreed with the supplier. They are subsequently measured at amortized cost.

3.4.4 Withdrawal of financial assets

Financial assets are removed from the financial statements when the contractual rights to receive the cash flows from the asset expire, or when the financial asset and substantially all the risks and benefits have been transferred. Usually, this occurs when the money is received as a result of the settlement of the instrument or the payment of the debit balance.

If the Company does not transfer or substantially retain all the risks and advantages inherent to the property and continues to retain control of the transferred asset, it recognizes its participation in the asset and the associated obligation for the amounts it has to pay. If it retains substantially all the risks and advantages inherent in the ownership of a transferred financial asset, it continues to recognize the financial asset and, also recognizes a collateral loan for the income received.

The difference between the book value of the financial asset and the value of the consideration received and to be received is recognized in the results.

3.4.5 Impairment of financial assets

All financial assets, except those that are carried at fair value through profit or loss, are reviewed for impairment at least at the end of each year to determine if there is objective evidence of their impairment.

Significant accounts receivable are considered for impairment analysis on an individual basis when those accounts are past due or when there is objective evidence that a customer will default as a result of one or more events occurring after the initial recognition of the asset that impact the estimated future cash flows of the debt balance. Other accounts receivable are analyzed collectively by grouping them according to similar credit risk characteristics.

If there is objective evidence that an impairment loss has been incurred, the future cash flows to be recovered are estimated by means of an analysis and projection that considers the impairment probability and the estimate of the value that will not be recovered based on the analysis of all the factors that affect the financial asset. When the present value of the estimated future cash flows to be recovered, discounted using the original effective interest rate of the asset is less than the carrying value of the financial asset, an impairment loss is recognized in a sub-account of the asset with a charge to the profit and loss for the period.

If, in a subsequent period, the value of the impairment loss decreases as a consequence of an event that occurred after the impairment was recognized, the reversal of the impairment loss is recognized in profit or loss.

3.5 Inventories

Dr. Reddy's Laboratories S.A.S., recognizes as inventories the goods acquired for which it is expected to obtain economic benefits in future periods, through their use (consumption) and / or sale.

Inventories are measured at the lower of the cost and their estimated sales price minus the costs of termination and selling expenses, using the average method. The cost includes the net purchase cost of discounts, rebates and similar plus all necessary expenses incurred to give them their condition and location. In the case of manufactured products, the costs include the expenditures causally related to their production and a part of the fixed indirect costs assigned based on the normal production capacity.

In the case of imports, their purchase cost is recognized at the exchange rate of the date on which the risks and benefits of the inventory are received.

Inventories are evaluated for impairment at each reporting date. When the selling price less costs of completion and selling costs is less than the carrying value of inventories, a loss is recognized immediately in income and presented in cost of sales or expense as appropriate.

3.6 Properties, plant, and equipment

The elements of property, plant and equipment are initially measured at cost, which includes the purchase price, net of discounts and rebates, plus all costs directly attributable to the location of the asset in the place and conditions necessary for it to be able to operate in the manner intended by management.

Depreciation is calculated on the depreciable amount of the asset, using the straight-line method based on the following useful life:

Type of asset	Useful life in years
Vehicles	4 years
Telecommunications equipment	3 years
Office equipment	8 years
Computer equipment	3 years
Improvements in third party's property	8 years

The useful life of the assets is reviewed annually, and if there are significant changes, the depreciation is revised prospectively to reflect the new expectations.

Expenses for minor repairs, normal maintenance of the assets and all those activities that maintain the service and ability to use the asset under normal conditions are charged to expenses of the period.

Spare parts, auxiliary equipment and permanent maintenance equipment are recognized as properties, plant, and equipment when their use is expected to be more than one year, and their individual value exceeds 1 valid legal monthly salary in force (SMMLV). Otherwise they are treated as expenses.

The expenditures for minor repairs, normal maintenance of assets and all those activities that maintain the service and ability to use the asset in normal conditions are charged to expenses for the period.

The book value of an item of property, plant and equipment is withdrawn from the assets when it is sold or assigned to a third party, transferring the risks and benefits and / or when it is not expected to obtain future economic benefits from its use or sale. Gains or losses arising from this withdrawal are recognized in income as part of "other income or other expenses," as appropriate.

3.7 Impairment of the non-financial assets value

At the end of each year, the Company evaluates whether there is any indication of impairment of the value of an individual asset to the extent that it generates cash flows independently, or cash generating units. If there are indications of a possible impairment, the recoverable value of any affected asset (or cash generating units) is estimated and compared with its book value, except for capital gains. If the estimated recoverable value is lower than the net book cost of the asset (individual or cash generating unit), its carrying amount is reduced to the estimated recoverable value, and a loss for impairment is recognized, which is recorded in the results as expenses or through a decrease in the surplus for revaluation of assets, if any.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) increases until the revised estimate of its recoverable value, without exceeding the value that would have been determined had no loss been recognized for impairment of value of assets in previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.8 Leases

The Company acting as lessee classifies a lease as a finance lease if substantially all the risks and benefits incidental to ownership of the leased asset are transferred to it. Therefore, at the beginning of the lease, an asset (property, plant and equipment, intangible assets or investment property, as applicable) is recognized at the fair value of the leased asset or, if it is less than the present value of the minimum lease payments. A similar value is recognized as a financial lease liability within the financial obligations.

The lease payments are divided between the financial charge and the reduction of the lease obligation, in order to achieve a constant interest rate on the remaining balance of the liability. The financial charge is recognized as financial expenses in the income statement.

For the assets held in finance leases the policies are applied in the same way as for the assets that are owned by the Company.

The rest of the leases are treated as operating leases, proceeding to recognize the quotas agreed on in the result of the period on a straight-line basis over the term of the lease.

3.9 Income tax

The tax expense recognized in the income of the period includes the sum of the current taxes for the concept of the current income tax and the surtax to the income and supplementary tax, and the deferred tax. The current income tax and the surcharge are calculated based on the net income, using the tax laws enacted and in force on the annual closing date, which differs from the accounting income reflected in the financial statements.

Assets and / or liabilities for current taxes comprise the obligations or claims of the tax authorities in relation to the periods of current or previous reports that are pending payment at the annual closing date. The Management periodically evaluates the position assumed in the tax returns, regarding situations in which the tax laws are subject to interpretation. The Company, when applicable, recognizes the amounts it expects to have to pay to the tax authorities.

Deferred tax assets and liabilities are calculated based on temporary differences between the book value of assets and liabilities and their tax base, to the that they are expected to increase or decrease the taxable profit in the future.

Deferred tax assets and liabilities are calculated, without discounting, at the tax rates expected to be applied in the respective period of realization. The deferred tax is recognized in profit or loss for the period, except in the case of items that are recognized in equity or in other comprehensive income, in which case the tax is also recognized in equity or in other comprehensive income, respectively.

The deferred tax asset is only recognized to the extent that the existence of future tax benefits against which the temporary differences that generate it are probable. The foregoing is determined based on the Company's projections on future operating results, adjusted for significant items that are reconciled for the fiscal result and for the limits on the use of tax losses or other fiscal assets pending application.

The book value of deferred income tax assets is reviewed on each reporting date and adjusted as necessary to reflect the current assessment of future tax earnings.

3.10 Employee benefits

The Company's labor obligations include short-term benefits..

3.10.1 Short-term benefits

The short-term benefits include salaries, severance, vacation, legal premium, interest on severance and all those items that remunerate the service provided by employees to the Company and that are expected to be fully liquidated before the twelve months following the annual closing date in which is informed that the employees have provided the related services.

These benefits are recognized to the extent that the employee provides services to the Company and are measured by the value established in the labor standards and / or in the individual agreements established between the employee and the Company.

3.11 Provisions and contingencies

Provisions comprise estimates of probable and quantifiable losses for claims on the Company and provision for decommissioning. Their recognition is made when there is a present legal or assumed obligation as a result of past events, it is probable that the outflow of resources will be required for payment and its value can be estimated reliably.

Provisions are measured at the present value of the disbursements that are expected to be required to settle the obligation, using the average interest rate of the Company's bank credits as the discount rate. The existing provisions are updated annually, and their value is recognized as financial expenses in the part that reflects the passage of time and as expenses the part that reflects an adjustment in the estimate of the provision.

The contingencies of profits in favor of the Company are not recognized until the certainty of obtaining the economic benefit of them is assured.

3.12 Issued capital

The share capital represents the nominal value of the shares that have been issued.

Incremental costs directly attributable to the issuance of new shares are recognized in equity as a deduction from the amount received, net of taxes.

Dividends distributions payable to shareholders are recognized as accounts payable when the dividends are declared by the Shareholders' Meeting.

3.13 Reserves

Appropriations authorized by the General Shareholders' Meeting are recorded as reserves, charged to the results of the year for compliance with legal provisions, by-laws or by free disposal (voluntary). Its recognition is made, at the moment, in which the Shareholders' Meeting approves the appropriation.

3.14 Recognition of revenue from ordinary activities

Revenues are measured by reference to the fair value of the payment received or to be received from the goods supplied or the services provided by the Company, net of rebates, commercial discounts and the like. The accounting policy for each income group is as follows:

3.14.1 Product sales

Revenues from ordinary activities from the sale of products in the country are recognized when the goods are delivered and the ownership has changed, which occurs with the actual delivery of the goods.

The measurement of revenues is made at the price agreed between the parties, net of discounts, rebates and similar. When a term for payment is granted or the sale is financed beyond one year, revenue is determined by discounting (present value) all future collections, using an imputed interest rate for discounting. The difference between this value and the nominal value of the consideration is recognized as interest income on the term granted.

3.15 Recognition of costs and expenses

The Company recognizes its costs and expenses to the extent that economic events occur in such a way that they are systematically recorded in the corresponding accounting period (accrual), regardless of the time of payment.

3.16 Classification into current and non-current assets and liabilities

The Company classifies as current assets those items that: i) Expects to make, sell or consume in its normal operating cycle, which is 12 months, ii) Maintains mainly for trading purposes, iii) Expects to perform within the following twelve months after the reporting period, or iv) They are cash or cash equivalent. All other assets are classified as non-current.

The Company classifies as current liabilities those items that: i) Expects to settle in its normal operating cycle, which is 12 months, ii) Maintains mainly for trading purposes, iii) They must be settled within twelve months following the date of the period reported, or iv) They do not have an unconditional right to postpone their payment at least in the twelve months following the closing date. All other liabilities are classified as non-current.

Note 4. Key assumptions of the uncertainty in the estimation

When preparing financial statements, the Management assumes a series of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income, and expenses. These judgments and estimates are evaluated periodically based on experience and other factors. Actual results may differ from the estimates made and may require significant adjustments in the book value of the affected assets and liabilities. The most significant estimates correspond to:

4.1. Debtor impairment

The situation of each debtor at the date of the financial statement is considered, as well as his characteristics, maturities, financial difficulties, economic environment in which he /she operates, among others. The Company has updated financial information of each of its clients. Based on these analyses and information, for each debtor, the estimated future flows to be received are made, which are discounted at the debtor's original effective interest rate, thus finding the present value, which it is compared with the book value, being the difference the impairment of value.

The impairment of debtors may be modified in the future due to economic, legal and market situations affecting the debtors and their future payment.

4.2 . Inventory impairment

The net realizable values of the inventories are determined taking into consideration the most reliable evidence that is available at the date of the annual closing regarding the inventory status, expected sale prices, market situation, among others.

The future realization of these inventories may be affected by changes in the market, in technology and in the habits of consumers that can reduce sales prices.

4.3 Impairment of properties, plant and equipment

In the impairment assessment, the Company determines the recoverable value of each asset or cash generating unit based on the greater, between the use value and net fair value of the assets. In the determination of the use value, estimates of the expected future cash flows are made and an interest rate is determined to calculate its present value.

The uncertainty of the estimate is related to the assumptions about the future operating results generated by the asset, as well as the determination of an adequate discount rate. On the other hand, the fair value of the assets may be affected by changes in the market or in the conditions and use of the assets.

4.4 Provisions

The estimation of the provisions to meet probable and quantifiable litigation is made based on the status of each process and the determination of possible outcomes using the legal criteria provided by the Company's attorneys at the closing date. The information may change in the future in accordance with the decisions of the judges and the existence of new information of each lawsuit.

4.5 Income tax and deferred income tax

The tax expense recognized in the results of the period includes the sum of current income tax and the deferred tax. The current income tax is calculated based on the net income, respectively, in accordance with the tax legislation in force at the closing date of the financial statements.

Deferred tax assets and liabilities are calculated on the temporary differences between the book value of assets and liabilities and their tax base, to the extent that they are expected to increase or decrease the taxable profit in the future.

The book value of deferred income tax assets is reviewed on each reporting date and adjusted as necessary to reflect the current assessment of future tax earnings.

Note 5. Objectives and risk management policy

The Company is exposed to various risks related to financial instruments, such as liquidity, currency, interest rate and credit risks. The Company's financial risk management is analyzed by management and focuses on securing the Company's cash flows in the short and medium term, minimizing its exposure to changes in financial markets.

The Company does not carry out trading activities for speculative purposes, nor does it engage in hedging operations.

For each of the financial risks, the available quantitative and qualitative information is analyzed, such as:

- Exposures to risk and how they arise.
- The objectives, policies and processes for risk management, as well as the methods used to measure it.
- Summarized quantitative data about their risk exposure at the closing of 2020.
- Risk concentrations

Liquidity risk

Liquidity risk is that the Company may not be able to meet its obligations, therefore, the expected cash flows of financial assets should be considered when evaluating and managing liquidity risk, particularly its cash resources and its accounts receivable. The Company manages its liquidity needs by monitoring the payments that must be made of both debt and interest; as well as preparing forecasts of cash inflows and outflows in weekly, monthly, quarterly and annual terms with horizons of up to five years. Liquidity requirements for 90, 180 and, 360-day terms are identified on a monthly basis. Net cash requirements are compared to the available loan facilities to determine the maximum extent or any shortfall. This analysis makes it possible to identify the loan facilities available and whether they are sufficient for the entire period analyzed.

The Company's existing cash resources and accounts receivable exceed the current cash flow requirements. Cash flows from customers and other accounts receivable expire contractually in the first six months.

As of December 31, 2019, the financial liabilities of Company Dr. Reddy’s Laboratories S.A.S., have contractual maturities (including interest payments when applicable) as summarized below:

	Current		Non-current		
	To six months	From six months to a year	From one year to five years	More than five years	As of December 31, 2020
Financial obligations	0	0	3,869,278	0	3,869,278
Suppliers	0	11,972,076	0	0	11,972,076
Trade accounts payable	245,389	0	0	0	245,389
Tax liabilities	28,114	0	0	0	28,114
Liability for employee benefits	563,778	0	0	0	563,778
Total	837,281	11,972,076	3,869,278	0	16,678,635

Current	To six months	From six months to a year	Non-current From one year to five years	More than five years	As of December 31, 2019
Financial obligations	0	0	3,604,854	0	3,604,854
Suppliers	0	7,717,776	0	0	7,717,776
Trade accounts payable	202,838	0	0	0	202,838
Tax liabilities	11,130	0	0	0	11,130
Liability for employee benefits	230,027	0	0	0	230,027
Total	**443,995**	**7,717,776**	**3,604,854**	**0**	**11,766,625**

Currency risk

Most of the Company's transactions are carried out in Colombian pesos. Exposures to exchange rates arise from purchases abroad that are basically denominated in United States dollars (USD).
To mitigate the Company's exposure to exchange rate risk, cash flows originating in foreign currency are monitored, as well as future commitments in those currencies, following established risk management policies. Generally, risk management procedures distinguish short-term foreign currency cash flows (maturing within 6 months or less), from longer-term cash flows (maturing after 6 months). When the amounts to be paid or collected in a specific currency are expected to offset each other, no other hedging activity takes place.

The financial assets and liabilities denominated in foreign currency that expose the Company to a foreign exchange risk is analyzed below:

	Dollars	Other currencies	As of December 31, 2020
Financial Obligations	(1,100	0	(1,100)
Suppliers	(3,488)	0	(3,488)
Net exposure	**(4,588)**	**0**	**(4,588)**

	Dollars	Other currencies	As of December 31, 2019
Financial Obligations	(1,100)	0	(1,100)
Suppliers	(2,355)	0	(2,355)
Net exposure	**(3,455)**	**0**	**(3,455)**

Interest rate risk

The Company's policy is to minimize exposure to interest rate risk on its cash flow in long-term financing. For this reason, the Company agreed to an interest rate of 2,25% APR. Interest recognized and accrued quarterly. The Company does not recognize the difference as it is certain that the parent company will not change the conditions initially agreed.

Credit risk

Credit risk is the risk that clients and other debtors will not make their payment to the Company, therefore its exposure to this risk is mainly due to the balances of cash and cash equivalents and all debtors.

The maximum exposure of credit risk by the Company is presented below according to the balances of the financial position statement:

	2020	2019
Cash and cash equivalents	4,273,670	1,281,332
Debtors clients	10,305,098	10,521,198
Employee loans	8,305	165,177
Other debtors	217,148	22,870
Total	14,804,221	11,990,577

The Company continuously monitors balances exposed to credit risk, individually or by group of debtors, and incorporates this information into its credit risk controls, when it is available at reasonable cost, external credit ratings and / or reports are made about customers and others and this information is used.

The Company considers that all the aforementioned financial assets that are neither impaired nor past due for each of the reporting dates under review, have a good credit quality due to the fulfillment of its agreements with clients.

The Company maintains certain accounts receivable that are in arrears but have not been considered impaired. The analysis of their age is as follows:

	2020	2019
Less than three months	**9,209,770**	9,774,083
From three to six months	**685,582**	560,535
From six months to a year	**409,746**	186,580
Total	**10,305,098**	10,521,198

Receivable accounts comprise a large number of customers in the drug industry and geographic areas. Based on historical information about customer default rates, management considers the credit quality of accounts receivable that are not past due or impaired to be good. Those debit balances that have been considered individually impaired correspond to third parties in insolvency, liquidation and restructuring law and have been originated from financial difficulties to cover their commitments and special agreements.

The credit risk for cash and cash equivalents is negligible, as the counterparties are reputable banks with high ratings from external rating companies.

Capital management policies and procedures

The Company's capital management objectives are: i). to ensure its continuity as a going concern; ii). to provide an adequate return to shareholders (or partners, as applicable).

With the above purpose, the Company determines its capital requirements in order to maintain an efficient overall financing structure, while avoiding excessive leverage, taking into consideration the subordination levels of the different classes of debt that it has. In addition, the Company manages the capital structure and adjusts it according to changes in economic conditions and the risk characteristics of the assets involved.

Note 6. Cash and cash equivalents

Cash and cash equivalents as of December 31 include the following components:

	December 31	
	2020	2019
Current:		
Cash	**1,204**	2,152
Domestic bank current accounts	**4,272,466**	1,279,180
Total	**4,273,670**	1,281,332

The cash and cash equivalents are no limitations on its use.

Nota 7. Commercial accounts receivable and other receivables

Commercial accounts receivable and other accounts receivable include:

		December 31	
		2020	2019
For sale of medicines		**11,262,395**	11,258,050
Deposits		**7,222**	7,222
Other accounts receivable		**225,253**	180,825
Minus: Future conditioned discounts	(1)	**(558,034)**	(340,272)
Minus: Accumulated impairment of accounts receivable	(2)	**(399,263)**	(396,580)
Total current		**10,537,573**	10,709,245

(1) Discounts are associated discounts for prompt payment, volume and commercial, which are effective upon receipt of payment

(2) The movement of impairment of accounts receivable for the years 2020 and 2019 is as follows:

	2020	2019
Initial balance January 1	**(396,580)**	(360,672)
Impairment of the year	**(2,683)**	(35,908)
Final balance December 31	**(399,263)**	(396,580)

The value of the year's impairment was recognized in the results of the period.

Note 8. Current tax assets

The balance of assets for taxes and contributions includes:

	December 31	
	2020	2019
Balance in favor of prior years	**816,384**	871,744
Balance in favor of income for the year (Note 13)	**593,226**	67,030
Industry and commerce tax withheld	**13,526**	0
Total	**1,423,136**	938,774

Note 9. Inventories

The balance of inventories includes:

	December 31	
	2020	2019
Goods in stock	**7,042,232**	4,083,146
Impairment	**(618,553)**	(754,709)
Total	**6,423,679**	3,328,437

In 2020, a total of COP 16,481,389 of inventories was included in results within cost of sales (2019 - COP 11,904,650). In 2019, an additional inventory balance of COP 1,407 was reported.

