

CONTENTS

1	Aurigene Discovery Technologies (Malaysia) SDN BHD	1
2	Aurigene Discovery Technologies Inc.	10
3	Aurigene Discovery Technologies Limited	18
4	beta Healthcare Solutions GmbH	52
5	beta Institut fur soziamedizinische Forschung and Entwicklung GmbH	59
6	betapharm Arzneimittel GmbH	70
7	Cheminor Investments Limited	82
8	Chirotech Technology Limited	92
9	Dr. Reddy's Farmaceutica do Brasil Ltda.	102
10	Dr. Reddy's Laboratories (Proprietary) Limited	113
11	Dr. Reddy's Laboratories Inc.	123
12	Dr. Reddy's Laboratories International SA	136
13	Dr. Reddy's Bio-Sciences Limited	143
14	Dr. Reddy's Laboratories (Australia) Pty. Ltd.	155
15	Dr. Reddy's Laboratories (EU) Limited	165
16	Dr. Reddy's Laboratories (U.K.) Limited	178
17	Dr. Reddy's Laboratories ILAC TICARET Limited	191
18	Dr. Reddy's Laboratories Louisiana LLC	197
19	Dr. Reddy's Laboratories SA	207
20	Dr. Reddy's New Zealand Limited (formerly Affordable Healthcare Limited)	218
21	Dr. Reddy's Pharma SEZ Limited	229
22	Dr. Reddy's SRL (formerly Jet Generici SRL)	238
23	DRL Investments Limited	248

24	I-Ven Pharma Capital Limited.....	259
25.	Eurobridge Consulting B.V.	272
26	Industrias Quimicas Falcon de Mexico SA de CV	279
27	Kunshan Rotam Reddy Pharmaceutical Co. Limited.....	292
28	Lacock Holdings Limited	303
29	OOO Dr. Reddy's Laboratories Limited	312
30	OOO DRS LLC	323
31	OOO JV Reddy Biomed Limited	332
32	Promius Pharma LLC (formerly Reddy Pharmaceuticals LLC).....	343
33	Reddy Antilles N.V.	354
34	Reddy Cheminor S.A.	362
35	Reddy Holding GmbH	370
36	Reddy Netherlands B.V.	381
37	Reddy Pharma Iberia SA	389
38	Reddy Pharma Italia SPA	399
39	Reddy Pharmaceuticals Hong Kong Limited	409
40	Reddy US Therapeutics Inc.	417
41	Trigenesis Therapeutics Inc.	426
42.	Idea2 Enterprises (India) Private Limited	435
43.	Dr. Reddy's Venezuela, C.A.	446
44.	Dr. Reddy's Laboratories Romania SRL	455
45.	Dr. Reddy's Laboratories Tennessee, LLC	466

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Aurigene Discovery Technologies (Malaysia) SDN BHD. as at 31 March 2011 and also the Profit and Loss Account for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the period ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,239	1,239
Reserves & Surplus	2	-	-
		1,239	1,239
Loan funds			
Unsecured loans	3	55,751	44,946
		55,751	44,946
		56,990	46,185
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	28,620	28,620
Less: Accumulated depreciation		8,698	4,747
Net block		19,922	23,873
Capital work-in-progress (including capital advances)		-	1
		19,922	23,874
Current assets, loans and advances			
Cash and bank balances	5	1,772	1,363
Loans and advances	6	883	830
		2,655	2,193
Current liabilities and provisions			
Current liabilities	7	605	129
		605	129
Net current assets		2,050	2,064
Profit & Loss Account		35,018	20,247
		56,990	46,185
Notes to accounts	11		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached *for Aurigene Discovery Technologies (Malaysia) SDN BHD*

for A. Ramachandra Rao & Co.

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No. 9750

Place : Hyderabad

Date : 11.05.2011

Palanivel Sathasivam

Director

C S N Murthy

Director

Profit & Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income	8	3	934
		3	934
Expenditure			
Raw material consumed		228	1,223
Personnel costs	9	5,900	6,126
Operating and other expenses	10	4,703	3,577
Depreciation		3,943	2,178
		14,774	13,104
Profit/ (loss) for the year		(14,771)	(12,170)
Balance in profit and loss account brought forward		(20,247)	(8,077)
Balance in profit and loss account carried forward		(35,018)	(20,247)
Notes to accounts	11		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached *for Aurigene Discovery Technologies (Malaysia) SDN BHD*
for A. Ramachandra Rao & Co.
Chartered Accountants
 ICAI FRN : 002857S

A. Ramachandra Rao
Partner
 Membership No. 9750
 Place : Hyderabad
 Date : 11.05.2011

Palanivel Sathasivam
 Director

C S N Murthy
 Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1: Share capital		
Authorised		
Authorised capital 100,000 shares of MYR 1 each	1,239	1,239
Issued		
Issued capital 100,000 shares of MYR 1 each	1,239	1,239
	1,239	1,239
Schedule 2: Reserves & Surplus		
Foreign Currency Translation Reserve	-	-
	-	-
Schedule 3: Unsecured Loans		
Borrowings IU	55,751	44,946
	55,751	44,946
Schedule 5: Cash and bank balances		
Balances with banks		
- On current accounts	1,772	1,363
	1,772	1,363
Schedule 6: Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	26	28
Other Current assets	36	35
Deposits	821	767
	883	830
Schedule 7: Current Liabilities		
Sundry creditors	-	-
Other Liabilities	605	129
	605	129

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2010	Addi- -tions	Dele- -tions	Forex	As at 31.03.2011	As at 01.04.2010	For the Year	Deletions	Forex	As at 31.03.2011	As at 31.3.2011	As at 31.03.2010
Electrical Equipment	377	-	-	-	377	69	49	-	-	118	259	308
Laboratory equipment	23,140	-	-	-	23,140	3,448	878	-	8	4,334	18,806	19,692
Office equipment	5,103	-	-	-	5,103	1,230	3,016	-	-	4,246	857	3,873
Total	28,620	-	-	-	28,620	4,747	3,943	-	8	8,698	19,922	23,873
Previous Year	28,085	534	-	1	28,620	2,604	2,178	-	(35)	4,747	23873	

Schedules to Profit and Loss Account

	For the year ended 31 March 2011	For the period ended 31 March 2010
Schedule 8: Other income		
Interest on fixed deposits	3	3
Exchange gain, net	-	931
	3	934
Schedule 9: Personnel costs		
Salaries, wages and bonus	5,216	5,431
Contribution to provident and other funds	684	695
	5,900	6,126
Schedule 10: Operating and other expenses		
Power and fuel	256	286
Rent	2,420	1,681
Rates and taxes	7	3
Repairs and maintenance	294	369
Insurance	11	-
Travelling and conveyance	100	161
Communication	401	374
Printing and stationery	70	88
Legal and professional charges	44	195
Exchange loss, net	857	-
Bank charges	35	37
Sundry expenses	208	383
	4,703	3,577

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 11 : Notes to accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

Years

Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipmen	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account..

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

g) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due from related parties (included in Borrowings):		
Aurigene Discovery Technologies Limited	55,751	44,946

3. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

4. The Company incorporated in the Malaysia, is a 100% subsidiary of Aurigene Discovery Technologies Ltd., which is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of its 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(663)	(715)
Balance Brought forward	(221,306)	(220,591)
Balance Carried forward to Balance Sheet	(221,969)	(221,306)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad

Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Aurigene Discovery Technologies Inc. as at 31st March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as it appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub – section 3(c) of section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 31st March 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	208,282	208,282
Reserves and surplus	2	2,890	2,813
		211,172	211,095
Loan funds			
Unsecured loans	3	20,068	21,282
Total		231,240	232,377
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	4	10,876	11,071
Loans and advances		-	-
		10,876	11,071
Current liabilities and provisions			
Current liabilities		1,605	-
		1,605	-
Net current assets		9,271	11,071
Profit & Loss account		221,969	221,306
Total		231,240	232,377

Notes to accounts

7

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A Ramchandra Rao & Co.
Chartered Accountants
ICAI FRN: 002857S

A Ramachandra Rao
Partner
Membership No. 9750

for Aurigene Discovery Technologies Inc.