The following is the movement of inventory impairment:

	2020	2019
Initial balance January 1	**(754,709)**	(457,429)
Impairment of the year	**(196,201)**	(297,280)
Recovery of the year	**332,357**	0
Final balance December 31	**(618,553)**	(754,709)

Note 10. Properties, plant, and equipment

The balance of property, plant and equipment as of December 31 includes:

	2020	2019
Gross cost	**1,036,342**	1,008,825
Accumulated depreciation	**(535,441)**	(394,666)
Total	**500,901**	614,159

The movement of properties, plant and equipment for the years 2020 and 2019 is as follows:

	Office equipment	Computer equipment	Telecommunication equipment	Vehicles	Improvements in third parties' property	Total
Balance as of January 1, 2019	**45,257**	**44,315**	**853**	**19,533**	**354,198**	**464,156**
Purchases	23,600	85,038	0	154,990	21,802	285,430
Year's depreciation	(7,993)	(35,605)	(853)	(42,135)	(47,942)	(134,528)
Adjustments and reclassifications	0	(899)	0	0	0	(899)
Balance as of December 31, 2019	**60,864**	**92,849**	**0**	**132,388**	**328,058**	**614,159**
Purchases	3,254	22,964	1,299	0	0	27,517
Year's depreciation	(9,122)	(42,238)	0	(38,748)	(50,667)	(140,775)
Balance as of December 31, 2020	**54,996**	**73,575**	**1,299**	**93,640**	**277,391**	**500,901**

Note 11. Other debt liabilities

The balance of other debt liabilities includes:

Type of credit	EA Interest rate	Current December 31 2020	Current December 31 2019	No current December 31 2020	No current December 31 2019
For working capital **(1)**	**2.25%EA**			**3,869,278**	3,604,854
Total				**3,869,278**	3,604,854

(1) They are all originated in USD, for a total value of USD 1,100,000. For the month of April 2020 there was a decrease in the interest rate from 3% AE to 2.25% AE. This is based on clause No. 3 of the contract. Interest accrued in 2020 in the amount of $ 103,670 (in 2019 - $110,516) was recognized in the statement of income as financial expenses. In accordance with the terms of the obligations during the course of 2019 and 2020 no payments will be made to the debt.

Note 12. Commercial and other accounts payable

The balance of commercial accounts and other accounts payable includes:

		December 31 2020	December 31 2019
Suppliers	(1)	**11,972,076**	7,717,776
Costs and expenses payable		**182,434**	129,914
Withholding taxes		**60,836**	70,900
ICA withheld		**2,119**	2,024
Total		**12,217,465**	7,920,614

(1). As of December 31, 2020, the balance of suppliers includes balances in dollars for the purchase of inventories for a total amount of USD 3,487,859 (In 2019 - USD 2,355,034). The adjustment for adjustment to the year-end exchange rate for 2020 generated exchange difference expenses of COP 444,278 (In 2019 - COP 455,403), which were recognized as financial expenses.

Note 13. Current taxes payable

The balance of current tax payable liabilities includes:

	December 31	
	2020	2019
Tax of industry and commerce ICA	**28,114**	11,130
Total	**28,114**	11,130

The income tax expense includes:

	2020	2019
Income Tax	**367,470**	799,584
(Income) expense for deferred income tax	**(321,954)**	142,843
Total	**45,515**	942,427

The income tax returns for the years 2019 and prior are fiscally closed. The Company and its legal advisors believe that, in the event of a review by the tax authorities, there will be no changes in the bases declared by the Company.

The reconciliation between the accounting profit and income tax expense for the years 2020 and 2019 is as follows:

	2020	2019
Profit before taxes	**1,741,064**	2,818,582
Plus: non-deductible items that increase taxable profit		
Portfolio impairment	**0**	35,908
Industry and commerce tax expense	**126,496**	109,531
Non-deductible expense for GMF	**29,682**	39,066
Impairment of inventory not destroyed (Samples)	**0**	297,280
Prior year costs and expenses	**122,390**	25,915
Miscellaneous expenses	**9,212**	5,177
Travel expenses Chile & Venezuela	**1,993**	6,900
(Minus): items that decrease taxable income		
Net impairment of tax inventory	**(136,156)**	(237,204)
Impairment of portfolio (tax deduction)	**(99,218)**	(132,174)
Unrealized exchange difference (income)	**(449,469)**	(379,410)
Others	**0**	(633)

	2020	2019
Net income	**1,345,994**	**2,588,938**
Calculation of presumptive income		
Net worth for the immediately preceding year	**5,381,886**	4,213,300
Percentage of presumptive income	**0,5%**	1,5%
Presumptive income	**26,909**	**63,200**
Taxable income	**1,345,994**	2,588,938
Tax Rate	**32%**	33%
Subtotal tax expense	**430,718**	**854,349**
ICA tax discount 50%.	(63,248)	(54,765)
Total tax expense booked in the year	**367,470**	**799,584**
Income tax for the year	**367,470**	**799,584**
Less: Withholding tax	(853,452)	(774,310)
Less: Self-withholdings	(107,244)	(92,304)
Income tax payable (credit) (Note 8)	**(593,226)**	**(67,030)**

Legal provisions applicable to income tax, presumptive income, and tax on dividends:

The following are the current provisions applicable to the Company:

a. In accordance with Law 2010 of 2019, the income tax rates for the years 2019 onwards, are as follows:

Year	Rate
2019	33%
2020	32%
2021	31%
2022 and onwards	30%

b. The basis for determining the presumptive income tax for the 2020 taxable year is 0.5% (2019- 1.5%) of the net worth of the immediately preceding year; and 0% as of 2021.

c. When the income tax has been determined based on the presumptive income system, in accordance with Law 1943 of 2018 and its previous regulations, the Company may subtract from the gross income determined within the following five years the value of the presumptive income over net income excess, calculated by the ordinary system and adjusted based on the inflation index until December 31, 2016. As of 2017, presumptive income over ordinary income excesses may be deductible without adjustment, within the following five years.

d. The income tax rate corresponding to dividends or participations and their withholding, pursuant to Decree 2371 of 2019 for the taxable year 2019, is as follows:

Concept	INCRNGO (*)	Taxed
Taxable year 2016 and prior, withholding must be practiced for the taxable part as follows: 20% Obliged to file a return 33% Not obliged to file a return (20% if it exceeds 1400 UVT* - Unit of Tax Value*)	N/A	
Earnings Jan 1/17 - Dec 31/18 that have been decreed as enforceable, to resident natural persons and illiquid inheritances of causers that at the time of their deaths were residents of the country.	For the taxable year 2019 0 - 300 UVT 0% 300 UVT onwards 15% (10% since 2020)	Rates art. 240 TS 33% 2019 32% 2020 31% 2021 30% 2022
Dividends received from foreign companies to resident natural persons and national companies	N/A	
Earnings Jan 1/17 - Dec 31/18 that have been decreed as callable, to foreign companies and entities and by non-resident natural persons and illiquid estates of non-resident causers at the time of their death	7.5%	
SIMPLE Earnings with respect to Income taxed in SIMPLE, The value to be deducted will be the simple national component.	Ongoing The withholdings of Law 2010/19 Resident natural persons 0 - 300 UVT > 0% 300 T onwards > 10%	

(*) INCRNGO - Income not Constituting Income or Occasional Profit

e. Pursuant to the 2010 Law of 2019 "Growth Law, the rates applicable to dividends and their withholding with respect to the Earnings distributed as payable in 2020, are as follows:

Concept	INCRNGO (*)	Taxed
Taxable year 2016 and prior, withholding must be practiced for the taxable part as follows: 20% Required to file a return. 33% Not obliged to file a return (20% if it exceeds 1400 UVT)	N/A	Rates art. 240 TS 33% 2019 32% 2020 31% 2021 30% 2022
National Companies	7,5% Withholding transferable to the final beneficiary	
Companies, foreign entities and permanent establishments	10%	
Resident natural persons	0 - 300 UVT 0% 300 UVT onwards 10%	
Non-Resident natural persons	10%	

(*) INCRNGO - Income not Constituting Income or Occasional Profit

f. Beginning in 2020 the rates on dividends are as follows:

Concept	Taxed	INCRNGO (*)
National Companies	Rates art. 240 ET 33% 2019 32% 2020 31% 2021 30% 2022	7,5% Withholding transferable to the final beneficiary
Companies, foreign entities and permanent establishments		10%
Resident natural persons		0% 0 - 300 UVT 10% 300 UVT onwards
Non-Resident natural persons		10%

g. In accordance with Law 1819 of 2016, the tax losses obtained from the taxable year 2017, can be compensated with the ordinary liquid income obtained in the following twelve taxable periods, with no limit on the amounts to be compensated (Art. 147 TS). Accumulated losses as of December 31, 2016 and readjusted in the inflation index until December 31, 2016 of income and CREE are not subject to the compensation term provided in art. 147 TS, nor will they be fiscally readjusted and the formula of numeral 5 Art. 290 ET (Transitional regime) must be considered.

h. Law 2010 of 2019 establishes limits for deductions: interest in proportion to liquid equity regarding loans with economic associates, amortization of goodwill for the acquisition of shares and residual value for depreciation due to balance reduction, among others.

i. The occasional earnings rate is 10%.

As of 2017, income tax contributors who receive income from a foreign source, subject to income taxes in the country of origin, can deduct such amounts from income tax, and its surcharge, until they are exhausted. The value of the discount in no case may be greater than the income tax settled. These rules must be verified with respect to the countries with which Colombia has an agreement to avoid double taxation and the CAN (Andean Community of Nations)-

Note 14. Deferred tax assets and liabilities

Deferred tax assets and liabilities arising from temporary differences as of December 31, 2020 and 2019, have been determined as follows:

			2020	
			Deferred Tax	
Concept	Temporary difference	Rate	Assets	Liabilities
Impairment of portfolio	**11,568**	**31%**	**3,586**	**0**
Provision for inventory	**618,553**	**31%**	**191,752**	**0**
Foreign exchange difference (other debt liabilities)	**524,170**	**31%**	**162,493**	**0**
Exchange difference (suppliers)	**887,590**	**31%**	**275,153**	**0**
Accounts to be billed	**80,927**	**31%**	**25,087**	**0**
Total	**2,122,811**		**658,071**	**0**

			2019	
			Deferred Tax	
Concept	Temporary difference	Rate	Assets	Liabilities
Impairment of portfolio	110,787	32%	35,452	0
Provision for inventory	517,505	32%	165,601	0
Foreign exchange difference (other debt liabilities)	363,416	32%	116,293	0
Exchange difference (suppliers)	58,660	32%	18,772	0
Total	1,050,368	32%	336,118	0

The variations generated in the recognition of deferred tax assets and liabilities are shown below:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Initial balance	**336,118**		478,961	
Increase due to new temporary differences	**0**	**0**	0	0
Increase due to variations in the differences	**353,818**	**0**	20,958	0
Decrease due to variations in the differences	**(31,865)**	**0**	(163,801)	0
Closing balance	**658,071**	**0**	336,118	0

The balance recognized in income is shown below:

	2020	2019
Income for the period	**321,954**	(142,843)
	321,954	(142,843)

Note 15. Employee benefits

	2020	2019
Wages	**0**	11,532
Severance	**82,962**	62,293
Interest on severance	**9,556**	8,343
Holidays	**142,344**	97,146
Social and parafiscal security	**79,239**	0
Bonuses	**249,677**	50,713
Total	**563,778**	230,027

Nota 16. Equity

Capital

The Company's capital stock as of December 31, 2020 is represented in 45,657 (In 2019 - 45,657) fully paid common shares with a par value of one thousand pesos each. All shares are equally eligible to receive dividends and capital redemptions and represent one vote at the shareholders' meeting.

The reconciliation of outstanding shares and reserves within equity is shown below:

	2020	31 2019
Share capital		
Number of authorized shares	**1,000,000**	1,000,000
Number of shares issued and fully paid	**45,657**	45,657
Share unit nominal value	**100,000**	100,000
Total nominal value of the shares	**4,565,700**	4,565,700
Number of shares issued and fully paid	**45,657**	45,657
Changes in the number of shares outstanding	**0**	**0**
Total increase	**45,657**	
Number of outstanding shares at the end of the period	**45,657**	45,657

Note 17. Income from ordinary activities

Revenue from ordinary activities includes:

	Year ended December 31 2020	2019
Sales of marketed products, net	**37,846,336**	31,919,468
(-) Return on sales	**(1,194,023)**	(19,348)
(-)Commercial discounts	**(10,083,097)**	(8,824,132)
Total	**26,569,216**	23,075,988

Nota 18. Cost of sale

The detail of the costs of sale includes:

	Year ended December 31 2020	2019
Purchase cost of products sold	**16,617,544**	11,607,370
Impairment of inventories	**(136,155)**	297,280
Total	**16,481,389**	11,904,650

Note 19. Administration expenses

The detail of administration expenses includes:

	2020	2019
Employee benefits	**4,520,134**	3,589,223
Market research	**641,916**	1,511,771
Contributions to social security	**553,826**	511,923
Services	**519,000**	256,737
Legal expenses	**312,245**	259,627
Fees	**289,741**	283,438
Leases	**185,962**	209,070
Depreciations	**140,775**	134,528
Travel expenses	**116,783**	389,850
Service and Repairs	**41,014**	39,862
Insurance	**16,860**	68,241
Toiletries, cafeteria and stationery items	**11,873**	34,962
Memberships and contributions	**7,673**	6,615
Impairment of debtors	**2,683**	35,908
Taxes	**0**	5,762
Activities with doctors	**0**	4,390
Other marketing expenses	**0**	122,406
Congress affiliations	**0**	500
Other administrative expenses	**80,157**	95,981
Total	**7,440,642**	7,560,794

Note 20. Financial income and costs

The detail of financial income and costs includes:

	Year ended December 31 2020	2019
Exchange difference	**444,278**	455,403
Expenses from previous years	**122,390**	25,915
Interests	**103,670**	110,516
GMF tax	**59,364**	78,132
Bank fees and expenses	**40,712**	4,094
Implicit interest	**9,211**	5,133
Others	**0**	3,872
Total	**779,625**	**683,065**

Note 21. Transactions with related parties

The related parties of the Company include its shareholders, related parties and key management personnel.

21.1. Transactions with related parties

As of December 31, 2020 and 2019, no balances are presented with shareholders. The balances with related parties of the Company are as follows:

	December 31 2020	2019
Other debt liabilities		
Dr. Reddy's Laboratories S.A.(Suiza)	**3,869,278**	3,604,854
Total	**3,869,278**	3,604,854
Suppliers		
Dr. Reddy's Laboratories Ltd.	**11,972,076**	7,717,776
Total	**11,972,076**	7,717,776
Interests		
Dr. Reddy's Laboratories S.A (Suiza)	**103,670**	110,516
Total	**103,670**	110,516
Difference in exchange		
Dr. Reddy's Laboratories S.A.	**(269,968)**	(379,410)
Dr. Reddy's Laboratories Ltd.	**292,052**	834,813
Dr. Reddy's Laboratories Ltda.	**432,219**	0
Total	**454,303**	455,403

21.2. Transactions with key management personnel

Total remuneration of directors and other key personnel in 2020 (including salaries and benefits) amounted to COP 4,351,576 (In 2019 - COP 3,477,964).

Note 22. Events occurring after the reporting period

Due to the continuity of the pandemic and seeking to mitigate financial risks, the Company initiated in January 2021 a process to open a clearing account in the United States, allowing the Company to hedge against the fluctuation of the U.S. dollar and to seek savings on financial taxes such as the financial movement tax.

Additionally, Dr. Reddy's Laboratories S.A.S. is working on the inclusion process of new products in order to expand the portfolio and not depend solely on the products currently being handled.

Note 23. Approval of financial statements

The individual financial statements for the fiscal year ended December 31, 2020 (including comparative ones) were approved by the Company's legal representative for consideration by the Assembly.

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories Taiwan Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Taiwan Limited.** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2021, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2021;
(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and
(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

S R V V Surya Rao Ponnada
Partner
Membership No. 202367
UDIN NO. 21202367AAABXY1588

Place: Hyderabad
Date: 11th May 2021

Dr. Reddy's Laboratories Taiwan Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2021	As at 31 March 2020
ASSETS			
Non Current assets			
Property, plant and equipment	2.1	983	2,060
Current assets		**983**	**2,060**
Financial assets			
Cash and cash equivalents	2.2	55	4,493
Other financial assets	2.3	16,749	305
Other current assets	2.4	752	2,935
		17,556	**7,733**
Total assets		**18,539**	**9,793**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	31,871	26,775
Other equity		(15,862)	(20,037)
		16,009	**6,738**
Liabilities			
Non current liabilities			
Financial Liabilities			
Borrowings	2.6	-	909
		-	**909**
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.7	1,472	1,537
Other current liabilities	2.8	1,058	609
		2,530	**2,146**
Total equity and liabilities		**18,539**	**9,793**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors
of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 11 May 2021

Dr. Reddy's Laboratories Taiwan Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2021	For the year ended 31 March 2020
Income			
Revenue from operations	2.9	15,893	-
Other income	2.10	-	5
Total income		**15,893**	**5**
Expenses			
Employee benefits expense	2.11	6,226	5,459
Depreciation	2.12	1,209	295
Finance cost	2.13	39	14
Selling and other expenses	2.14	4,242	4,382
Total expenses		**11,716**	**10,150**
Profit/(Loss) before tax		**4,177**	**(10,145)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Profit/(Loss) for the year		**4,177**	**(10,145)**
Other comprehensive income (OCI)			
A. (i) Items that will not be reclassifled to profit or loss			
(ii) Income tax relating to items that will not be reclassified to profit or loss			
B. (i) Items that will be reclassified to profit or loss		(2)	1,125
(ii) lncome tax relating to items that will be reclassified to profit or loss			
Total comprehensive loss for the year		**4,175**	**(9,020)**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors
of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 11 May 2021

Dr. Reddy's Laboratories Taiwan Limited
Statement of Changes in Equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus	Other comprehensive income	
		Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2020	**26,775**	**(21,162)**	**1,125**	**6,738**
Issue of equity shares	5,096			5,096
Profit/(Loss) for the year	-	4,177	(2)	4,175
Balance as at 31 March 2021	**31,871**	**(16,985)**	**1,123**	**16,009**

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus	Other comprehensive income	
		Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2019	**13,409**	**(11,017)**	**-**	**2,392**
Issue of equity shares	13,366			13,366
Loss for the year	-	(10,145)	1,125	(9,020)
Balance as at 31 March 2020	**26,775**	**(21,162)**	**1,125**	**6,738**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Taiwan Limited

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 11 May 2021

Dr. Reddy's Laboratories Taiwan Limited
Statement of Cash Flow
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2021	For the period ended 31 March 2020
Cash flows from / (used in) operating activities		
Profit/(Loss) before tax	**4,177**	**(10,145)**
Adjustments:		
Depreciation	1,209	295
Foreign exchange loss / (gain), net	(241)	124
Finance income	-	(5)
Interest expense	39	14
Changes in operating assets and liabilities:	-	-
Other assets and liabilities, net	(13,700)	(1,995)
Cash generated from operations	**(8,516)**	**(11,712)**
Income tax paid, net	-	-
Net cash from / (used in) operating activities	**(8,516)**	**(11,712)**
Cash flows from / (used in) investing activities		
Purchase of PPE	(79)	(67)
Finance income received	-	5
Net cash used in investing activities	**(79)**	**(61)**
Cash flows from / (used in) financing activities		
Proceeds from issue of equity shares	5,096	13,366
Payment of principal portion of debt		
Payment of principal portion of lease liabilities	(1,140)	(264)
Interest paid	(39)	(14)
Net cash from / (used in) financing activities	**3,917**	**13,089**
Net increase / (decrease) in cash and cash equivalents	(4,678)	1,315
Effect of exchange rate changes on cash and cash equivalents	240	995
Cash and cash equivalents at the beginning of the year (Refer note 2.2)	4,493	2,183
Cash and cash equivalents at the end of the year (Refer note 2.2)	**55**	**4,493**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors
of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 11 May 2021

Dr. Reddy's Laboratories Taiwan Limited
(All amounts in Indian Rupees thousands, 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 Taiwan Limited (" the Company") incorporated on 23 February 2018 in Taiwan , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company 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.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

a) Current and non-current classification
All the 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 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/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of 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

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.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when 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.
Services Income
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.
License fee
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.

d) Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Laboratories Taiwan Limited

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

Note 1 Description of the Company and significant accounting policies (continued)

e) 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.

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:
• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
• taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be 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.

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. General and specific 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 during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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.

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 and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- 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.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

g) 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, that do not qualify to be recognised as property, plant and equipment, 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 allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company’s business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Dr. Reddy's Laboratories Taiwan Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

h) 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.

i) Provisions, contingent liabilities and contingent assets

A provision is recognised 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 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 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 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

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

Contingent assets are not recognised in the financial statements. However, 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.

j) 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

All financial assets are recognised 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 Companny commits to purchase or sell the asset.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the 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 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of 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

Financial liabilities are classified,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

k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

l) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories Taiwan Limited

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

Note 2 Notes to the financial statements

Note 2.1 Property, Plant and equipment

Description	Gross Block					Depreciation					Net Block	
	As at 1.04.2020	Additions	Deletions	Forex adjustments	As at 31.03.2021	As at 1.04.2020	For the year	Deletions	Forex adjustments	As at 31.03.2021	As at 31.03.2021	As at 31.03.2020
Buildings	2,286	-	-	61	2,347	286	1,173	-	8	1,467	880	2,000
Furniture, Fixtures and office equipments	74	79	-	1	154	14	36	-	0	51	103	59
TOTAL	**2,360**	**79**	**-**	**62**	**2,500**	**300**	**1,209**	**-**	**8**	**1,517**	**983**	**2,060**
Previous Year	**-**	**2,264**	**-**	**95**	**2,360**	**-**	**295**	**-**	**5**	**300**	**2,060**	**-**

Dr. Reddy's Laboratories Taiwan Limited

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

Note 2 Notes to the financial statements (continued)

Financial assets

2.2 Cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
Balances with banks:		
- In current accounts	55	4,493
	55	**4,493**

2.3 Other current financial assets

	As at 31 March 2021	As at 31 March 2020
Unsecured, considered good		
Security deposits	303	305
Other current financial assets	16,446	-
	16,749	**305**

2.4 Other current assets

	As at 31 March 2021	As at 31 March 2020
Unsecured, considered good		
Balances with statutory authorities	302	207
Other advances	450	2,728
	752	**2,935**

2.5 Share capital

	As at 31 March 2021	As at 31 March 2020
Authorised share capital		
TWD 14,000,000 (31 March 2020: TWD 12,000,000)*	31,871	26,775
Issued equity capital		
TWD 14,000,000 (31 March 2020: TWD 12,000,000)*	31,871	26,775
Subscribed and fully paid-up		
TWD 14,000,000 (31 March 2020: TWD 12,000,000)*	31,871	26,775
	31,871	**26,775**

* No concept of nature and number of shares in this Company.

Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2021		As at 31 March 2020	
	Amount in TWD ('000)	% holding in the class	Amount in TWD ('000)	% holding in the class
Dr. Reddy's Laboratories SA	12,000	100.00	12,000	100.00

	As at 31 March 2021	As at 31 March 2020
2.6 Financial liabilities		
Non current borrowings		
Long term maturities - Secured	-	909
	-	**909**

2.7 Other current financial liabilities

	As at 31 March 2021	As at 31 March 2020
Other liabilities payable to holding and other group companies	-	-
Current maturities of long term debt	933	1,110
Others	539	427
	1,472	**1,537**

2.8 Other current liabilities

	As at 31 March 2021	As at 31 March 2020
Statutory dues payable	783	-
Salary and bonus payable	275	609
	1,058	**609**

Dr. Reddy's Laboratories Taiwan Limited

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

Note 2 Notes to the financial statements (continued)

2.9 Revenue from operations

	For the year ended 31 March 2021	For the period ended 31 March 2020
License fees & service income	15,893	-
	15,893	**-**

2.10 Other income

	For the year ended 31 March 2021	For the period ended 31 March 2020
Interest income	-	5
	-	**5**

2.11 Employee benefits expense

	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries, wages and bonus	5,417	4,890
Contribution to provident and other funds	539	371
Staff welfare expenses	270	198
	6,226	**5,459**

2.12 Depreciation and amortisation expense

	For the year ended 31 March 2021	For the year ended 31 March 2020
Depreciation of property, plant and equipment	1,209	295
	1,209	**295**

2.13 Finance cost

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest on other borrowings	39	14
	39	**14**

2.14 Selling and other expenses

	For the year ended 31 March 2021	For the year ended 31 March 2020
Legal and professional	2,891	1,593
Rent	-	710
Travel and conveyance	90	52
Foreign exchange gain, net	-	11
Other general expenses	1,261	2,016
	4,242	**4,382**

2.15 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

2.16 Related parties

a. The company has the following related party transactions:

Particulars	As at 31 March 2021	As at 31 March 2020
Services to holding company		
Dr. Reddy's Laboratories Limited	15,893	-

b. The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2021	As at 31 March 2020
Due from holding company and other group companies(included in current assets):		
Dr. Reddy's Laboratories Limited	16,446	-

2.17 Income taxes

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

Dr. Reddy's Laboratories Taiwan Limited

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

Note 2 Notes to the financial statements (continued)

2.18 Provisions, contingent liabilities and contingent assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 11 May 2021

Dr.Reddy's Laboratories (Thailand) Ltd.

Financial statements

for the year ended 31 December 2020

and

Independent Auditor’s Report

222/208 ถ.บางกรวย-ไทรน้อย ต.บางรักพัฒนา อ.บางบัวทอง จ.นนทบุรี 11110

222/208 Banggruay-sainoi Rd, Bangrakpattana, Bangbuathong, Nonthaburi 11110

บริษัท แอคเคาท์ติ้ง เอ็กซ์เพิร์ท จำกัด

ACCOUNTING EXPERT COMPANY LIMITED

Independent Auditor's Report

To the Shareholders of Dr.Reddy's Laboratories (Thailand) Ltd.

Opinion

I have audited the financial statements of Dr.Reddy's Laboratories (Thailand) Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of income and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance for the year then ended in accordance with the Thai Financial Reporting Standard for Non-Publicly Accountable Entities (TFRS for NPAEs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS for NPAEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

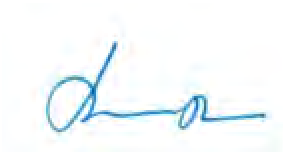
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs 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 financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the 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 my 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



(Tanchanit Tantanasiriwong)

Certified Public Accountant Registration No. 10693

26 April 2021

Dr.Reddy's Laboratories (Thailand) Ltd.

Statements of Financial Position

As at 31 December 2020

(Unit: Baht)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	4	9,495,925.72	13,024,301.10
Trade and other receivables		59,019,456.77	17,872,598.09
Inventories		2,473,824.31	-
Other current assets		1,224,162.20	1,090,655.66
Total current assets		72,213,369.00	31,987,554.85
Non-current assets			
Land, property and equipment	5	2,793,539.80	1,783,383.75
Intangible assets	6	759,525.00	-
Other non-current assets		488,778.44	348,778.44
Total non-current assets		4,041,843.24	2,132,162.19
Total assets		76,255,212.24	34,119,717.04

The notes to the financial statements are an integral part of these financial statements.

DocuSigned by:

Kailash Patki .

Signed ....1C28A18F837B429...................... Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Statement of Financial Position

As at 31 December 2020

(Unit: Baht)

	Notes	2020	2019
Liabilities and equity			
Current liabilities			
Trade and other payables		36,376,702.37	8,759,420.54
Other current liabilities		9,333,973.69	7,425,408.93
Total current liabilities		45,710,676.06	16,184,829.47
Non-current liabilities			
Long-term loans from related parties	7	40,000,000.00	30,000,000.00
Total non-current liabilities		40,000,000.00	30,000,000.00
Total liabilities		85,710,676.06	46,184,829.47
Equity			
Share capital			
Registered share capital			
3,000,000 ordinary shares of par Baht 10 each		30,000,000.00	30,000,000.00
Issued and paid-up share capital			
100,000 ordinary shares, fully paid up		1,000,000.00	1,000,000.00
2,900,000 ordinary shares, paid up Baht 5 each		14,500,000.00	14,500,000.00
Retained earnings (Deficits)			
Unappropriated		(24,955,463.82)	(27,565,112.43)
Total equity		(9,455,463.82)	(12,065,112.43)
Total liabilities and equity		76,255,212.24	34,119,717.04

The notes to the financial statements are an integral part of these financial statements.

DocuSigned by:

Kailash Patki .

Signed ......1C28A18F837B429...... Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Statement of Income

For the year ended 31 December 2020

	(Unit: Baht)	
	2020	2019
Revenues		
Sales income	82,793,092.43	16,530,776.00
Other income	865,604.64	164,306.90
Total revenue	83,658,697.07	16,695,082.90
Expenses		
Cost of sales	42,861,083.91	9,721,504.54
Selling expenses	18,704,680.13	8,660,073.04
Administrative expenses	18,701,478.88	22,564,022.56
Total expenses	80,267,242.93	40,945,600.14
Profit (loss) before finance costs and income tax expense	3,391,454.14	(24,250,517.24)
Finance costs	781,805.53	209,375.01
Profit (loss) before income tax expense	2,609,648.61	(24,459,892.25)
Income tax expense	-	-
Net profit (loss) for the year	2,609,648.61	(24,459,892.25)

The notes to the financial statements are an integral part of these financial statements.

DocuSigned by:

Kailash Patki .

Signed ....1C28A18F837B429.................. Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Statement of Changes in Equity

For the year ended 31 December 2020

(Unit: Baht)

	Issued and paid-up share capital	Retained earnings (deficits) Unappropriated	Total
Balance as at 1 January 2019	10,280,000.00	(3,105,220.18)	7,174,779.82
Paid share capital	5,220,000.00	-	5,220,000.00
Net profit (loss) for the year	-	(24,459,892.25)	(24,459,892.25)
Balance as at 31 December 2019	15,500,000.00	(27,565,112.43)	(12,065,112.43)
Balance as at 1 January 2020	15,500,000.00	(27,565,112.43)	(12,065,112.43)
Net profit (loss) for the year	-	2,609,648.61	2,609,648.61
Balance as at 31 December 2020	15,500,000.00	(24,955,463.82)	(9,455,463.82)

The notes to the financial statements are an integral part of these financial statements.

DocuSigned by:
Kailash Patki .
Signed ....1C28A18F837B429.......... Director
(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Notes to the Financial Statements

For the year ended 31 December 2020

1. General information

   Dr.Reddy's Laboratories (Thailand) Ltd. ("the Company") is a limited company incorporated in Thailand on 13 June 2018 with registration no.0105561099948. The address of the Company's head office is Unit 1607, 16th Floor, 1 Empire Tower, South Sathorn Road, Yannawa, Sathorn, Bangkok.

   The principal businesses in which the Company is engaged is the registration, importation, processing, promotion, distribution and wholesale of pharmaceutical products for domestic consumption.

2. Basis of preparation

   These financial statements have been prepared in accordance with the Thai Financial Reporting Standard for Non-publicly Accountable entities as issued by the Federation of Accounting Professions and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

   The financial statements have been prepared under the historical cost convention.

   An English version of the Company financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

3. Significant accounting policies

   3.1 Revenues and expenses recognition

   Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

   Expenses are recognised on an accrual basis.

DocuSigned by:

Kailash Patki .

Signed ....1C28A18F837B429................ Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.
Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

3.3 Trade account receivables

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by average cost method.

3.5 Land, property and equipment

Buildings and equipment are stated at cost less accumulated depreciation and accumulated impairment (if any).

Depreciation is calculated on the straight-line method over the estimated useful life as below:-

Office Equipment	5 years
Furnitures and Fixtures	5 years
Computers	3 years
Vehicles	5 years

DocuSigned by:
Kailash Patki .
Signed ....1C28A18F837B429............ Director
(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

3.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization and losses on decline in value (if any). Amortization is recongnized in the statement of income on a straight-line basis over the estimated useful life of intangible assets.

3.7 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3.8 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with the Revenue Code.

4. Cash and cash equivalents

(Unit : Baht)

	2020	2019
Cash on hand	15,000.08	-
Cash at bank	9,480,925.64	13,024,301.10
Total	9,495,925.72	13,024,301.10

DocuSigned by:
Kailash Patki .
Signed ......1C28A18F837B429............ Director
(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.
Notes to the Financial Statements (Continued)
For the year ended 31 December 2020

5. Land, property and equipment

(Unit : Baht)

	Value as at 1-Jan-20	Movement during the year Increase	Movement during the year Decrease	Value as at 31-Dec-20
Cost				
Office Equipment	791,320.84	-	-	791,320.84
Furnitures and Fixtures	1,080,700.22	19,272.00	-	1,099,972.22
Computer equipment	216,659.25	28,276.63	-	244,935.88
Vehicles	-	1,466,000.00	-	1,466,000.00
Total	2,088,680.31	1,513,548.63	-	3,602,228.94
Accumulated depreciation				
Office Equipment	74,058.98	158,264.17	-	232,323.15
Furnitures and Fixtures	181,242.05	219,320.44	-	400,562.49
Computer equipment	49,995.53	78,543.49	-	128,539.02
Vehicles	-	47,264.48	-	47,264.48
Total	305,296.56	503,392.58	-	808,689.14
Book value	1,783,383.75			2,793,539.80

Depreciation for the year 2020	503,392.58
Depreciation for the year 2019	305,296.56

DocuSigned by:
Kailash Patki .
Signed ....1C28A18F837B429.................. Director
(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

6. Intangible assets

Intangible assets at 31 December 2020 relate to the first installments paid by the Company towards the licence fees of products for which market authorization had not yet been granted in Thailand.

7. Long-term loans from related parties

As at 31 December 2020 and 2019, the Company had long-term loans from a related party. Interest is charged at a rate of 2.50% per annum and then adjusted to be 2% per annum since 1 April 2020. The loans are payable on or before the completion of 5 years from the date of the agreement, with no collateral.

8. Financial statements authorisation

These financial statements were authorised by the directors of the company.

DocuSigned by:
Kailash Patki .
Signed ....1C28A18F837B429.............. Director

(Mr.Kailash Uday Patki)

Dr Reddy's Laboratories (UK) Limited

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31st March 2021

Dr Reddy's Laboratories (UK) Limited

Contents of the Financial Statements for the year ended 31st March 2021

Dr Reddy's Laboratories (UK) Limited

Company Information
for the year ended 31st March 2021

DIRECTORS:	K S Reddy V N Mannam S Mcauliffe P Aghanian
SECRETARY:	R Sane
REGISTERED OFFICE:	6 Riverview Road Beverley East Yorkshire HU17 0LD
REGISTERED NUMBER:	01729064 (England and Wales)
AUDITORS:	cbaSadofskys Statutory Auditors Princes House Wright Street Hull East Yorkshire HU2 8HX
BANKERS:	Bank of Scotland Aldgate House 1/4 Market Place Hull HU1 1RA
SOLICITORS:	Taylor Vinters Merlin Place Milton Road Cambridge CB4 0DP

Dr Reddy's Laboratories (UK) Limited

Strategic Report
for the year ended 31st March 2021

The directors present their strategic report for the year ended 31st March 2021.

REVIEW OF BUSINESS
The key financial highlights are as follows:

	2021	2020	2019	2018
	£	£	£	£
Turnover - UK, Europe and other countries	38,892,768	36,748,791	26,658,783	40,429,896
Turnover growth - United Kingdom	5.8%	37.8%	-34.1%	7.3%
Profit before tax	3,060,487	4,260,772	2,552,760	7,941,065
Profit before tax margin	7.9%	11.6%	9.6%	19.6%

The company continues to grow year on year in terms of turnover. After previous strong years in our branded products this year saw a sharp decline in this area due to much lower cost generics. However, this was more than supplemented in excellent sales through the hospital channel with both tender wins and off contract sales contributing.

In the retail channel we continue to grow and develop our relationships with key customers. We have increased our range sell at increased but responsible prices. Our stronger supply chain has also allowed us to be less boom and bust on products and maintain to forecast in certain areas.

PRINCIPAL RISKS AND UNCERTAINTIES
The company has identified the principal areas of risk that it faces as:

Financial instrument risk
The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the company's performance objectives. The objectives aim to ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Impact of pharmaceutical regulations
The business is subject to various regulations and any tightening of these could have a negative impact on earnings.

Price risk
The company sells generic pharmaceutical products. The prices of such products tend to reduce on account of severe pricing pressure and competition. This risk is managed by maintaining adequate levels of stock and introducing new products on expiry of patents.

Foreign exchange risk
The company sells and purchases some products in foreign currencies. The risk is mitigated by monitoring foreign exchange rates on a daily basis and taking foreign exchange cover, if required.

Credit risk
Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored. The company has little experience of material bad debts in general.

Liquidity risk
Liquidity is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages its cash flow to ensure that sufficient liquid resources are available to meet its operating needs.

Interest rate and cash flow risk
The company had a favourable cash balance during the year and therefore does not consider that interest rates or cash flow pose a significant risk.

Dr Reddy's Laboratories (UK) Limited

Strategic Report
for the year ended 31st March 2021

SECTION 172(1) STATEMENT

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

At Dr. Reddy's, our Board of Directors, management and employees are committed to upholding high standards of corporate governance and business ethics. We firmly believe that timely disclosures, transparent accounting policies, rigorous internal control systems and a strong and independent Board go a long way in preserving shareholder trust while maximising long-term shareholder value.

This s172 statement explains how the Dr. Reddys Directors:
- Have engaged with employees, suppliers, customers and others; and
- Have had regards to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The s172 statement focuses on matters of strategic importance to Dr. Reddys, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

Dr. Reddys have a number of Committees appointed by the Board at group level to focus on specific areas and take informed decisions within the framework of delegated authority, and make specific recommendations to the Board. All decisions and recommendations of the committees are placed before the Board for information or for approval.
When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company' success for the benefit of its members as a whole, and in doing so have regard (among matters) to:

The likely consequences of any decision in the long term

The Directors understand the business and the demand to innovate the latest products in order to find the most effective treatments in the pharmaceutical market. Dr. Reddy's vision and goal of 'Good Health Can't Wait' is what the business drives and strives for. The strategy set by the Board as a leader in the pharmaceutical industry is to ensure good health can be delivered to those who need it, and to promote wellness among them.

Whilst investing for the future, the Board also recognises that we must focus on meeting the current supply and demand of pharmaceuticals.

The Directors are guided by our principles - Empathy and Dynamism - which provide both guidance for our current behaviour and inspiration for our future actions.

The interests of the company's employees

At Dr. Reddy's employees are at the heart of our business. The Management team invites a fair and open two way relationship with all employees. We believe in respecting every individual, regardless of position. At Dr Reddy's employees are heard and have the opportunity to express their opinion. Organisation believes in equality and discourage any discrimination based on any caste, creed, race, religion age and gender etc. We are committed to employee's safety and well-being. Our HR policies are well documented and available to each employee. Management assumes responsibility that such policies are adhered to.

The talented and capable people have played a major role in powering and defining the growth of Dr. Reddys. We believe that when people with diverse skills are bound together by a common purpose and value system, they can make magic.

Dr Reddy's Laboratories (UK) Limited

Strategic Report
for the year ended 31st March 2021

The need to foster the company's business relationships with suppliers, customers and others
Customers and suppliers are the key stakeholders in our business. In a competitive price driven environment, stock is the vital component at the keenest price. We engage in regular communication with our suppliers as well as customers. We recognise the fact that the stronger the relationships with suppliers the more we are able to serve our customers better. We remain committed to all our stakeholder for ethical business practices. The Company has put in practice a code of business conduct and ethics (CoBE) , every employee at Dr Reddy's is required to sign an undertaking, at least annually, that they have read such code and comply with its principles.

The impact of the company's operations on the community and environment
At Dr. Reddy's, Good Health Can't Wait is not just a slogan. But a belief that guides our thoughts, our behaviour and our actions. There are a number of initiatives that we've taken- from product development to patient management to helping doctors and partners delivers good health to patients.