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the period ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income	5	1	1
Total		1	1
Expenditure			
Operating and other expenses	6	664	716
		664	716
Profit/ (Loss) before tax		(663)	(715)
Less: Income tax		-	-
Profit/ (loss) after taxation		(663)	(715)
Balance in profit and loss account brought forward		(221,306)	(220,591)
Balance carried to balance sheet		(221,969)	(221,306)
Notes to accounts	7		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for **Aurigene Discovery Technologies Inc.**

Satish Reddy
Director

G V Prasad
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
6,000,000 equity shares of US\$ 1 each (previous year: 6,000,000 equity shares of US\$ 1 each)	276,000	276,000
Issued, Subscribed and paid-up		
4,400,000 equity shares of US\$ 1 each (previous year: 4,400,000 equity shares of US\$ 1 each) fully paid-up	208,282	208,282
TOTAL	208,282	208,282
Schedule 2 : Reserves & Surplus		
Foreign Currency Translation Reserve	2,890	2,813
TOTAL	2,890	2,813
Schedule 3 : Unsecured loans		
Borrowings - Others	-	-
Borrowings - IU	20,068	21,282
TOTAL	20,068	21,282
Schedule 4 : Cash and Bank balances		
Balances with banks outside India On current accounts	10,876	11,071
TOTAL	10,876	11,071

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 5 : Other income		
Miscellaneous income	1	1
TOTAL	1	1
Schedule 6 : Operating and other expenses		
Rates and taxes	123	91
Legal and professional charges	1	79
Sundry expenses	540	546
	664	716

Schedules to Balance Sheet and Profit and Loss Account

Schedule 7: Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

e) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related party disclosures

- a. There are no transactions with related parties except the Holding company Dr. Reddy's Laboratories Ltd.
- b. The Company has following amounts due from/to related parties:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due from related parties (included in Advances):		
Holding Company	-	-
ii. Due to related parties (included in Sundry Creditors):		
Holding Company	-	-
iii. Due to related parties (included in Borrowings):		
Aurigene Discovery Technologies Limited	11,149	11,225
Dr. Reddy's Laboratories Inc.	8,919	10,058

3. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

4. The Company incorporated in the United States of America, is a 100% subsidiary of Aurigene Discovery Technologies Ltd., which is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of 100% shareholding.

DIRECTORS' REPORT

Dear Members,

Your Directors present the 10th Annual Report of the Company for the year ended 31 March 2011.

Financial Results

The following table gives the financial highlights of the Company for the financial year 2010-11 as compared to previous financial year:

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Income	1,292,798	897,806
Profit Before Tax	204,332	87,823
Net Profit for the year	222,532	105,534
Loss brought forward	(562,747)	(668,281)
Loss Carried Forward to Balance Sheet	(340,215)	(562,747)

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2011.

Share capital

During the year under review, there has been no changes in the Share Capital of the Company.

Subsidiary Companies

The Company had 2 subsidiary companies namely M/s. Aurigene Discovery Technologies Inc. and M/s. Aurigene Discovery Technologies (Malaysia) Sdn Bhd as on 31 March 2010. Members may refer to the documents as required Under Section 212 of the Companies Act, 1956 attached to the balance sheet of the Company, where ever applicable, in respect of its said 2 subsidiaries.

Directors

Mr. Umang Vohra retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. He offers himself for re-appointment as director subject to the approval of the Shareholders of the Company at the ensuing Annual General Meeting of the Company.

Further, during the year under review, the revision in the terms of appointment of Mr. C S N Murthy, Whole Time Director of the Company was approved by the Shareholders at their meeting held on 18 June 2010 and Central Government vide its letter dated 29 October 2010.

Audit Committee

The Audit Committee consists of Mr. G.V. Prasad, Mr. Satish Reddy and Mr. Umang Vohra as members of the Committee. All the members of the Audit Committee are non-executive directors and one of them is having financial and accounting knowledge. The Audit Committee met 3 times during the year – 4 May 2010, 13 October 2010 and 10 February 2011.

The functions of the Audit Committee are:

- a) Hold discussions with the Auditors periodically about internal control systems and the scope of audit including observations of the auditors.
- b) Review of the half-yearly and annual financial statements before submission to the Board and
- c) Ensure the compliance of internal control systems in the Company.

Auditors

The Statutory Auditors of the Company M/s B S R & Co., Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommend re-appointment of M/s B S R & Co., Chartered Accountants, Bangalore, as Statutory Auditors of the Company for the financial year 2011-12 for Shareholder's approval.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2010-11 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an on-going concern basis.

Particulars of Employees

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure – 1 to the Directors' Report.