Some of these were-life changing, for the patients. Like creating affordable option of complex, difficult to make medicines.

All of this is aimed of bringing good health to the community directly via the retail market or via being part of the supply chain to the NHS.The company is striving to ensure that the company is focused on the larger community.

The desirability of the company maintaining a reputation for high standards of business conduct
Dr. Reddys Board periodically reviews their Corporate Governance requirements as the commitment to upholding the highest standards are set at board level but is filtered down throughout the whole group organisation.

The need to act fairly as between members of the company
The Directors consider and focus its attention to ensure that the company's performance is in line with their strategic vision for both the short and long term objectives. The impact of this on all of the stakeholders is reviewed. The Directors believe they act fairly.

The Board has created a culture of honesty, integrity and respect of the Dr. Reddys core values and principles. The company that has set a number guidelines on Code of Business Conduct and Ethics (COBE) through to various Environment and Employment policies.

Principal decisions
We define principal decisions taken by the Board as those decisions in 2019/20 that are of a strategic nature and that are significant to any of our key stakeholder groups. As outlined in the FRC Guidance on the Strategic Report, we include decisions related to capital allocation and dividend policy.

REVIEW OF CLOSING POSITION
Overall, Dr Reddy's Laboratories (UK) Limited finds itself in a good financial position at the close of the 2020/21.Cash reserves of £959k were held at the year end which has decreased from £1,273 k last year. The company continues to hold sufficient cash reserves. Overall sales have increased by 5.8%, and profit before tax has decreased from 11.6% to 7.9%.

These results are reflected in a healthy balance sheet showing Net Assets of £35.1m compared to £32.9m last year.

Dr Reddy's Laboratories (UK) Limited

Strategic Report
for the year ended 31st March 2021

FUTURE DEVELOPMENTS
With Covid 19 hitting the world and our industry in February/March 2020, current year also will continue to be uncertain and challenging. Dr Reddy's Laboratories UK Limited will continue to monitor situation across all areas of business identifying potential risk and plan for any mitigation. We also continue to launch new product in in 2021/22 and continue to grow our relationships.

ON BEHALF OF THE BOARD:

R Sane - Secretary

6th May 2021

Dr Reddy's Laboratories (UK) Limited

Report of the Directors
for the year ended 31st March 2021

The directors present their report with the financial statements of the company for the year ended 31st March 2021.

DIVIDENDS
No dividends will be distributed for the year ended 31st March 2021.

FUTURE DEVELOPMENTS
Details of the company's future developments have been provided in the strategic report.

DIRECTORS
The directors during the year under review were:

K S Reddy
V N Mannam
S Mcauliffe
P Aghanian

The directors holding office at 31st March 2021 did not hold any beneficial interest in the issued share capital of the company at 1st April 2020 or 31st March 2021.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds and finance the company's operations.

Revenue maintenance
The company actively markets and manages its portfolio of products to focus on revenue building and maintenance which, over the life cycle of the products can contribute to the future profits of the business.

Principle risks and uncertainties
These have been provided in the strategic report of the company.

ENGAGEMENT WITH EMPLOYEES
Dr Reddy's UK management team invites a fair and open two way relationship with all employees. All departments offer regular meetings and encourage dialogue to create an inclusive environment and develop ideas. Our employees are the heart of our business and our policy is to ensure there is no discrimination when it comes to race, age, gender or disability. All such policies are discussed at relevant HR meetings or forums and it is the management's responsibility that they are adhered to.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS
Our relationships with both customers and suppliers are the key driver in our business. In a competitive price driven environment, stock is the vital component at the keenest price. This is why we need constant communication with suppliers, both third party and from our own company supply. The stronger the relationships with suppliers the more we are able to be first in class with customers on an on time in full basis. Our customer relationships both with the NHS and private wholesale and retail organisations continues to develop well and this has shown in our growth in the year.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS
Dr. Reddy's Laboratories (UK) Limited believes that timely disclosures, transparent accounting policies coupled with a strong board go a long way in maintaining good corporate governance, preserving all stakeholders' trust and maximizing long-term corporate value. The company's corporate governance framework is based on the following main principles: Ethical business conduct by the board, management and employees. Well-developed systems of internal controls, Compliance to applicable local and international laws and financial reporting. Protection and facilitation of all stakeholders' rights. Adequate, timely and accurate disclosure of all material operational and financial information to relevant stakeholders.

Dr Reddy's Laboratories (UK) Limited

Report of the Directors
for the year ended 31st March 2021

STREAMLINED ENERGY AND CARBON REPORTING

	2021 KwH	2020 KwH	Movement KwH	%
Electricity	322,542	332,905	-10,363	-3.2
Gas	285,131	293,261	-8,130	-2.8
Total	607,673	626,166	-18,493	-3.0

The company is focused and committed to energy savings and reductions in consumption.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, cbaSadofskys, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

R Sane - Secretary

6th May 2021

Report of the Independent Auditors to the Members of Dr Reddy's Laboratories (UK) Limited

Opinion
We have audited the financial statements of Dr Reddy's Laboratories (UK) Limited (the 'company') for the year ended 31st March 2021 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31st March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of Dr Reddy's Laboratories (UK) Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Report of the Independent Auditors to the Members of Dr Reddy's Laboratories (UK) Limited

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:
- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the pharmaceutical industry;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, UK tax legislation, and data protection, anti-bribery, employment, environmental, health and safety legislation along with industry specific regulations and requirements such as compliance with regulations set out by the Department of Health and the Medicines and Healthcare products Regulatory Agency (MHRA);
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:
- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Report of the Independent Auditors to the Members of Dr Reddy's Laboratories (UK) Limited

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alan Brocklehurst (Senior Statutory Auditor)
for and on behalf of cbaSadofskys
Statutory Auditors
Princes House
Wright Street
Hull
East Yorkshire
HU2 8HX

6th May 2021

Dr Reddy's Laboratories (UK) Limited

Income Statement
for the year ended 31st March 2021

	Notes	2021 £	2021 £	2020 £	2020 £
TURNOVER	3		**38,892,768**		36,748,791
Cost of sales			**28,890,031**		27,119,580
GROSS PROFIT			**10,002,737**		9,629,211
Distribution costs		**701,475**		606,358	
Administrative expenses		**6,658,865**		5,122,406	
			7,360,340		5,728,764
OPERATING PROFIT	5		**2,642,397**		3,900,447
Interest receivable and similar income			**418,090**		360,325
PROFIT BEFORE TAXATION			**3,060,487**		4,260,772
Tax on profit	6		**770,644**		791,299
PROFIT FOR THE FINANCIAL YEAR			**2,289,843**		3,469,473

The notes form part of these financial statements

Dr Reddy's Laboratories (UK) Limited

Other Comprehensive Income
for the year ended 31st March 2021

	Notes	2021 £	2020 £
PROFIT FOR THE YEAR		**2,289,843**	3,469,473
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,289,843**	3,469,473

The notes form part of these financial statements

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Balance Sheet
31st March 2021

	Notes	2021 £	2021 £	2020 £	2020 £
FIXED ASSETS					
Intangible assets	7		842,054		1,104,101
Tangible assets	8		1,555,111		2,827,590
			2,397,165		3,931,691
CURRENT ASSETS					
Stocks	9	7,681,642		5,525,772	
Debtors	10	40,469,779		34,950,516	
Cash at bank and in hand		958,595		1,273,237	
		49,110,016		41,749,525	
CREDITORS					
Amounts falling due within one year	11	16,350,160		12,792,415	
NET CURRENT ASSETS			32,759,856		28,957,110
TOTAL ASSETS LESS CURRENT LIABILITIES			35,157,021		32,888,801
PROVISIONS FOR LIABILITIES	12		11,311		32,934
NET ASSETS			35,145,710		32,855,867
CAPITAL AND RESERVES					
Called up share capital	13		1,000		1,000
Other reserves	14		879,601		879,601
Retained earnings	14		34,265,109		31,975,266
SHAREHOLDERS' FUNDS			35,145,710		32,855,867

The financial statements were approved by the Board of Directors and authorised for issue on 6th May 2021 and were signed on its behalf by:

S Mcauliffe - Director

The notes form part of these financial statements

Dr Reddy's Laboratories (UK) Limited

Statement of Changes in Equity for the year ended 31st March 2021

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1st April 2019	1,000	28,505,793	879,601	29,386,394
Changes in equity				
Total comprehensive income	-	3,469,473	-	3,469,473
Balance at 31st March 2020	1,000	31,975,266	879,601	32,855,867
Changes in equity				
Total comprehensive income	-	2,289,843	-	2,289,843
Balance at 31st March 2021	1,000	34,265,109	879,601	35,145,710

The notes form part of these financial statements

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements
for the year ended 31st March 2021

1. STATUTORY INFORMATION

Dr Reddy's Laboratories (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 33.7.

Turnover
Turnover represents invoiced sales of goods, excluding value added tax, less discounts and rebates.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of five years.

Intangible assets
Products using patents are capitalised at the date of the patent. The residual value of these patents are being amortised evenly over their estimated useful lives.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- Straight line at 1%
Improvements to property	- Over the period of the lease
Plant and machinery	- 10% to 20% on cost and 20% on reducing balance
Fixtures and fittings	- Straight line over 3 years

Stocks
Raw materials, packing materials and work in progress are valued at cost. Finished goods are valued at the lower of cost and net realisable value. Stock is valued after making due allowance for obsolete and slow moving stock.

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2021

2. **ACCOUNTING POLICIES - continued**

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research, regulatory and development cost
Expenditure on research, regulatory and development cost is written off in the year in which it is incurred.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits
The company makes contributions to the private pension funds of directors and staff. Contributions payable for the year are charged in the profit and loss account.

Stock based compensation
The stock options taken up in the ultimate parent company, Dr Reddy's Laboratories Limited, by staff members of subsidiary companies are accounted for in the accounts of the subsidiary company.

Regulatory and trade licence fees
Expenditure in respect of the renewal of trade licences has been charged to the profit and loss account when it has been incurred.

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2021

2. **ACCOUNTING POLICIES - continued**

Going concern

The company has the long term support from the group and as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Strategic Report.

3. **TURNOVER**

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below:

	2021	2020
	£	£
United Kingdom	**33,937,033**	30,054,423
Europe and other countries	**4,955,735**	6,694,368
	38,892,768	36,748,791

4. **EMPLOYEES AND DIRECTORS**

	2021	2020
	£	£
Wages and salaries	**3,456,971**	3,226,248
Social security costs	**294,454**	279,239
Other pension costs	**219,797**	183,115
	3,971,222	3,688,602

The average number of employees during the year was as follows:

	2021	2020
Directors and administration	**48**	54
Production	**20**	22
	68	76

	2021	2020
	£	£
Directors' remuneration	**139,531**	192,365

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2021

4. EMPLOYEES AND DIRECTORS - continued

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	**1**	1

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2021	2020
	£	£
Hire of plant and machinery	**10,891**	9,369
Depreciation - owned assets	**131,314**	180,063
Loss/(profit) on disposal of fixed assets	**92,202**	(4,000)
Patents and licences amortisation	**277,031**	198,087
Auditors' remuneration	**6,400**	6,400
Auditors' remuneration for non audit work	**2,750**	2,750
Foreign exchange differences	**267,918**	(301,209)

6. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2021	2020
	£	£
Current tax:		
UK corporation tax	**792,267**	758,365
Deferred taxation	**(21,623)**	32,934
Tax on profit	**770,644**	791,299

UK corporation tax has been charged at 19%.

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2021

6. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£	£
Profit before tax	**3,060,487**	4,260,772
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	**581,493**	809,547
Effects of:		
Depreciation on non-qualifying assets	**5,443**	7,655
Stock-based compensation	**4,607**	(202)
Deferred tax asset not provided last year	**-**	(25,701)
Impairment of non-qualifying assets	**179,101**	-
Total tax charge	**770,644**	791,299

7. **INTANGIBLE FIXED ASSETS**

	Patents and licences
	£
COST	
At 1st April 2020	**1,781,474**
Additions	**192,186**
Disposals	**(295,467)**
At 31st March 2021	**1,678,193**
AMORTISATION	
At 1st April 2020	**677,373**
Amortisation for year	**277,031**
Eliminated on disposal	**(118,265)**
At 31st March 2021	**836,139**
NET BOOK VALUE	
At 31st March 2021	**842,054**
At 31st March 2020	1,104,101

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued for the year ended 31st March 2021

8. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Totals £
COST					
At 1st April 2020	**2,636,044**	**34,991**	**3,924,562**	**780,709**	**7,376,306**
Additions	**-**	**-**	**-**	**4,405**	**4,405**
Disposals	**-**	**-**	**(425,733)**	**-**	**(425,733)**
Impairments	**(1,365,649)**	**-**	**(3,210,599)**	**(553,067)**	**(5,129,315)**
At 31st March 2021	**1,270,395**	**34,991**	**288,230**	**232,047**	**1,825,663**
DEPRECIATION					
At 1st April 2020	**387,433**	**34,630**	**3,422,341**	**704,312**	**4,548,716**
Charge for year	**35,578**	**-**	**64,176**	**31,560**	**131,314**
Eliminated on disposal	**-**	**-**	**(425,733)**	**-**	**(425,733)**
Impairments	**(423,011)**	**-**	**(3,024,880)**	**(535,854)**	**(3,983,745)**
At 31st March 2021	**-**	**34,630**	**35,904**	**200,018**	**270,552**
NET BOOK VALUE					
At 31st March 2021	**1,270,395**	**361**	**252,326**	**32,029**	**1,555,111**
At 31st March 2020	2,248,611	361	502,221	76,397	2,827,590

Net book value at 31st March 2021 includes Assets held for resale of £1.5m.

9. STOCKS

	2021 £	2020 £
Packaging materials	**4,865**	196,966
Work-in-progress	**21,696**	238,135
Finished goods	**7,655,081**	5,090,671
	7,681,642	5,525,772

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade debtors	**10,307,623**	11,025,621
Amounts due from fellow subsidiaries	**29,992,187**	23,811,092
Amount due from ultimate parent company	**13,275**	-
Prepayments and accrued income	**156,694**	113,803
	40,469,779	34,950,516

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2021

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Trade creditors	**2,005,861**	1,760,305
Amount due to ultimate parent company	**11,149,708**	7,319,655
Amounts owed to fellow subsidiaries	**744,468**	311,878
Taxation	**354,671**	325,439
Social security and other taxes	**181,685**	486,106
Other creditors	**286,509**	27,408
Accrued expenses	**1,593,869**	2,546,407
Deferred income	**33,389**	15,217
	16,350,160	12,792,415

12. PROVISIONS FOR LIABILITIES

	2021	2020
	£	£
Deferred tax		
Accelerated capital allowances	**11,311**	32,934

	Deferred tax
	£
Balance at 1st April 2020	**32,934**
Credit to Income Statement during year	**(21,623)**
Balance at 31st March 2021	**11,311**

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021	2020
			£	£
1,000	Ordinary	£1	**1,000**	1,000

14. RESERVES

	Retained earnings	Other reserves	Totals
	£	£	£
At 1st April 2020	**31,975,266**	**879,601**	**32,854,867**
Profit for the year	**2,289,843**		**2,289,843**
At 31st March 2021	**34,265,109**	**879,601**	**35,144,710**

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2021

15. ULTIMATE PARENT COMPANY

The company's immediate parent company is Dr Reddy's Laboratories (EU) Limited, a company registered in England and Wales. The group financial statements are available to the public and may be obtained from Steanard Lane, Mirfield, West Yorkshire, WF14 8HZ.

The company's ultimate parent and controlling company is Dr Reddy's Laboratories Limited, a company incorporated in India. The group financial statements are available to the public and may be obtained from Door No 8-2-337, Road No 3, Banjara Hills, Hyderabad - 500034, India.

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2021

16. RELATED PARTY DISCLOSURES

At the balance sheet date, the company owed the amounts to related parties:

	2021	2020
	£	£
Dr Reddy's Laboratories Limited	**11,149,708**	7,319,655
Dr Reddy's S.A	-	200,552
Dr Reddy's Laboratories S.R.L	**131,548**	14,609
Reddy Pharma SAS	**459,849**	49,778
Dr Reddy's Laboratories (EU) Limited	**153,535**	-

At the balance sheet date, the company was owed amounts from the following related parties:

	2021	2020
	£	£
Dr Reddy's Laboratories S.R.L	**(84,617)**	(162,670)
Betapharm Arzneimittel GmbH	**67,115**	15,934
Dr Reddy's Pharma Iberia	**33,191**	421,265
Dr Reddy's S.A	**29,945,922**	23,536,563
Dr Reddy's Laboratories (EU) Limited	**31,800**	-
Dr Reddy's Laboratories Limited	**13,275**	-

During the year the company made purchases on normal commercial terms to the following related parties:

	2021	2020
	£	£
Dr Reddy's Laboratories Limited	**17,516,550**	15,477,868
Industrias Quimicas Falcon	**63,520**	140,924
Dr Reddy's S.A	**213,529**	200,552
Reddy Pharma SAS	**461,476**	-

During the year the company made QC sales on normal commercial terms to the following related parties:

	2021	2020
	£	£
Betapharm Arzneimittel GmbH	-	15,934

During the year the company made sales on normal commercial terms to the following related parties:

	2021	2020
	£	£
Dr Reddy's Pharma Iberia	**105,400**	(4,264)
Betapharm Arzneimittel GmbH	**607,382**	71,803
Dr Reddy's Laboratories S.R.L	**(93,477)**	(167,828)
Reddy Pharma SAS	-	290,260

During the year the company received salary recharges from the following related parties:

	2021	2020
	£	£
Dr Reddys' Laboratories (EU) Limited	**314,340**	150,474

During the year the company had given a loan to the following related parties:

	2021	2020
	£	£
Dr Reddy's S.A	**6,400,000**	7,900,000

continued...

Dr Reddy's Laboratories (UK) Limited

Notes to the Financial Statements - continued for the year ended 31st March 2021

During the year the company had charged interest on the loans to the following related parties:

	2021	2020
	£	£
Dr Reddy's S.A	**415,950**	353,429

Dr Reddy's Laboratories (UK) Limited

Trading and Profit and Loss Account
for the year ended 31st March 2021

	2021		2020	
	£	£	£	£
Turnover				
Sales - United Kingdom	**33,937,033**		30,054,423	
Sales - Europe and other countries	**4,955,735**		6,694,368	
		38,892,768		36,748,791
Cost of sales				
Opening stock	**5,525,772**		7,487,951	
Purchases and trade licences	**27,865,769**		22,209,615	
Plant repairs	**233,434**		224,206	
Laboratory costs	**697,811**		616,929	
Storage and warehouse costs	**425,158**		449,370	
Wages	**1,558,547**		1,427,600	
Social security	**152,366**		136,766	
Pensions	**112,816**		92,915	
	36,571,673		32,645,352	
Closing stock	**(7,681,642)**		(5,525,772)	
		28,890,031		27,119,580
GROSS PROFIT		**10,002,737**		9,629,211
Other income				
Deposit account interest	**134**		5,477	
Other interest received	**415,950**		353,429	
Corporation tax interest received	**2,006**		1,419	
		418,090		360,325
		10,420,827		9,989,536
Expenditure				
Carriage	**701,475**		606,358	
Directors' remuneration	**139,531**		192,365	
Social security	**18,043**		25,134	
Pension contributions	**22,938**		11,483	
Wages	**1,758,893**		1,606,283	
Social security	**124,045**		117,339	
Pensions	**84,043**		78,717	
Professional, regulatory and inlicence cost	**1,060,064**		1,299,848	
Stock based compensation	**32,745**		12,942	
Rates and water	**153,922**		64,049	
Insurance	**77,784**		83,268	
Light and heat	**55,869**		60,269	
Hire of equipment	**10,891**		9,369	
Telephone	**39,953**		64,126	
Postage and stationery	**42,221**		41,764	
Advertising and marketing	**75,997**		133,259	
Travelling	**58,394**		118,776	
Carried forward	**4,456,808**	**10,420,827**	4,525,349	9,989,536

This page does not form part of the statutory financial statements

Dr Reddy's Laboratories (UK) Limited

Trading and Profit and Loss Account
for the year ended 31st March 2021

	2021		2020	
	£	**£**	£	£
Brought forward	**4,456,808**	**10,420,827**	4,525,349	9,989,536
Computer expenses	**77,992**		49,232	
Repairs and renewals	**2,110**		2,743	
Sundry expenses	**-**		201,141	
Recruitment fees	**108,280**		71,461	
Staff training	**2,197**		29,782	
Subscriptions	**241,262**		87,758	
Legal and professional fees	**679,948**		524,428	
Auditors' remuneration	**6,400**		6,400	
Auditors' remuneration for non audit work	**2,750**		2,750	
Exchange rate differences	**267,918**		(301,209)	
Amortisation of intangible fixed assets	**277,031**		198,087	
Depreciation of tangible fixed assets	**131,314**		180,063	
Profit/loss on sale of intangible fixed assets	**177,202**		-	
Profit/loss on sale of tangible fixed assets	**(85,000)**		(4,000)	
Impairment losses for tangible fixed assets	**1,145,570**		-	
Bad debts	**(136,852)**		146,195	
Bank charges	**5,410**		8,584	
		7,360,340		5,728,764
NET PROFIT		**3,060,487**		4,260,772

DR REDDY'S NEW ZEALAND LIMITED
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2021

DR REDDY'S NEW ZEALAND LIMITED

Contents

DR REDDY'S NEW ZEALAND LIMITED
COMPANY DIRECTORY
AS AT 31 MARCH 2021

Nature of Business	Pharmaceutical Drug Distribution
Registered Office	82 Totara Crescent Woburn Lower Hutt, 5011 New Zealand
Directors	Kallam Satish Reddy Venkata Ananth Sama Goparaju Sunil Kumar Chebrolu
Bankers	The Hong Kong and Shanghai Banking Corporation Limited Auckland
Solicitors	Crengle Shreves & Ratner Level 12, 105 The Terrace Wellington
Business Location	Auckland
Shareholder	Dr Reddy's Laboratories SA

DR REDDY'S NEW ZEALAND LIMITED
APPROVAL OF FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2021

The Board of Directors are pleased to present the approved financial report including historical financial statements of Dr Reddy's New Zealand Limited for the year ended 31 March 2021.