Employees Stock Option Scheme

During the year under review, no stock options were granted to the employees of your Company.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of energy and technology absorption are not applicable to your company.

Foreign exchange earnings and outgo

Please refer information given in the notes to the annual accounts of the Company in Schedule 19 Notes to Accounts item No. 'c' to item No. 'e'

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned viz. employees, bankers, government agencies to the company during the year.

for and on behalf of the Board of Directors

Place : Bangalore
Date : 2 May 2011

G V PRASAD
Director

SATISH REDDY
Director

ANNEXURE 1 TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES AS PER PROVISIONS OF SEC. 217 (2A) OF THE COMPANIES ACT, 1956.

Sl. No.	Name of the Employee	Age	Designation	Gross Remuneration (in Rs 000's)	Qualification	Experience in Years	Date of Commencement of Employment	Particulars of Last Employment
1.	CSN Murthy	44	CEO	10,828	B Tech, MBA	21	1st April 2005	Dr. Reddy's Laboratories Limited
2.	Dr. Murali Ramachandra	50	Vice President - Pre Clinical Biology	10,119	PhD	22	1st April 2005	Schering Plough Corporation, USA
3.	Dr. Hosahalli Subramanya	48	Vice President - SGDD	10,046	PhD	18	16th October 2002	CDRI, Lucknow
4.	Dr. Saumitra Sengupta	54	Vice President - Medicinal Chemistry	6,292	PhD	18	14th March 2005	Jadavpur University
5.	Dr. Chetan Pandit	50	Director - Medicinal Chemistry	6,087	PhD	18	2nd April 2007	Naaja Pharmaceuticals

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary	The Financial Year of the subsidiary company ended on	Number of shares in the subsidiary company held by Aurigene Discovery Technologies Ltd. at the above date			The net Aggregate of profits (losses) of the subsidiary company for it's financial year so far as they concern the members of Aurigene Discovery Technologies Ltd.		The net Aggregate of profits (losses) of the subsidiary company for it's previous financial years so far as they concern the members of Aurigene Discovery Technologies Ltd.		Changes in the interest of Aurigene Discovery Technologies Ltd. between the end of the last financial year and 31 March 2011	Material changes between the end of the last financial year and 31 March 2011
		Equity Shares	Preference Shares	Equity Holding %	Preference Holding %	a) Dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2011	b) Not dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2011	a) Dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2010		
Aurigene Discovery Technologies, Inc.	31.03.2011	4,000,000	-	100	-	Nil	(663)	Nil	Nil	Nil
Aurigene Discovery Technologies (Malaysia) Sdn Bhd	31.03.2011	100,000	-	100	-	Nil	(14,771)	Nil	Nil	Nil

AUDITORS' REPORT

To

The Members of

Aurigene Discovery Technologies Limited

We have audited the attached balance sheet of Aurigene Discovery Technologies Limited ("the Company") as at 31 March 2011, the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ("the order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - (v) on the basis of written representations received from the directors, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act on the said date;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, 1956, 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 2011;
- (b) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm Reg. No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 02 May 2011

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in our report to the members of Aurigene Discovery Technologies Limited ("the Company") for the year ended 31 March 2011 we report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No Fixed assets has been disposed off during the year, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory of consumables has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures of physical verification of consumables followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of consumables and fixed assets and with regard to sale of services. The activities of the Company, during the year, did not involve sale of goods. We have not observed any major weakness in internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred above have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Service tax, Wealth Tax, Customs duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund and Excise duty. We are informed that the provisions of

the Employees' State Insurance Act, 1948 ("ESI") are not applicable to the Company.

There were no dues on account of cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government of India.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has accumulated losses amounting to Rs 340,215 thousand as at 31 March 2011. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institution or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **BSR & Co.**
Chartered Accountants
Firm Reg. No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Place : Bangalore
Date : 02 May 2011