Approved for and on behalf of the Board of Directors

DocuSigned by:

Vikram Kotibhaskar

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07-May-2021 | 9:00 AM IST

~~Director~~ Country Head ANZ

Date

DocuSigned by:

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07-May-2021 | 8:39 AM IST

Director

Date

BDO

INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT TO THE SHAREHOLDERS OF DR REDDY'S NEW ZEALAND LIMITED

Report on the Financial Statements

We have reviewed the accompanying financial statements of Dr Reddy's New Zealand Limited ("the Company") which comprise the balance sheet as at 31 March 2021, and the statement of profit or loss and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Chartered Accountants Australia and New Zealand's Special Purpose Financial Reporting Framework for use by For-Profit Entities ("the CAANZ Framework"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Assurance Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity* ("ISRE (NZ) 2400"). ISRE (NZ) 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires that we comply with relevant ethical requirements.

A review of the financial statements in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these financial statements.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, the Company.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects the financial position of the Company as at 31 March 2021, and its financial performance for the year then ended, in accordance with the CAANZ Framework.

BDO Auckland

BDO Auckland
Auckland
New Zealand
7 May 2021

DR REDDY'S NEW ZEALAND LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 $	2020 $
Income		4,052,076	3,564,873
Cost of Sales		(3,734,400)	(3,162,791)
Gross Profit		317,676	402,082
Other Income	2	-	10,570
		317,676	412,651
Expenses	3	(295,584)	(188,679)
Net operating profit before tax		22,092	223,973
Finance expense	4	(8,657)	-
Profit before tax		13,435	223,973
Income Tax Expense	5	-	-
Net profit after tax		13,435	223,973

The above statement should be read in conjunction with the notes to and forming part of the Special Purpose Financial Statements.

DR REDDY'S NEW ZEALAND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Share Capital	Retained Earnings	Total equity
	$	$	$
Balance at 1 April 2020	10,000	1,568,230	1,578,230
Profit for the year	-	13,435	13,435
Balance at 31 March 2021	10,000	1,581,665	1,591,665

	Share Capital	Retained Earnings	Total equity
	$	$	$
Balance at 1 April 2019	10,000	1,344,258	1,354,258
Profit for the year	-	223,973	223,973
Balance at 31 March 2020	10,000	1,568,230	1,578,230

The above statement should be read in conjunction with the notes to and forming part of the Special Purpose Financial Statements.

DR REDDY'S NEW ZEALAND LIMITED
BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 $	2020 $
Equity	6	**1,591,665**	**1,578,230**
Represented by			
Current assets			
Cash and other short-term deposits		242,360	99,863
Trade and other receivables	7	998,675	1,398,156
Tax receivable		-	2,726
Inventories	8	1,025,514	974,510
Total current assets		2,266,549	2,475,255
Non-current assets			
Property, plant and equipment	9	-	-
Total non-current assets		-	-
Total assets		2,266,549	2,475,255
Current liabilities			
Trade and other payables	10	674,884	897,025
Total liabilities		674,884	897,025
Net assets		**1,591,665**	**1,578,230**

Approved for and on behalf of the Board of Directors

DocuSigned by:
Vikram Kotibhaskar
246AC366C70B479...

~~Director~~ Country Head ANZ

07-May-2021 | 9:00 AM IST

Date

DocuSigned by:
CD27EBB858BF42F...

Director

07-May-2021 | 8:39 AM IST

Date

The above statement should be read in conjunction with the notes to and forming part of the Special Purpose Financial Statements.

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Dr Reddy's New Zealand Limited ('the Company') is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993. The Company primarily is involved in pharmaceutical drug distribution.

Basis of Preparation

These financial statements have been prepared in accordance with the Special Purpose Financial Reporting Framework for use by For-Profit Entities (SPFR for FPE's) issued by the Chartered Accountants Australia and New Zealand. The financial statements have been prepared for the following parties:

- the entity's owners; and
- Inland Revenue

Basis of Measurement

These financial statements have been prepared on a historical cost basis. Values are rounded to the nearest dollar.

Functional Currency

The financial statements are presented in New Zealand dollars ($).

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Plant and equipment

Owned assets

Plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset either using depreciation rates based on estimates by management. Assets estimated useful life is reassessed annually. The following estimated depreciation rates/useful lives have been used:

▪ Office furniture and equipment	20 to 100%	straight line

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- **Accounts Receivable**

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

- **Cash and short term deposits**

Cash and cash equivalents include cash on hand, deposits held in bank current call and cash management accounts and bank overdrafts.

- **Trade and other payables**

Trade and other payables are measured at amortised cost, using the effective interest method.

b) Inventories

Inventories are stated at the lower of cost, determined on a first-in-first-out basis, and net realisable value, less an allowance for any write-down for inventory impairment or obsolescence.

c) Share Capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, to the extent it is probable that the economic benefits will flow to the Company and revenue can be reliably measured.

Interest received is recognised as interest accrues, gross of refundable tax credits received.

e) Income Tax

Income tax is accounted for using the taxes payable method. The income tax expense in profit or loss represents the estimated current obligation payable to Inland Revenue.

f) Goods and Service Tax

All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) Leases

The Company as lessee

- **Operating leases**

Operating lease payments, where the lessors effectively retain substantially all the risk and benefits of ownership of the leased items, are recognised as an expense in profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

h) COVID-19 Pandemic

COVID-19 was declared a pandemic by the World Health Organization on 11 March 2020.

The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of national borders, the closure of non-essential businesses, the cancellation of public events and the imposition of restrictions on individuals) in an attempt to reduce transmission of the virus.

In late March 2020, the New Zealand Government ordered a four-week lockdown, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. In late April 2020, the lockdown period ended, and the New Zealand Government started gradually easing the restrictions that had been placed on businesses, organisations and individuals. A further lockdown was introduced in Auckland in late February 2021 for two weeks. During the lockdowns the Company was able to operate as its distribution partner is considered to be an essential service provider.

Since the end of the lockdown periods, the Company has been able to operate, and has not experienced reduced demand.

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2021

	2021 $	2020 $
2. OTHER INCOME		
Interest	-	4,655
Foreign currency gain	-	5,915
	-	10,570
3. EXPENSES		
Professional and consulting fees	24,924	21,183
Salaries and wages to employees	109,569	110,665
Regulatory expenses	139,903	35,382
Other expenses	21,188	21,449
	295,584	188,679
4. FINANCE EXPENSES		
Foreign currency loss	(8,565)	-
	(8,565)	-
5. INCOME TAX		
Net profit before tax	13,435	223,973
Prima facie tax expense at 28%	3,762	62,712
Non-deductible expenses	140	380
Temporary differences not recognised	72,526	(6,575)
Losses to carry forward	76,428	56,517
Prior year (losses) brought forward	(1,038,532)	(1,239,501)
Total (losses) carried forward	(763,237)	(1,038,532)
6. EQUITY		
Issued Capital	10,000	10,000
Retained earnings		
- Opening balance as at 1 April	1,578,230	1,364,258
- Net profit	13,435	223,973
Closing balance as at 31 March	1,591,665	1,578,230
Closing balance as at 31 March	1,591,665	1,578,230

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2021

7. TRADE AND OTHER RECEIVABLES

	2021	2020
	$	$
Trade receivables	959,378	1,292,715
GST receivable	39,297	105,441
Trade and other receivables	998,675	1,398,156

8. INVENTORIES

Finished goods at cost	1,092,489	993,313
Less Inventory provision	(66,975)	(18,803)
Inventory	1,025,514	974,510

9. PROPERTY, PLANT AND EQUIPMENT

2021 and 2020	Cost	Accumulated depreciation and impairment	Net Book Value
	$	$	$
Furniture and Fixtures – cost	15,996	15,996	0
	15,996	15,996	0

10. TRADE AND OTHER PAYABLES

	2021	2020
	$	$
Trade payables	256,275	194,171
Related party payables	354,422	631,618
Non-trade payables and accrued expenses	50,113	60,262
Employee entitlements	14,074	10,974
Total trade and other payables	674,884	897,025

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2021

11. CAPITAL COMMITMENTS

There are no capital commitments at 31 March 2021 (2020: $Nil).

12. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 March 2021 (2020: $Nil).

13. RELATED PARTIES

The related party transactions noted during the year are as follows:

2021	Sales $	Purchases $	Receivables/ (payables) $
Ultimate Holding Company			
- Dr Reddy's Laboratories Limited - India	-	3,714,178	(354,422)
Fellow Subsidiary			
- Dr Reddy's Laboratories Limited - Australia	-	28,050	-

2020			
Ultimate Holding Company			
- Dr Reddy's Laboratories Limited - India	-	3,022,848	(626,020)
Fellow Subsidiary			
- Dr Reddy's Laboratories Limited - Australia	-	122,283	(5,598)

14. SUBSEQUENT EVENTS

There were no events subsequent to balance date that materially affect the financial statements.

Independent Auditors' Report

To the Members of
Dr. Reddy's Research and Development B V

We have audited the accompanying financial statements of **Dr. Reddy's Research and Development B V.** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2021, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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 these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2021;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date.

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

S R V V Surya Rao Ponnada
Partner
Membership No. 202367
UDIN NO. 21202367AAABYE6783

Place: Hyderabad
Date: 11th May 2021

Dr. Reddy's Research and Development B V
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2021	As at 31 March 2020
ASSETS			
Non current assets			
Property, plant and equipment	2.1	371,688	394,367
Capital work- in - progress		70,429	32,015
Intangible assets	2.1	-	-
Deferred tax assets (net)		-	-
Other non current financial assets	2.2	2,354,770	2,165,631
Total non current assets		**2,796,887**	**2,592,013**
Current assets			
Financial assets			
Trade receivables	2.3	193,667	260,846
Cash and cash equivalents	2.4	119,352	97,082
Loans	2.5	-	-
Other assets	2.6	321,760	250,742
Other current assets	2.7	111,801	57,951
Total current assets		**746,580**	**666,621**
Total assets		**3,543,468**	**3,258,634**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.8	460,464	460,464
Other equity		1,794,421	(1,038,777)
Total equity		**2,254,885**	**(578,313)**
Non current liabilities			
Financial Liabilities			
Borrowings	2.9	1,010,442	1,016,351
Other non-current liabilities	2.13	-	2,541,416
		1,010,442	**3,557,767**
Current liabilities			
Financial Liabilities			
Trade payables	2.10	47,867	64,214
Other current financial liabilities	2.11	151,272	138,784
Provisions	2.12	33,682	30,680
Other current liabilities	2.13	45,319	45,502
Total Liabilities		**278,141**	**279,180**
Total equity and liabilities		**3,543,468**	**3,258,634**
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Jasmine
Director

Hans Delnoij
Director

Place: Hyderabad
Date:

Dr. Reddy's Research and Development B V

Statement of Profit and Loss

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

	Note	For the year ended 31 March 2021	For the year ended 31 March 2020
Revenue from operations	3.1	1,052,374	963,248
Other Income	3.2	2,776,285	106,729
Total Income		**3,828,660**	**1,069,978**
Expenses			
Cost of raw material and components consumed		(41,282)	(25,002)
Employee benefits expense	3.3	421,041	411,623
Depreciation	3.4	86,689	109,133
Finance costs	3.5	64,558	7,935
Other expenses	3.6	406,186	432,466
Total expense		**937,192**	**936,154**
Profit/(Loss) before tax		**2,891,467**	**133,823**
Income tax expense	3.7	-	5,067
Profit/(Loss) for the year		**2,891,467**	**128,757**
Other Comprehensive Income (OCI)			
Items that will be reclassified subsequently to profit or loss		(58,269)	(47,012)
Income tax on items that will be reclassified subsequently to profit or loss		-	-
		(58,269)	**(47,012)**
Total comprehensive income for the year		**2,833,199**	**81,745**
Earnings per share			
Basic - Par value EUR 0.12 per share		54.89	2.44
Diluted - Par value EUR 0.12 per share		54.89	2.44
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

PSRVV Surya Rao
Partner
Membership No. 202367

Jasmine
Director

Hans Delnoij
Director

Place: Hyderabad
Date:

Dr. Reddy's Research and Development B V

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus		Other Comprehensive Income	Total Equity
	Shares	Amount	Securities Premium	Retained Earnings	Foreign currency translation reserve	
Balance as of 1 April 2020	52,673,974	460,464	5,376,854	(6,385,596)	(30,035)	(578,313)
Shares issued during the year		-	-	-	-	
Profit/(Loss) for the year	-	-	-	2,891,467	(58,269)	2,833,199
Balance as of 31 March 2021	52,673,974	460,464	5,376,854	(3,494,128)	(88,303)	2,254,886
Balance as on 1 April 2019	52,673,974	460,464	5,376,854	(6,514,353)	16,977	(660,058)
Shares issued during the year		-				
Profit/(Loss) for the year	-	-		128,757	(47,012)	81,745
Balance as of 31 March 2020	52,673,974	460,464	5,376,854	(6,385,596)	(30,035)	(578,313)

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Jasmine
Director

Hans Delnoij
Director

Place: Hyderabad
Date:

Dr. Reddy's Research and Development B V

Cash Flow Statement

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

	For the year ended 31 March 2021	For the year ended 31 March 2020
Operating activities		
Profit/(Loss) before taxation	2,891,467	133,823
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation	86,689	109,131
Finance costs	64,558	7,935
Interest Income	(112,458)	(106,708)
Net foreign exchange differences	(73,288)	(56,179)
Loss on sale of investments		
Profit on disposal of property,plant and equipment	(399)	(21)
Operating cash flows before working capital changes	**2,856,570**	**87,982**
Working capital adjustments:		
Trade and other receivables	67,179	(127,947)
Trade payables	(16,347)	21,403
Other assets & liabilities,net	(2,840,116)	179,582
	67,286	**161,020**
Income tax paid		
Net cash flows from operating activities	**67,286**	**161,020**
Net cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	999	21
Purchase of property, plant and equipment	(88,005)	(30,782)
Proceeds from sale/(Purchase) of investments in subsidiaries	-	(8)
Advances IU	-	(127,362)
Interest received	-	
	(87,006)	**(158,131)**
Net cash flows from/ (used in) financing activities		
Repayment of long term borrowings	(5,909)	(44,629)
Borrowings	47,899	41,027
	41,990	**(3,602)**
Net increase / (decrease) in cash and cash equivalents	22,270	(713)
Cash and cash equivalents at the beginning of the year	97,082	91,294
Effect of foreign exchange (gain) / loss on cash and cash equivalents	-	6,501
Cash and cash equivalents at the end of the year	**119,352**	**97,082**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	119,352	97,082
Cash and bank balances at the end of the year	**119,352**	**97,082**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

PSRVV Surya Rao
Partner
Membership No. 202367

Jasmine
Director

Hans Delnoij
Director

Place: Hyderabad
Date:

Dr. Reddy's Research and Development B V

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

Description of the Company

Dr. Reddy's Research and Development B.V. (" the Company") incorporated in the Netherlands , is a 100% subsidiary of Reddy Netherlands B.V.

Basis of preparation of financial statements :

The financial statements of the Company 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.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue from contracts with customers

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when 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.

Services Income

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.

License fee

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.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

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.

Current and non-current classification

All the 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 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/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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 :

All financial assets are recognised 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.

Financial liabilities :

Financial liabilities are classified, 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, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries :

Investments in subsidiaries 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 , 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 at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Dr. Reddy's Research and Development B V

Significant Accounting Policies & Notes to financial statements

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

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.

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

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of 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.

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.

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.

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. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 30 years
- Ancillary structures	3 - 15 years
Plant and machinery	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Dr. Reddy's Research and Development B V

Significant Accounting Policies & Notes to financial statements

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

Provisions

A provision is recognised 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 finance cost.

Restructuring

A provision for restructuring is recognised 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 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 only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the 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 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of 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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Research and Development B V
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest income from holding company and other group companies:		
Eurobridge Consulting BV	112,458	106,708
Interest paid to holding company and other group companies:		
Reddy Netherlands B.V.	8,658	7,935
Sales/ Services to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,051,478	963,197
Eurobridge Consulting BV	-	(0)

b. The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2021	As at 31 March 2020
Due from holding company and other group companies (included in other current assets and Loans and advances):		
Euro Bridge Consulting B.V.	2,614,158	2,416,004
Dr. Reddy's Laboratories (EU) Limited		
Dr. Reddy's Laboratories Limited	62,416	79
Dr. Reddy's Laboratories SA		
Due to holding company and other group companies (included in other financials liabilities):		
Dr. Reddy's Laboratories (EU) Limited	81	79
Due to holding company and other group companies (included in long term borrowings):		
Reddy Netherlands B.V.	701,904	669,283
Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	192,074	258,955

1.2 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2021	As at 31 March 20120
Deferred tax assets / (liabilities)		
Operating loss carry forward	-	-
Deferred tax asset, net	-	-

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

Dr. Reddy's Research and Development B V
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Property, plant and equipment and other intangible assets

Description	Gross Block					Depreciation / Amortisation					Net Block	
	As at 01.4.2020	Additions	Disposals	Forex	As at 31.03.2021	As at 01.4.2020	For the year	Disposals	Forex	As at 31.03.2021	As at 31.03.2021	As at 31.03.2020
Building	593,707	7,434	-	21,191	622,332	316,814	41,455	-	11,002	369,272	253,060	276,893
Plant and machinery	1,109,093	31,614	12,721	39,337	1,167,324	1,006,032	39,620	12,121	36,079	1,069,611	97,713	103,061
Furniture and Fixtures & Office equipment	54,782	11,825	11,500	1,836	56,944	40,370	5,614	11,500	1,546	36,029	20,915	14,413
Total tangible assets (A)	**1,757,583**	**50,873**	**24,221**	**62,364**	**1,846,600**	**1,363,216**	**86,689**	**23,621**	**48,628**	**1,474,912**	**371,688**	**394,367**
Previous Year	1,572,089	584,470	11,640	(387,336)	1,757,583	1,132,376	91,326	56	139,570	1,363,216	394,367	439,713
Other intangibles	92,265				92,265	92,265	0		(0)	92,265	-	-
Total intangible assets (B)	**92,265**	-	-	-	92,265	**92,265**	**0**	-	**(0)**	**92,265**	-	-
Previous Year	92,265	-	-	-	92,265	74,458	17,807	-	-	92,265	-	17,807
TOTAL (A+B)	**1,849,848**	**50,873**	**24,221**	**62,364**	**1,938,865**	**1,455,481**	**86,689**	**23,621**	**48,627**	**1,567,177**	**371,688**	**394,367**
Capital work in progress	**32,015**	**37,133**	-	**1,281**	**70,429**	-	-	-	-	-	**70,429**	**32,015**

Dr. Reddy's Research and Development B V

Notes to Financial Statements

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

Other non curent financial assets

	As at 31 March 2021	As at 31 March 2020
2.2 : Loans and Advances		
Balances receivable from holding and other group companies	2,354,770	2,165,631
	2,354,770	**2,165,631**

Financial assets

	As at 31 March 2021	As at 31 March 2020
2.3 : Trade receivables		
Unsecured,considered good		
Receivable from holding company and other group companies	-	-
Receivable from Others	193,698	260,876
Less: Allowances for credit losses	(31)	(30)
	193,667	**260,846**

	As at 31 March 2021	As at 31 March 2020
2.4 : Cash and cash equivalents		
Balances with banks:		
- In current accounts	119,349	97,079
Cash on hand	3	3
	119,352	**97,082**

	As at 31 March 2021	As at 31 March 2020
2.5 : Loans and Advances		
Balances receivable from holding and other group companies	-	-
	-	-

	As at 31 March 2021	As at 31 March 2020
2.6 : Other Assets		
Other assets receivable from holding company and other group companies	2,250,971	(98,774)
Security Deposits	-	-
Other advances	(1,929,211)	349,516
	321,760	**250,742**

B. Other Assets

	As at 31 March 2021	As at 31 March 2020
2.7: Other current assets		
Other assets	53,238	4,958
Prepaid expenses	38,026	44,142
Balance with statutory agencies	20,537	8,851
	111,801	**57,951**

Dr. Reddy's Research and Development B V

Notes to Financial Statements

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

2.8 : Share capital

	As at 31 March 2021	As at 31 March 2020
Authorised Share Capital		
80,000,000 (31 March 2020: 80,000,000) ordinary shares of EUR 0.12 each	699,328	699,328
Issued equity capital		
52,673,974 (31 March 2020: 52,673,974) ordinary shares of EUR 0.12 each	460,464	460,464
Subscribed and fully paid-up		
52,673,974 (31 March 2020: 52,673,974) ordinary shares of EUR 0.12 each	460,464	460,464
	460,464	**460,464**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2021		As at 31 March 2020	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	52,673,974	460,464	52,673,974	460,464
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**52,673,974**	**460,464**	**52,673,974**	**460,464**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 0.12 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2021		As at 31 March 2020	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	-	-		
Reddy Netherlands B.V.	52,673,974	100%	52,673,974	100%

Financial Liabilities

2.9: Non-current Borrowings

	As at 31 March 2021	As at 31 March 2020
Unsecured		
From other parties		
Long term borrowings from holding company and other group companies	701,904	669,283
Secured		
Long term maturities of finance lease obligations	308,538	347,068
	1,010,442	**1,016,351**

2.10 : Trade Payables

	As at 31 March 2021	As at 31 March 2020
Payables to holding company and other group companies	-	-
Payables to others	47,867	64,214
	47,867	**64,214**

2.11: Other current financial liabilities

	As at 31 March 2021	As at 31 March 2020
Accrued expenses	30,225	48,155
Other liabilities payable to holding and other group companies		
Other current liabilities	-	501
Capital creditors	39,731	14,976
Trade and security deposits	30,290	30,065
Current maturities of long term debt	51,026	45,086
	151,272	**138,784**

2.12 : Provisions

	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits	33,682	30,680
	33,682	**30,680**

Other Liabilities

2.13 : Other Liabilities

	As at 31 March 2021	As at 31 March 2020
A. Non-current liabilities		
Deferred revenue	-	2,541,416
	-	**2,541,416**
B. Current liabilities		
Deferred revenue	0	0
Due to statutory authorities	5,176	12,031
Salary and bonus payable	40,143	33,471
Other Liabilities	-	-
	45,319	**45,502**

Dr. Reddy's Research and Development B V

Notes to Financial Statements

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

3.1 : Revenue from operations	For the year ended 31 March 2021	For the year ended 31 March 2020
Sales	-	52
License fee and service income from holding company and other group companies	1,051,478	963,197
Other operating income	896	-
	1,052,374	963,248

3.2 : Other income	For the year 31 March 2021	For the year ended 31 March 2020
Interest income		
On fixed deposits	-	-
From holding company and other group companies	112,458	106,708
Profit on disposal of PPE	399	21
Foreign exchange gain,net	-	-
Income from Group companies	2,663,428	-
	2,776,285	106,729

3.3 : Employee benefits expense	For the year 31 March 2021	For the year ended 31 March 2020
Salaries, wages and bonus	396,740	372,868
Contribution to provident and other funds	24,302	38,755
	421,041	411,623

3.4 : Depreciation and amortisation expense	For the year 31 March 2021	For the year ended 31 March 2020
Depreciation of tangible assets	86,689	109,133
	86,689	109,133

3.5 : Finance costs	For the year 31 March 2021	For the year ended 31 March 2020
Interest on long term borrowings to holding company and other group companies	64,558	7,935
	64,558	7,935

3.6 : Other expenses	For the year 31 March 2021	For the year ended 31 March 2020
Legal and professional	19,374	24,532
Travelling and conveyance	502	7,272
Communication	1,864	3,290
Rent	22,506	21,206
Loss on sale of investments	-	-
Foreign exchange loss, net	617	547
Impairment of Intangibles		
Other general expenses	361,322	375,619
	406,186	432,466

3.70 : Tax expense	For the year 31 March 2021	For the year ended 31 March 2020
Deferred tax expense	-	5,067
	-	5,067

Dr. Reddy's S.r.l. a Socio unico

Independent Auditor's Report on the Statutory Financial Statements as at March 31st, 2021 pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers

Independent Auditor's Report

pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010

To the sole shareholder of

Dr. Reddy's S.r.l.

Report on the Statutory financial statements

Unqualified Opinion

We have audited the Statutory financial statements of the Dr. Reddy's S.r.l. (the Company), which comprise the balance sheet as at March 31st, 2021, the income statement, and the other explanatory information for the period then ended.

In our opinion the Statutory financial statements give a true and fair view of the financial position of the Company as at March 31st, 2021 and of its financial performance for the period then ended in accordance with the Italian laws and regulations that govern their preparation.

Basis for Unqualified Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under those standards are further described in the "Independent Audit Company's responsibilities for the audit of the Statutory financial statements" section of this report. We are independent from Dr. Reddy's S.r.l., in accordance with the rules and principles of ethics and independence applicable in Italian law to the auditing of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Responsibilities of the Directors for the Statutory financial statements

The Directors are responsible for the preparation of these Statutory financial statements that give a true and fair view in accordance with the Italian laws and regulations that govern their preparation and, as provided by the law, for such internal control as they determines is necessary to enable the preparation of Statutory financial statements that are free from material misstatements due to fraud or unintentional acts or events.

The Directors are responsible for assessing the capacity of the Company to continue operating as a going concern entity and, in preparing the statutory financial statements, for the appropriateness of using the going concern basis of accounting, and for the adequate disclosure in this regard. The Directors use the going concern basis of accounting in preparing the Statutory financial statements unless they either intends to liquidate the company Dr. Reddy's S.r.l. or to cease operations or have no realistic alternatives but to do so.

Independent audit Company's responsibilities for the audit of the Statutory financial statements

The objectives of our audit are to obtain reasonable assurance about whether the Statutory financial statements are free from material misstatements, due to fraud or unintentional acts or events, and to issue an audit Company's report that includes our opinion. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing (ISA Italy) will always detect a material misstatement when it exists. Misstatement can arise from fraud or unintentional acts or events and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by the users based on the Statutory financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italy), we exercise professional judgment and maintain professional skepticism throughout the entire audit process. We also:

- Identify and assess the risks of material misstatement of the Statutory financial statements, whether due to fraud or unintentional acts or events. 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 unintentional acts or events, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and but not for the purpose of expressing an opinion on the effectiveness of Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Directors;
- Reach a conclusion on appropriateness of the going concern basis of accounting used by the Directors and, based on the obtained evidence, on the possible existence of significant uncertainty concerning events or circumstances that may arise significant doubts over the capacity of the Company to continue operating as a going concern entity. In case of a significant uncertainty, we have to call the reader's attention in the audit Company's report to the related information in the Statutory financial statements or, if that information is inadequate, to consider this circumstance in expressing our opinion. Our conclusions are based on the audit evidence obtained up to the date of this audit report. Nevertheless, subsequent events or circumstances may cause the Company to cease operations as a going concern entity;
- Evaluate the overall presentation, structure and content of the Statutory financial statements as a whole and whether the Statutory financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We have communicated with the persons in charge of governance activities that have been identified at an appropriate level in accordance with the requirements of the ISA Italy, among other matters, regarding 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.

Milan, May 7th, 2021

Audirevi S.p.A.

Signed by

Davide Borsani
Partner

Dr Reddy's S.r.l. (with a sole shareholder)

Legal Seat in Milan - Piazza Santa Maria Beltrade, n. 1
Share Capital Euro 99.000,00 - fully paid - in
Fiscal code and Milan Registry of Trading Companies
fiscal code and VAT number: 01650760505
Registered to Milan CCIAA n. 1882447

Financial Statements as of March 31, 2021

(Drawn up pursuant art. 2435-bis C.C.)

(amounts are in Euro)

Balance Sheet

Assets		**31.03.2021**	**31.03.2020**
B) Fixed assets			
I.	*Intangible assets*	4,44,529	5,30,672
II.	*Tangible assets*	5,979	7,201
III.	*Financial assets*	54,398	50,434
Totale immobilizzazioni		**5,04,906**	**5,88,307**
C) Current assets			
I.	*Stock*	28,55,556	26,01,143
II.	*Accounts receivable*		
	- falling due within one year	46,14,007	38,37,513
	- falling due after more than one year	0	
	Total accounts receivable	46,14,007	38,37,513
III.	*Financial assets not representing fixed assets*		
	Total financial assets not representing fixed assets		
IV.	*Liquid assets*	3,38,709	60,118
Total current assets		**78,08,272**	**64,98,774**
D) Accrued income and pre payments		8,854	14,491
Total assets		**83,22,032**	**71,01,572**

Liabilities		31.03.2021	31.03.2020
A) Shareholders equity			
I.	Share Capital	99,000	99,000
IV.	Legal reserve	11,883	11,833
VI.	Other reserves	47,17,433	38,93,228
VIII.	Retained earnings / (loss carried forward)	0	15,103
IX.	Operating profit (loss)	(17,02,907)	(6,70,848)
Total		**31,25,409**	**33,48,316**
B) Provisions for risks and liabilities		6,45,223	7,79,149
C) Provision for employees' leaving indemnity		1,82,943	1,69,268
D) Accounts payable			
	- falling due within one year	43,68,457	28,04,839
	- falling due after more than one year		
	Total acconts payable	43,68,457	28,04,839
E) Accrued liabilities and deferred income		0	0
Total liabilities		**83,22,032**	**71,01,572**

Profit and loss account

		31.03.2021	31.03.2020
A) Revenues			
1)	*Sales and services*	1,00,40,437	82,56,648
2)	*Changes on stock of goods in process, semi-finished goods and finished goods*	0	-
5)	*Miscellaneous revenues*	0	30,843
Total revenues		**1,00,40,437**	**82,87,491**
B) Expenses			
6)	*For raw materials, subsidiarymaterials, consumables and goods*	82,41,138	54,40,500
7)	*Services*	17,55,568	13,38,765
8)	*Rent/Lease*	45,270	38,769
9)	*Personnel*		
	a) Salary and wages	9,53,448	6,59,721
	b) Social security contributions	1,90,348	2,11,006
	c) Employees' leaving indemnity	34,548	43,137
	d)	0	299
		11,78,344	9,14,163
10)	*Depreciation and write-downs*		
	a) Depreciation of intangible assets	1,79,073	15,258
	b) Depreciation of tangible assets	2,117	949
	c) Other devaluation of tangible assets		
	d) Bad debts accruals	59,519	63,188
	Total depreciation and write-down	2,40,709	79,395
11)	*Changes in stock of raw material, subsidiary materials, expendable materials and goo*	-2,54,413	-1,63,313
12)	*Risk accruals*	2,79,675	3,79,491
13)	*Other accruals*	1,65,967	1,44,237
14)	*Other management costs*	91,086	7,86,332
Total expenses		**1,17,43,344**	**89,58,339**
Difference between revenues and expenses (A-B)		**(17,02,907)**	**(6,70,848)**
C) Financial income and costs			
16)	*Other financial income*		
17)	*Interest and other financial cost*		
	d) other than the above		
17) bis	*Exchange gains and losses*		
Totale proventi e oneri finanziari			
Total financial income and costs		**(17,02,907)**	**(6,70,848)**
20)	*Taxes on the income for the year*		
	- current taxes	0	0
	- deferred taxes		0
21) Profit (Loss) for the year		**(17,02,907)**	**(6,70,848)**

Dr Reddy's S.r.l. (with a sole quotaholder)

Registered office at Milano – Piazza Santa Maria Beltrade, n. 1

Share capital EURO 99.000,00 i.v.

Taxpayer's ID and Companies Register no. 01650760505

Registered to Milan CCIAA no. 1882447

Fiscal code and VAT number no. 01650760505

ABRIDGED EXPLANATORY NOTE PURSUANT ART. 2435 BIS C.C. ON THE FINANCIAL STATEMENT AS OF MARCH, 31 2021

STRUCTURE, CONTENT AND DRAFTING PRINCIPLES OF FINANCIAL STATEMENT

The financial statements for the financial year closed on March 31, 2021, of which this explanatory note is part, have been drafted in accordance with the rules of the Civil Code (c.c.) supplemented by accounting principles issued by the Italian Accounting Body (O.I.C).

The drafting principles and the valuation criteria are based on the general principles of prudence, competence and going concern basis, and taking into account of the economic function of the asset or liability element considered.

The criteria for evaluating the individual posts respect the formal and substantive content of the Legislative Decree of 9 April 1991, n. 127 and of the accounting standards approved by the Italian Accounting Authority (O.I.C.).

Going Concern

The Company has decided to prepare these financial statements on a going concern basis, in view of the results forecast in the business plan and the financial support of the shareholder, who most recently, on 8 May 2020, recapitalised the company by means of a capital contribution for a total amount of EUR 1,480,000.

The criteria adopted for this financial statements drafting are in accordance with the provisions of art. 2426 C.C. It have not occured derogation use pursuant art. 2423 paragraph 4.

It have been also taking into account the financial year risks and losses, even though they have been known after the financial year closing date, but before the financial statements drafting.

The financial statements have been drawn up in an abridged form, pursuant to art. 2435 C.C., remembering the assumptions.

It is also noted that the explanatory note is drafted in Euro.

VALUATION CRITERIA

The valuation criteria are exposed as follows.

Intangible assets

Their registration is based on the fact that these expenses can provide future benefits whose economic utility will continue over time; they are recorded at the cost incurred for their acquisition. They are systematically amortized in relation to their residual utilization potential.

Description	Depreciation Rate
Research, development and advertising cost	20%
Marketing authorised products	20%
Software Licenses	20%

Fixed assets whose value at the the financial year closing date is permanently lower than the depreciated cost in accordance with the above exposed criteria, are recorded at this lower value. In the Balance Sheet, the value of intangible assets is shown net of all depreciation and possible value adjustments.

Tangible fixed assets

Tangible fixed assets are accounted at historical cost and the adjusted provisions of such items are carried directly decreasing the assets.

The ordinary depreciation has been calculated systematically on the basis of rates considered representative of the residual utilization possibility of each category of asset.

The depreciation rate adopted for office machines is 20%. Commercial equipment is fully depreciated at the date of preparation of these financial statements.

In the financial year, in which the asset comes into operation, the depreciations are calculated using the above-mentioned rates, reduced by 50%, assuming that purchases are homogeneously distributed throughout the year.

In the event that, irrespective of the depreciation already accounted, there is a permanent loss of value, the asset is correspondingly devaluated; if in the subsequent financial years the assumptions of the value adjustment are no longer met, the original value is restored.
Assets that can be used independently, if their usefulness is limited to one financial year, are fully depreciated during the year.

Financial fixed assets
Fixed assets are valued on the basis of their estimated realizable value. The other financial fixed assets are stated at the acquisition cost inclusive of the related ancillary costs.

Inventories
Raw materials and products inventories are stated at the lower of purchase or production cost, including ancillary costs, and the market estimated realizable value. The value of such inventories is restored if the reasons for the value adjustments are no longer met.
The method used to determine the cost is that of the specific cost. The advances are stated in the balance sheet assets at nominal value.

Receivables
Receivables are recorded at the estimated realizable value resulting from the difference between the nominal value and the receivables value adjustments provisions, determined to meet the expected recoverability risks.

Conversion criteria of the extra UEM currency items.
Currency assets and liabilities, except the fixed assets, are stated at the spot exchange rate at the end of the year and the related profits and losses on exchange are recognized in the Profit and Loss Account. The possible net income is allocated in a non-distributable reserve until the realization. Fixed assets in currency are recorded at the exchange rate at the time of their purchase or at the lower of the year-end if the reduction is considered durable.

Liquid assets
Liquid assets at financial year closing date are stated at nominal value.

Accrued income and prepayments
These items include those costs and income, common to two or more years, in accordance with the principle of economic and temporal competence.

Net equity
The share capital subscription is occurred at the nominal value of the shares subscribed by the shareholder.
The reserve registration is occured at nominal value.

Provisions for risks and charges
Provisions for risks and charges are allocated to cover exsisting or probable losses or debts, whose exact amount or the occurrence date can not be determined at financial year closing. The appropriations reflect the best possible estimate based on the commitments made and the available elements. The accruals for provisions for risks and charges are classified according to the nature of the transaction in the corresponding Profit and Loss Account items.

Indemnities for termination of subordinate employment

The Indemnities for termination of subordinate employment reflects the indemnity provided for the Italian law and that will be liquidate when the employee leaves the Company. In the presence of specific conditions, it may be partially anticipated to the employee during the working life.

With particular reference to companies with fewer than 50 employees, this institution can be considered a defined benefit plan exclusively for the portions accrued before January 1, 2007 (and not yet paid at the balance sheet date) and for the portions accrued after that date. for those employees who have chosen to keep the severance pay in the company. While for the shares accrued after 1 January 2007 by employees who have allocated the T.f.r. to pension funds, it is comparable to a defined contribution plan.

In the case of defined benefit plans, the liability includes the amounts accrued in favor of personnel for indemnities for termination of subordinate employment due according to the law, net of the advanced payments paid and net of what has already been paid to the employees.

In the case of defined contribution plans, the Company pays contributions to public or private insurance institutes. With the contributions payments, the Company fulfills all its obligations. The liabilities for contributions to be paid as of the balance sheet date are included under the item "Payables to social security institutions"; the cost in the period accrues on the basis of the service rendered by the employee and is recognized among the personnel costs under the item "Indemnities for termination of subordinate employment ".

Payables

Payables are stated at nominal value.

Revenues recognition

Revenues from products sales are recognized at the time of the ownership transfer, which normally identifies with the goods delivery or shipment of the goods.

Financial revenues and those deriving from the services provisions are recognized on a timely basis.

Revenues and income, costs and charges relating to currency transactions are determined at the exchange rate on the date on which the relevant transaction is made.

Income and expenses interest, other costs and revenues

They are exposed in the financial statements in accordance with the accrual and economic principle.

Income taxes

Income taxes of the financial year are determined on the basis of a realistic estimate of the tax obligations to be accomplished, in accordance with current tax legislation. The tax liability is shown under "Tax payables" net of paid advances and withholdings.

If advances paid and possible receivables resulting from previous financial years are higher than the tax due, the net credit to the tax authorities is recorded among the receivables under "Tax receivables".

Deferred tax assets and liabilities

In compliance with the accounting principle no. 25 of the Italian Accounting Organization, deferred tax liabilities are recognized in the "tax provision" item and the assets for deferred tax assets in the item "deferred tax assets", calculated on the temporary differences between the values of the assets and liabilities stated in the financial statements and the corresponding tax values.

In accordance with this principle, deferred taxes assets are accounted only in so far as there is a reasonable certainty of their total future recovery.

Deferred tax assets receivables and deferred tax liabilities payables are offset if compensation is legally permitted.

The company, at the 31.03.2021 did not register deferred tax.

ANALYSIS OF INDIVIDUAL ITEMS

BALANCE SHEET

ASSETS

B) FIXED ASSETS

B.I) INTANGIBLE ASSETS

Net intangible assets at the end of the financial year amounted to Euro 444,529 and show a net decrease compared to the values recorded at March 31, 2020, equal to Euro 86,143. The movements in the item are shown in the following table:

Description	Intangible assets
Historical costs	609,706
Depreciation provisions	(79,034)
Net value as of 31.03.2020	*530,672*
Financial year increases	388,374
Decreases/Disposals of the year	(295,444)
Financial year depreciations	(179,073)
Net value as of 31.03.2021	444,529

The financial year movements, broken down by asset category, are shown in the table below:

Category	AIC development	AIC on the market	Software programs	Total
Historical costs	364,611	230,583	14,512	609,706
Depreciation provisions	-	(64,667)	(14,367)	(79,034)
Net value as of 31.03.2020	*364,611*	*165,916*	*145*	*530,672*
Financial year increases	165,950	222,424	-	388,374
Decreases/Disposals of the year	(295,444)		-	(295,444)
Financial year depreciations	-	(178,928)	(145)	(179,073)
Net value as of 31.03.2021	235,117	209,412	0	444,529

B.II) Tangible fixed assets

Net fixed assets, equal to Euro 5,979, has recorded a net decrease compared to the values recorded at March 31, 2020, equal to Euro 1,222. The movements in the item are shown in the following table:

Description	Tangible assets
Historical costs	20,721
Depreciation provisions	(13,520)
Net value as of 31.03.2020	7,201
Financial year increases	895
Financial year decreases	
Financial year depreciations	(2,117)
Net value as of 31.03.2021	5,979

The financial year movements, broken down by asset category, are shown in the table below:

Category	Commercial equipment	Office machines	Total
Historical costs	1,910	18,811	20,721
Depreciation provisions	(1,910)	(11,610)	(13,520)
Net value as of 31.03.2020	-	*7,201*	*7,201*
Financial year increases	-	895	895
Financial year decreases			
Financial year depreciations	-	(2,117)	(2,117)
Net value as of 31.03.2021	-	5,979	5,979

The increase of Euro 895 refers to the cost incurred for the purchase of a PC.

B.III) Financial Assets

Financial assets include guaranteed disposals for Euro 11,724 and Bank guarantees for Euro 42,674; these guarantees are among the requirements for participation in tenders for the supply of pharmaceuticals. Both values are due beyond the next financial year.

C) CURRENT ASSETS

C.I) Inventories

The item detail is the following:

Category	Balance as of 31.03.2020	Increases (Decreases)	Balance as of 31.03.2021
Finished products and goods	3,536,125	3,026,341	6,562,466
Finished products value adjustments provision	(934,982)	(2,771,928)	(3,706,910)
Total Inventories	2,601,143	254,413	2,855,556

C.II) Receivables

The receivables stated in the current assets, compared to March 31, 2020, have recordered an increase equal to Euro 776,494 and the balance broken down by category, is composed as follows:

Category	Balance as of 31.03.2020	Increases (Decreases)	Balance as of 31.03.2021
Customers receivables	2,510,969	405,971	2,916,940
Parent Company Receivables	7,000	(2,000)	5,000
Receivables from companies subject to the control of the parent companies	1,245,054	(44,311)	1,200,743
Tax receivables	66,490	414,834	481,324
Others	8,000	2,000	10,000
Total	3,837,513	776,494	4,614,007

C.II.1) Receivables from customers

The composition of this item is shown in the following table:

Category	Balance as of 31.03.2021
Italy customers	3,151,978
Bad debts provision	(235,039)
Receivables from customers	2,916,940

Receivables from customers relate to commercial transactions with Italian subjects and are fully payable within the year. The item is shown in the financial statements net of the related write-down.

The bad debt provision, equal to Euro 235,039, has recorded the following movements:

Category	Balance as of 31.03.2020	Accrual	Utilization	Saldo al 31.03.2021
Bad debt provision	182,280	59,519	(6,760)	235,039

C II.4) Receivables from Parent Company

The balance of Euro 5,000 refers to a non-interest bearing loan granted during the year to the parent company Reddy Pharma. This loan will be paid off by the end of next year.

C II. 5) Receivables from companies subject to the control of the parent companies

The balance of Euro 1,200,743 includes trade receivables due from group companies, in particular from French company (Euro 621,000), English company (Euro 154,018) and Spanish company (Euro 326,304).

C.II.5.bis) Tax receivables

The tax receivables, equal to Euro 481,325 are mainly attributable to the VAT receivable. The composition of tax credits is as follows:

Category	Balance as of 31.03.2021
IRES receivables	17,769
VAT receivables	133,936
VAT credit (previous years)	329,620
Total tax receivables	481,705

C.II.5 quater) Other recivables

The item include receivables for employees advances (Euro 10,000).

C.IV) Liquid assets

The composition of the item "Liquid assets" is summarized in the table below:

Category	Balance as of 31.03.2021
Bank deposits	338,708
Cash and cash equivalents	-
Liquid assets	338,708

D) Accrued income and prepayments

This item, equal to Euro 8,853, is mainly composed from assistance costs.

LIABILITIES AND NET EQUITY

A) NET EQUITY

The net equity movements occurred during the financial year are shown in the following table:

	I. Share Capital	IV Legal reserve	VII. Capital injections	VIII Profit (Loss) carried forward	IX. Profit/(Loss) of the financial year	Ending balance
Net equity as of 31.03.2018	99,000	-	1,393,228	-	236,666	1,728,894
Increases 2018/19	-	11,833	-	224,833	(236,666)	-
Utilization 2018/19	-	-	-	-	-	-
Result of the financial year 2018/19	-	-			(209,730)	(209,730)
Net equity as of 31.03.2019	99,000	11,833	1,393,228	224,833	(209,730)	1,519,164
Increases 2019/20		-	2,500,000			2,500,000
Utilization 2019/20		-		(209,730)	209,730	-
Result of the financial year 2019/20		-			(670,848)	(670,848)
Net equity as of 31.03.2020	99,000	11,833	3,893,228	15,103	(670,848)	3,348,316
Increases 2020/21		-	1,480,000			2,150,848
Utilization 2020/21		-	(655,795)	(15,103)	670,848	-
Result of the financial year 2020/21		-			(1,702,907)	(1,702,907)
Net equity as of 31.03.2021	99,000	11,833	4,717,433	-	(1,702,907)	3,125,409

A.I) Share capital

The share capital, which is fully subscribed, amounts to Euro 99,000.

Pursuant art. 2427, no. 7 bis) c.c., it is provided a summery related to the possibility of the net equity reserves utilization, showing the utilization of those reserves in the last three financial year (values expressed in Euro):

Nature and description	Amount	Possibility of utilization	Available part	Utilizations made in the last three financial year: To coverage losses	Utilizations made in the last three financial year: To other reasons
Share capital	99,000	-	-	-	-
Capital reserve:					
Quotaholder transfers for losses covering	4,717,433	*A,B,C*	4,717,433	655,795	-
Profits reserve:					
Legal reserve	11,833	B	-	-	-
Profits (losses) carry forward		A,B,C		224,833	
Part not to be distributed			1,702,907		
Part that may be distributed			3,014,526		

Legend: A for capital increase; B for losses covering; C for quotaholders distributions

It should be noted that the parent company Reddy Pharma, on May 8, 2020, recapitalized the company through a capital payment for a total amount of Euro 1,480,000.

B) Provisions for liabilities and charges

This item, which as of March, 31 2021 is equal to Euro 645,223. On following there is the movement of the Funds:

Category	Balance as of 31.03.2020	Increases	(Utilization)	Balance as of 31.03.2021
Damage purchasing provision	379,491	279,675	(451,630)	207,536
AIFA pay back provison	399,658	165,967	(127,938)	437,687
Total	779,149	445.642	(579,568)	645,223

The Aifa pay back provision is related to the payment due periodically to Agenzia Italiana del farmaco, because of the business in which the company operates. The provision for damage purchases was allocated and moved to meet customer requests as a result of any contractual breaches.

C) Indemnities for termination of subordinate employment

The indemnities for termination of subordinate employment of Euro 182,943 shows an increase of Euro 13,675 compared to March, 31 2020.

Description	Amount
Beginning balance	169.268
Part accrued in the financial year	34.548
Other increases	
Decreases/Adjustments	(20.873)
Balance as of 31.03.2021	182.943

The following table shows the financial year data on the composition of the employees:

Category	Average number as of 31.03.2020	Average number as of 31.03.2021
Executives	1	2
Employees	5	5
Workers	-	-
Total	6	7

D) Payables

As of March, 31 2021 the payables amount to Euro 4,368,457. The payables breakdown is the following:

Description	Beg. Balance	Increases (Decreases)	Total Payables as of 31.03.2021	UE	Extra-UE
Advances		15,605	15,605	15,605	
Payables to suppliers	1,613,556	(526,211)	1,087,345	961,929	125,416
Payables to parent company	374,493	2,047,028	2,421,521		2,421,521
Payables to companies subject to the control of the parent companies	560,553	(179,275)	381,278	381,278	
Tax payables	19,119	(4,443)	14,676	14,676	
Payables to social security institutions	31,500	9,661	41,161	41,161	
Other payables	205,618	201,253	406,871	406,871	
Total	2,804,839	1,563,618	4,368,457	1,821,520	2,546,937

There are not payables that are filling due after five years. The analysis of the individual items composing the balance is shown as follow.

D.6) Advances

The balance of the item, equal to Euro 15,605, includes advances received from customers for sales of goods not yet concluded.

D.7) Payables to suppliers

The balance of this item include payables to Italian suppliers for Euro 954,717 and payables to European suppliers for Euro 7,212 and payables to Extra- European suppliers for Euro 125,415.

D.11) Payables to parent company

These are payables for the purchase of products from the Indian parent company.

D.11bis) Paybles to companies subject to the control of the parent companies

These are payables for purchases produced by the German company of the group

D.12) Tax payables

The item includes mainly payables for Irpef witholdings for Euro 13,507 and additional (regional and municipal) payables for Euro 1,169.

D.13) Payables to social security institutions

The payables to socialsecurity institutions are mainly constituted from INPS security contributions for Euro 30,018.

D.14) Other payables

This item mainly consists of the payable to the former director of the Company for the agreed settlement (Euro 200,000) and other payables to employees for holidays not taken (Euro 96,021) and for bonuses (Euro 92,978).

In addition, regarding other information required by art. 2427, it is stated that:

- the company does not own, directly or through trustee or intermediaries, holdings in subsidiaries and related companies (art. 2427, paragraph 1, no. 5 C.C.)
- there are no receivables and payables in the financial statement for transactions which provide the obligation of repayment for the purchaser (art. 2427, paragraph 1, no.6 ter C.C.);
- there are no financial charges attributable to the assets items acquisition of the Balance Sheet (art. 2427, paragraph 1, no.8 C.C.).

COMMITMENTS, GUARANTEES AND OTHER POTENTIAL LIABILITIES

The company has in being guarantees obtained in order to participate in the tenders for the supply of pharmaceutical goods supply, for a total amount of Euro 4,139,582.
It should also be noted that the company did not receive grants, contributions, paid assignments and in any case economic benefits referred to in L. 124/2017, art. 1, paragraph 25.

ANALYSIS OF THE MAIN PROFIT AND LOSS ACCOUNT ITEMS

A) VALUE OF PRODUCTION

The value of the production, equal to Euro 10,040,437, is composed as follows:

Description	31.03.2021	31.03.2020
Income from sales and performaces	10,040,437	8,256,648
Other income and earnings		30,843
Total	10,040,437	8,287,491

A.1) Income from sales and performaces
The incomes are related to sales of pharmaceutical products and are composed as follows:

Description	Italia	UE
Revenues from third parties	8,298,363	-
Revenues from group companies	-	1,742,074
Total	8,298,363	1,742,074

B) COSTS OF PRODUCTION

The datail of this item, equal to Euro 11,743,342, is composed as follows:

Description	31.03.2021	31.03.2020
For raw materials, subsidiary materials, consumables	8,241,138	5,440,500
For services	1,755,568	1,338,765
For rent and leases	45,270	38,769
Personnel costs		
a) wages and salaries	953,448	659,721
b) social security contribution	190,348	211,006
c) indemnity for termination of employment	34,548	43,137
d) pensions and similar		299
Depreciations and value adjustment		
a) depreciation of intangible assets	179,073	15,258
b) depreciation of tangible assets	2,117	949
c) other value adjustment of intangible assets		
d) Receivables and liquid assets value adjustments stated in the current assets	59,519	63,188
Goods inventories variations	(254,413)	(163,313)
Accrual for liabilities	279,675	379,491
Other accruals	165,967	144,237
Other operating costs	91,086	786,332
Total	11,743,344	8,958,339

B.6) Raw materials, subsidiary materials, consumables

The item in question mainly consists of purchase costs for goods (Euro 8,147,206)

B.7) Costs for services

The item mainly includes of transport costs (Euro 118,274), costs for car reimbursements (Euro 37,260), costs related to reimbursement of expenses to employees (Euro 14,059), logistics costs (Euro 256,862), costs related to the participation in tenders on drugs (Euro 74,839), consultancy costs (Euro 45,193), expenses regulatory Consultancy (Euro 158,834), legal fees (Euro 222,412) and expenses related to obtaining a marketing authorization (Euro 560,775).

B.8) Costs for rent and leases

This item includes costs related to commercial rents (Euro 45,270).

B.9) Personnel costs

The item detail is shown in the following table:

Description	Balance as of 31.03.2021	Balance as of 31.03.2020
Wages and salaries	953,448	659,721
Social security contributions	190,348	211,006
Indemnity for termination of employment	34,548	43,137
Pensions and similar		299
Total	1,178,344	914,163

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B.10) Depreciations and value adjustments

The depreciations of the financial year include software (Euro 145), depreciations of AIC on the market (Euro 178,928) and of office machines (Euro 2,117). The entry also includes the provision to the fund write-down credits for Euro 59,519.

B.11) Goods inventories variations

Represents the difference between the consistency of inventories of goods at the end and at the beginning of the financial year.

Description	31.03.2021	31.03.2020
Goods inventories variations	(254,413)	(163,313)
Totale	(254,413)	(163,313)

B.12) Accrual for liabilities

This item includes the provision to the provision for penalty risks (Euro 279,675).

B.13) Other Accruals

This item includes the accrual to AIFA provision (Euro 165,967).

B.14) Operating costs

The operating costs are mainly rapresented by polygraph stickers (Euro 41,512), membership fees (Euro 27,354) and postal expenses (Euro 7,491).

20) INCOME TAX OF THE FINANCIAL YEAR

No current taxes are recognized

It is noted that for the financial year closed as of March 31st, 2019 it has been considered prudently not to account deferred tax assets on tax losses as there are no conditions for their inclusion in accordance with OIC accounting principles.

§ § §

Information required for the exemption from the Management report, pursuant art. 2428 C.C..

The company does not have parent companies shares or unit (art. 2428, paragraph 2, n.3 C.C.), and not shares or unit have been disposed or purchased during the financial year (art. 2428, paragraph 2, n.4 C.C.) also through trustee or intermediaries.

Amount and nature of costs and revenues of exceptional size or incidence
During this year, no revenues or other positive components were recognized deriving from events of exceptional size or impact.

Transactions carried out with related parties

During the year, there were transactions with related parties which took place under normal market conditions.

Information on agreements not resulting from the balance sheet

There are no agreements not included in the balance sheet information.

Information on significant events occurring after the end of the financial year
There are no significant events that took place after the close of the financial year, except for the persistence of the health emergency from Covid-19 which generated a context of general uncertainty whose evolutions and related effects are difficult to predict.
During the year, no elements emerged that could call into question the assumption of business continuity according to which the financial statements were drawn up, also in light of the equity and financial support guaranteed by the group, where deemed necessary.

OTHER INFORMATIONS

This financial statement is composed by Balance Sheet, Profit and Loss Account and explanatory note, provides a true and accurate picture of the Company's financial position and performance and of the Profit or Loss income of the financial year.

We invite you to approve the financial statement and explanatory note as they have been shown and we invite you to deliberate on the coverage of the loss of exercise equal to Euro 1,702,907 using the available profit reserve.

Milan, • 2021

Chairman of Board of Directors

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2020

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

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[English Translation for Reference Only]

Report of the Auditors

Hu Nuode Shen Zi (2021) No. 098

To the Board of Directors of Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd.:

Opinion

We have audited the accompanying financial statements of Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd. (hereinafter "the Company"), which comprise the balance sheet as at 31 December 2020, the income statement, the cash flow statement and statement of changes in shareholders' equity for the year then ended and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flow for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 CSAs 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 financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

- 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 auditor's report to the related disclosures in these 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, and whether the 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.

Shanghai Nortex Certified Public Accountants Co., Ltd.

Shanghai, China
26 March 2021

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

BALANCE SHEET AS AT 31 DECEMBER 2020

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

ASSETS	Notes	31 December 2020	31 December 2019
Current assets			
Cash at bank and on hand	7	3,083,151.14	1,568,708.08
Accounts receivable	8,27(c)	1,490,765.78	4,180,155.30
Other receivables	9,27(c)	321,691.21	1,154,478.21
Advance to suppliers		216,100.02	217,524.35
Other current assets	10	485,467.69	517,087.52
Total current assets		5,597,175.83	7,637,953.46
Non-current assets			
Fixed assets	11	1,775,712.36	2,177,984.84
Intangible assets	12	299,592.62	340,460.78
Long-term prepaid expenses	13	321,328.58	287,694.57
Total non-current assets		2,396,633.56	2,806,140.19
TOTAL ASSETS		7,993,809.39	10,444,093.65

LIABILITIES AND OWNERS' EQUITY	Notes	31 December 2020	31 December 2019
Current liabilities			
Accounts payables	27(c)	-	1,052,115.60
Employee benefits payable	14	41,824.68	58,347.26
Taxes payable	15	123,510.87	299,052.03
Other payables	16	27,419.00	8,533.12
Total current liabilities		192,754.55	1,418,048.01
Non-current liabilities			
Long-term loans	17,27(c)	2,793,635.94	2,859,195.57
Total non-current liabilities		2,793,635.94	2,859,195.57
Total liabilities		2,986,390.49	4,277,243.58
Owner's equity			
Paid-in capital		6,657,520.00	6,657,520.00
Accummulated loss		(1,650,101.10)	(490,669.93)
Total owner's equity		5,007,418.90	6,166,850.07
TOTAL LIABILITIES AND OWNER'S EQUITY		7,993,809.39	10,444,093.65

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

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from operations	18,27(2)	8,838,602.52	19,693,542.21
Less: Tax and levies		(40,536.47)	(24,715.42)
Selling and distribution expenses	19	(1,891,595.34)	(46,959.43)
General and administrative expenses	20	(8,907,026.38)	(8,074,525.73)
R&D expense	21	(177,213.88)	(945,669.71)
Financial expenses - net	22	(68,558.22)	(84,094.12)
Including: Interest expenses		(125,799.14)	(69,095.34)
Interest income		6,033.00	2,665.81
Add: Other income	23	12,457.54	100,000.00
Operating (loss)/ profit		(2,233,870.23)	10,617,577.80
Add: Non-operating income	24,27(2)	1,075,552.25	-
Less: Non-operating expenses		(1,113.19)	-
Total (loss)/ profit		(1,159,431.17)	10,617,577.80
Less: Income tax expenses	25	- -	-
Net (loss) /profit		(1,159,431.17)	10,617,577.80
Net profit from continuing operations		(1,159,431.17)	10,617,577.80
Net profit from discontinued operations		-	-
Net other comprehensive income		-	-
Total comprehensive income		(1,159,431.17)	10,617,577.80

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

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
1.Cash flows from operating activities			
Cash received from sales of goods or rendering of services		11,945,917.26	8,895,000.00
Cash received relating to other operating activities		18,490.54	102,665.81
Sub-total of cash inflows		11,964,407.80	8,997,665.81
Cash paid for goods and services		(1,129,567.23)	(653,916.67)
Cash paid to and on behalf of employees		(6,759,092.55)	(2,964,904.32)
Payments of taxes and surcharges		(550,450.42)	(601,980.14)
Cash paid relating to other operating activities		(1,855,186.28)	(5,003,094.72)
Sub-total of cash outflows		(10,294,296.48)	(9,223,895.85)
Net cash flows from operating activities	26(a)	1,670,111.32	(226,230.04)
2.Cash flows from investing activities			
Cash paid to acquire fixed assets and other long-term assets		(147,400.00)	(1,106,947.77)
Net cash flows from investing activities		(147,400.00)	(1,106,947.77)
3.Cash flows from financing activities			
Cash received from borrowings		-	2,749,880.00
Net cash flows from financing activities		-	2,749,880.00
4.Effect of foreign exchange rate changes on cash		(8,268.27)	5,756.19
5.Net Increase in cash	26(b)	1,514,443.05	1,422,458.38
Add: Cash balance at period beginning		1,568,708.08	146,249.70
6.Cash balance at period end		3,083,151.13	1,568,708.08

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

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

STATEMENT OF CHANGES IN OWNER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

	Paid-in capital	Accumulated Losses	Total owner's Equity
Balance at 1 January 2019	6,657,520.00	(11,108,247.73)	(4,450,727.73)
Movements for the year ended 31 December 2019			
Comprehensive income			
Current period loss	-	10,617,577.80	10,617,577.80
Other comprehensive income	-	-	-
Total comprehensive income	-	10,617,577.80	10,617,577.80
Balance at 31 December 2019	6,657,520.00	(490,669.93)	6,166,850.07
Movements for the year ended 31 December 2020			
Comprehensive income			
Current period profit	-	(1,159,431.17)	(1,159,431.17)
Other comprehensive income	-	-	-
Total comprehensive income	-	(1,159,431.17)	(1,159,431.17)
Balance at 31 December 2020	6,657,520.00	(1,650,101.10)	5,007,418.90

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

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

1 General information

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd. ("the Company") is a wholly foreign-owned enterprise incorporated in Wuxi of the People's Republic of China on 2 June 2017 by Swiss parent Dr. Reddy's Laboratories SA. The company has an approved operating period of 30 years. The registered capital is USD 1,000,000.

The approved scope of business of the Company includes medical research&development, technology transfer, technology consulting; medicine import and export; medicine production; medical product sale. (Licensed business can be carried out only after proper government authorizations.)

These financial statements were authorised for issue by the Company's responsible person on 26 March 2021.

2 Basis of preparation

The Company prepared its financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standards for Business Enterprises" or "CAS").

The financial statements were prepared on the basis of going concern.

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Consolidated and the Company as of 31 December 2020 and of their financial performance, cash flows and other information for the year then ended.

4 Summary of significant accounting policies and accounting estimates

(a) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(b) Recording currency

The recording currency is Renminbi (RMB).

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

4 Summary of significant accounting policies and accounting estimates(Cont'd)

(c) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period.Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

(e) Receivables

Receivables comprise notes and accounts receivables and other receivables. Accounts receivable arising from rendering of services are initially recognised at fair value of the contractual payments from the service recipients.

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Company will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

4. Summary of significant accounting policies and accounting estimates(Cont'd)

(f) Fixed assets and depreciation

Fixed assets comprise equipment and machines, vehicles, office furnitures and electronic devices. Fixed assets purchased or constructed by the Company are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Equipment & machines	10 years	0%	10%
Office furnitures	3-5years	0%	20%-33.33%
Vehicles	4 years	0%	25%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(g) Intangible assets

Intangible assets include acquired computer software licences which were capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Those costs are amortized over their estimated useful lives of 10 years on an average basis.

4. Summary of significant accounting policies and accounting estimates(Cont'd)

(h) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(i) Impairment of long-term assets

Fixed assets and long-term prepaid expenses are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(j) Employee benefits

Employee benefits are various types of remuneration or compensation paid by the Company for receiving service from employees or terminating employment including short-term benefits, post-employment welfare, termination benifits and other long-term benefits. The Company incurred short-term benefits and post-employment welfare for the period.

(1) Short-term benefits

Short-term benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance premium, injury insurance premium, birth insurance premium, housing fund, education dues, short-term paid leaves and etc. Short-term benefits are recognised as the obligation in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable, of which non-monetary benefits are measured at fair value.

4. Summary of significant accounting policies and accounting estimates(Cont'd)

(j) Employee benefits (Cont'd)

(2) Post-employment welfare

The company classifies the post-employment welfare into two categaries: defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. The post-employment welfare of the Company is basic pension plan and unemployment insurance, both of which are defined contribution plans.

Basic pension plan

The company's employees participate in basic pension plan sponsored by local labour and social security administrators. The Company pay basic pension contribution monthly at the base and ratio stipulated by local labor and social security administrators. After the employee retires, local labor and social security adminstrator is responsible for paying basic pension tyo the retired employee. The contributions are recognised as an obligation in the accounting period in which the service has been rendered by the employees and as costs of assets or expenses to whichever the employee service is attributable.

(k) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenue is shown net of rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Company, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met.

(l) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Research costs are expensed when incurred. Costs in the development phase are capitalized, if all of the following six criteria are demonstrated:

4 Summary of significant accounting policies and accounting estimates(Cont'd)

(l) Research and development (Cont'd)

- The technical feasibility of completing the intangible asset
- The intention to complete and use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits (the entity should demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset)
- The availability of adequate resources to complete the development and to use or sell it
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs initially recognised as expenses can not be capitalized in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and is recognized as intangible assets at the date that the asset is ready for its intended use.

(m) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease and charged as an expense for the current period.

(n) Segment information

The Company identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Company that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company ' s management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Company. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

The company operates under one single operating segment since incorporation.

5 Significant change of accounting policies

The Company prepared its 2020 financial statements in accordance with The Notice on Accounting Regulations of Covid-19-Related Rent Concessions (Caikuai [2020] No.10) published by the Ministry of Finance in 2020. For the rent concessions as a direct result of the covid-19 pandemic, reached in an agreement between lessees and lessors, and especially the rent before 30 June 2021, the Company has adopted the simplified method in the above notice when preparing the 2020 financial statements (Note 20).

6 Taxation

The main categories and rates of taxes applicable to the Company are set out below:

Category	Tax rate	Tax base
Enterprise income tax	25%	Taxable income
Value added tax	6%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)

7 Cash at bank and on hand

As at 31 December 2020, the cash at bank and on hand of the Company all represented cash at bank (31 December 2019: Same).

8 Accounts receivables

	31 December 2020	31 December 2019
Due from related party(28(3)(i))	1,490,765.78	4,180,155.30

9 Other receivables

	31 December 2020	31 December 2019
Due from related party(28(3)(i))	-	708,640.00
Leasing deposits	321,691.21	406,341.21
Others	-	39,479.00
	321,691.21	1,154,478.21

10 Other current assets

	31 December 2020	31 December 2019
Unverified input VAT	-	87,770.89
Input VAT credit	485,467.69	429,316.63
	485,467.69	517,087.52

11 Fixed assets

	Equipment & machines	Office furniture	Vehicles	Total
Cost				
31 December 2019	1,763,839.59	805,450.65	216,129.32	2,785,419.56
Transferred out	-	(12,000.00)	-	(12,000.00)
31 December 2020	1,763,839.59	793,450.65	216,129.32	2,773,419.56
Accumulated depreciation				
31 December 2019	(317,576.68)	(159,280.03)	(130,578.01)	(607,434.72)
Depreciation charged in current year	(176,384.04)	(159,856.16)	(54,032.28)	(390,272.48)
31 December 2020	(493,960.72)	(319,136.19)	(184,610.29)	(997,707.20)
Net book value				
31 December 2020	1,269,878.87	474,314.46	31,519.03	1,775,712.36
31 December 2019	1,446,262.91	646,170.62	85,551.31	2,177,984.84

The amount of depreciation expense charged to general and administrative expenses was 390,272.48 for the year (2019: 296,651.42).

12 Intangible assets

	Software
Cost	
31 December 2019	408,681.29
Additions in current year	-
31 December 2020	408,681.29
Accumulated amortisation	
31 December 2019	(68,220.51)
Depreciation charged in current year	(40,868.16)
31 December 2020	(109,088.68)
Net book value	
31 December 2020	299,592.62
31 December 2019	340,460.78

The amount of amortisation expense charged to general and administrative expenses was 40,868.16 for the year (2019: 30,827.34).

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

13 Long-term prepaid expenses

	Lease hold improvment
31 December 2019	287,694.57
Additions in current year	119,422.13
Amortisation charged in current year	(85,788.12)
31 December 2020	321,328.58

The amount of amortisation expense charged to general and administrative expenses was 85,788.12 for the year (2019: 13,783.80).

14 Employee benefits payable

	31 December 2020	31 December 2019
Employee benefits payable(a)	41,824.68	31,078.36
Post-employement welfare(b)	-	27,268.90
	41,824.68	58,347.26

(a) Short-term benefits

	31 December 2019	Increase in current year	Decrease in current year	31 December 2020
Wages and salaries, bonuses, allowances and subsidies	-	5,258,285.10	(5,236,892.02)	21,393.08
Staff welfare	1,945.75	109,072.70	(109,067.38)	1,951.07
Social security contributions	11,600.61	87,820.84	(90,263.92)	9,157.53
Including:				
Medical care	10,277.98	76,869.98	(79,101.31)	8,046.65
Work Injury insurance	265.49	383.44	(648.93)	-
Maternity insuranece	1,057.14	10,567.42	(10,513.68)	1,110.88
Housing funds	17,532.00	108,534.00	(116,743.00)	9,323.00
	31,078.36	5,563,712.64	(5,552,966.32)	41,824.68

(b) Post-employment welfare - defined contribution plan

	2020		2019	
	Amounts payable	Balance	Amounts payable	Balance
Pension	25,536.22	-	99,453.50	26,178.08
Unemployment insurance	798.10	-	3,107.92	1,090.82
	26,334.32	-	102,561.42	27,268.90

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

15 Taxes payable

	31 December 2020	31 December 2019
Value added tax payable	57,696.72	191,039.26
Individual income tax payable	58,856.95	85,088.05
Levy and surcharge payable	6,957.20	22,924.72
	123,510.87	299,052.03

16 Other payable

	31 December 2020	31 December 2019
Professional service fee	-	3,600.00
Reimbursement of employee	27,419.00	4,933.12
	27,419.00	8,533.12

17 Long-term loans

	31 December 2020	31 December 2019
Related party foreign loan (27(3))		
-Principal	2,609,960.00	2,790,480.00
-Interest	183,675.94	68,715.57
	2,793,635.94	2,859,195.57

The Company borrowed USD 400,000.00 from related party Reddy's Laboratories SA for the Company's daily operations, new store renovations and fixed asset purchases. The loan period is from 3 June 2019 to 2 June 2024, with an annual interest rate of 4.5%.

18 Revenue

The Company's revenue for the year represented the income from the provision of pharmaceutical R & D technical services to related parties (2019: Same).

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

19 Selling and distribution expenses

	2020	2019
Labor cost	1,800,606.78	-
Travel expenses	40,330.10	-
Market expenses	1,564.00	46,959.43
Others	49,094.46	-
	1,891,595.34	46,959.43

20 General and administrative expenses

	2020	2019
Labor cost	4,917,952.87	4,705,139.03
Professional service	879,476.01	1,794,937.88
Rental and management expense	951,188.48	590,298.80
Office expenses	575,727.34	16,742.82
Depreciaton and Amortization	516,928.76	350,178.65
Travel expense	214,158.93	279,322.65
Entertainment	15,928.50	11,128.31
Registration fee	669,200.00	188,160.00
Others	166,465.49	138,617.59
	8,907,026.38	8,074,525.73

As a result of the covid-19 pandemic, lessors provided six month's rent concessions to the Company in total amount of RMB 23,500.00 during the year ended 31 December 2020. The company has offset such rent concessions against the current rent expense.

21 R&D expenses

	2020	2019
Processing fee	170,805.91	817,844.58
R&D Materials	6,407.97	47,933.93
Maintainence	-	79,891.20
	177,213.88	945,669.71

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Rmb Yuan unless otherwise stated)
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22 Financial expenses - net

	2020	2019
Bank charges	3,945.00	1,574.00
Exchange loss-net	(55,152.92)	16,090.59
Interest expenses	125,799.14	69,095.34
Less: interest income	(6,033.00)	(2,665.81)
	68,558.22	84,094.12

23 Other income

	2020	2019
High-tech subsidies	-	100,000.00
IIT returns	12,457.54	-
	12,457.54	100,000.00

24 Non-operating income

	2020	2019
Waiving of related party's debts (27(2))	1,075,552.25	-

25 Income tax expenses

	2020	2019
Current income tax	-	-
Deferred income tax	-	-
	-	-

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2020	2019
Total profit/(loss)	(1,159,431.17)	10,617,577.80
Income tax expenses calculated at applicable tax rates	(289,857.79)	2,654,394.45
Tax effect of costs not deductible for tax purposes	111,923.46	337,461.98
Tax losses for which no deferred income tax asset was recognized	177,934.33	-
Utilisation of previously unrecognised tax losses	-	(2,991,856.43)
Income tax expenses	-	-

(All amounts in Rmb Yuan unless otherwise stated)
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25 Income tax expenses (Cont'd)

Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2020	31 December 2019
Deductible losses	1,432,115.25	720,377.94

	2020	2019
2023	720,377.94	720,377.94
2025	711,737.32	-
	2,958,821.90	720,377.94

26 Notes to cash flow statement

(a) Reconciliation from net loss to cash flows from operating activities

	2020	2019
Net profit/(loss)	(1,159,431.17)	10,617,577.80
Add: Depreciation of fixed assets	390,272.48	296,651.42
Amortisation of intangible assets	40,868.16	30,827.34
Amortisation of long-term prepaid expenses	85,788.12	13,783.80
Exchange Losses/(Gains)	(57,291.36)	(74,851.53)
Increase in operating receivables	3,535,600.85	(4,366,721.93)
Increase/(Decrease) in operating payables	(1,165,695.76)	(6,743,496.94)
Net cash flows from operating activities	1,670,111.32	(226,230.04)

(b) Net increase in cash and cash equivalents

	2020	2019
Cash at end of period	3,083,151.13	1,568,708.08
Less: Cash at beginning of period	(1,568,708.08)	(146,249.70)
Net increase in cash	1,514,443.05	1,422,458.38

27 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company:

	Place of registration	Nature of business
Dr.Reddy's Laboratories SA	Switzerland	Pharmaceutical

The ultimate holding company of the Company is Dr.Reddy's Labotories Limited incorporated in India.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2019	Increase in current period	Decrease in current period	31 December 2020
	CHF			CHF
Dr.Reddy's Laboratories SA	105,640,410.00	-	-	105,640,410.00

(c) The percentages of share holding and voting rights in the Company held by the parent company:

	31 December 2020		31 December 2019	
	Share holding	Voting rights	Share holding	Voting rights
Dr.Reddy's Laboratories SA	100%	100%	100%	100%

(2) Related party transactions

(a) Pricing policies

The Company's pricing on rendering of services to related parties is based on market price.

(All amounts in Rmb Yuan unless otherwise stated)
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27 Related parties and related party transactions(Cont'd)

(b) Related party transactions

(i) Providing research service

	2020	2019
Dr.Reddy's Laboratories Limited	8,838,602.52	3,943,542.74
Kunshan Rotam Reddy Pharmaceutical Co. Ltd.	-	15,749,999.47
	8,838,602.52	19,693,542.21

(ii) Borrowing

	2020	2019
Dr. Reddy's Laboratories SA	-	2,790,480.00

(iii) Interest expense

	2020	2019
Dr. Reddy's Laboratories SA	125,799.14	68,715.57

(iv) Waving of related party's debts

	2020	2019
Dr.Reddy's Laboratories Limited	1,075,552.25	-

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

27 Related parties and related party transactions (Cont'd)

(3) Receivable from and payable to related parties

(i) Accounts receivables

	2020	2019
Dr.Reddy's Laboratories Limited	1,490,765.78	4,180,155.30

(ii) Other receivables

	2020	2019
Dr.Reddy's Laboratories SA	-	708,640.00

(iii) Accounts payables

	2020	2019
Dr.Reddy's Laboratories Limited	-	1,052,115.60

(iv) Borrowing

	2020	2019
Dr. Reddy's Laboratories SA	2,793,635.94	2,859,195.57

(All amounts in Rmb Yuan unless otherwise stated)
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28 Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2020	31 December 2019
Within 1 year	1,129,643.71	1,582,636.57
Betweent 1 and 2 years	490,252.89	778,044.32
Between 2 and 3 years	-	59,220.00
	1,619,896.60	2,419,900.89

29 Financial risk

The Company's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Company's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Company is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to swiss francs. The Company's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimize the foreign exchange risk. Therefore, the Company may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. The Company did not enter into any forward exchange contracts or currency swap contracts during the year.

29 Financial risk (Cont'd)

(1) Market risk

(a) Foreign exchange risk (Cont'd)

As at 31 December 2020 and 31 December 2019, the carrying amounts in RMB equivalent of the Company's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2020	31 December 2019
	USD	USD
Financial assets denominated in foreign currency -		
Cash at bank and on hand	112,263.65	818,212.41
Financial liabilities denominated in foreign currency -		
Payables	-	1,052,115.60
Long-term loans	2,793,635.94	2,859,195.57
	2,905,899.59	3,911,311.17

As at 31 December 2020, if the currency had strengthened /weakened by 5 % against the foreign currencies while all other variables had been held constant, the Company's net profit /loss for the year would have been approximately 140,000.00 (31 December 2019: 155,000.00).

(b) Interest risk

The Company's interest rate risk arises from long-term interest bearing borrowings. Financial liabilities issued at floating rates expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2020, the Company's long-term interest bearing borrowings were related party loans with fixed rates, amounting to RMB 2,609,960.00 (31 December 2019: RMB 2,790,480.00) (Note 17).

The Company's finance department at its headquarters continuously monitors the interest rate position of the Company. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Company's financial position. The Company makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2020 and 2019, the Company did not enter into any interest rate swap agreements.

As at 31 December 2020: The Company's borrowings with fixed rates are measured at amortized costs. Changes in interest rates had no significant impact on the Company's net profit and net assets. (31 December 2019: Same).

29 Financial risk (Cont'd)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables etc.

The Company expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Company has policies to limit the credit exposure on accounts receivable and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

The net value of cash at bank and on hand and receiveables presented in financial statements reflects the maximum credit risk of the Company.

(3) Liquidity risk

Cash flow forecasting is performed by and aggregated by the Company's finance departmen. The Company's finance department monitors rolling forecasts of the Company 's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

Except for long-term loans, the financial assets and liabilities of the Company as at 31 December 2020 are expired within one year(31 December 2019: same).

30 Capital management

Target of capital management policy is to guarantee the company's going concern, so that it can offer shareholder return, as well as other stakeholder, meanwhile, it can maintain the best capital structure to lower capital cost.

To maintain and adjust capital structure, the company may adjust the dividend paid to the shareholder,return capital to them, new issue of shares or sell assets for reduce debts.

Total capital of the company is shareholder's interest listed in balance sheet. The company is not in the charge of external coercive capital requirement to control capital by asset-liability ratio. As at 31 December 2020, the company's asset-liability ratio is 37.36% (31 December 2019: 40.95%).

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SUPPLEMENTARY INFORMATION PROVIDED BY MANAGEMENT
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- Reconciliation of Taxable Income

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

SUPPLEMENTARY INFORMATION PROVIDED BY MANAGEMENT

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Reconciliation of Taxable Income for the year ended 31 December 2020

Total profit	(1,159,431.17)
Add : Entertainment expenses in excess of prescribed cap	6,371.40
Employees benefits in excess of prescribed cap	488,281.88
Less: Deductible cumulative losses	(720,377.94)
Taxable Loss	(1,385,155.82)

Note: The final amount of taxable income should be determined based on assessment obtained from local tax bureau.