Balance Sheet as at 31 March 2011

(Rs in thousands)			
Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	1,052,941	1,052,941
Employees stock options outstanding		7,694	6,852
Reserves and surplus	4	30,634	30,634
		1,091,269	1,090,427
Loan funds			
Secured loan	5	-	118
Unsecured loan	6	35,344	403,065
		35,344	403,183
		1,126,613	1,493,610
APPLICATION OF FUNDS			
Fixed assets			
Gross block	7	1,265,706	1,132,454
Less: Accumulated depreciation		614,077	477,985
Net block		651,629	654,469
Capital work-in-progress		16,775	9,508
		668,404	663,977
Investments	8	1,239	1,239
Deferred tax asset, net	19(j)	35,976	17,776
Current assets, loans and advances			
Inventories	9	7,257	9,303
Sundry debtors	10	218,980	156,388
Cash and bank balances	11	85,797	104,519
Unbilled revenue		31,617	30,216
Loans and advances	12	151,260	101,692
		494,911	402,118
Less: Current liabilities and provisions			
Current liabilities	13	368,574	133,088
Provisions	14	45,558	21,159
		414,132	154,247
Net current assets		80,779	247,871
Profit and loss account		340,215	562,747
		1,126,613	1,493,610
Significant accounting policies	2		
Notes to the accounts	19		
Schedules 1 to 19 referred form an integral part of the financial statements			
As per our report attached for B S R & Co. <i>Chartered Accountants</i> Firm Reg. No. 101248W		for Aurigene Discovery Technologies Ltd.	
Supreet Sachdev <i>Partner</i> Membership No. 205385 Place : Bangalore Date : 02 May 2011	G V Prasad Director	C S N Murthy Whole-time Director	
		P Sudha Mayi Company Secretary	

Profit and Loss Account for the year ended 31 March 2011

(Rs in thousands)			
Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Income from operations		1,287,580	888,897
Other income	15	5,218	8,909
		1,292,798	897,806
Expenditure			
Employee costs	16	451,152	274,195
Operating and other expenses	17	493,370	417,064
Depreciation	7	140,886	106,874
Finance expenses	18	3,058	11,850
		1,088,466	809,983
Profit before tax		204,332	87,823
Provision for taxation			
- income tax		33,659	
- MAT credit entitlement		(33,659)	
- deferred tax credit	19(j)	(18,200)	(17,711)
- fringe benefit tax		-	-
		222,532	105,534
Profit after tax		222,532	105,534
Loss brought forward from previous year		(562,747)	(668,281)
Balance carried to balance sheet		(340,215)	(562,747)
Earnings/ (Loss) per share	19(k)		
- Basic (Par value, Rs. 10 each)		2.31	1.13
- Diluted (Par value, Rs. 10 each)		2.29	1.11
Significant accounting policies	2		
Notes to the accounts	19		
Schedules 1 to 19 referred form an integral part of the financial statements			
As per our report attached for B S R & Co. <i>Chartered Accountants</i> Firm Reg. No. 101248W		for Aurigene Discovery Technologies Ltd.	
Supreet Sachdev <i>Partner</i> Membership No. 205385	G V Prasad Director	C S N Murthy Whole-time Director	
Place : Bangalore Date : 02 May 2011	P Sudha Mayi Company Secretary		

Schedules to the Financial Statements

1. Background

Aurigene Discovery Technologies Limited ('Aurigene' or 'the Company') was incorporated as a Private Limited Company on 10 August 2001. Subsequently, on 13 November 2001, the Company was converted into a Public Limited Company. The Company is promoted by Dr. Reddy's Laboratories Limited ('DRL') and is a wholly owned subsidiary of DRL. The main business activity of the Company is to undertake research relating to drug discovery for its customers. The Company commenced its commercial operations from 1 April 2003.

2. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, and other pronouncements of Institute of Chartered Accountants of India and the provisions of Companies Act, 1956. The financial statements are rounded off to the nearest thousand.

b) Going concern

These financial statements have been prepared on a going concern basis notwithstanding accumulated losses as at the balance sheet date. The appropriateness of the going concern assumption by the management is based on the anticipated growth of business and the continued financial support of the promoter, wherein the promoter has committed not to recall the unsecured loan provided to the Company for the next twelve months from the date of the balance sheet and also guaranteed the Company's banking facilities. These financial statements therefore do not include any adjustments relating to recoverability and classification of asset and liabilities that may be necessary if the Company is unable to continue as a going concern.

c) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

d) Inventories

Consumables are valued at cost or net realizable value whichever is lower. Cost comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. Cost is determined on the first in first out method (FIFO).

e) Revenue recognition

The Company derives its revenue from business contracts signed with its customers to carry out research related work. Revenues are recognized in accordance with arrangements entered into with customers i.e. on a straight line basis in respect of fixed price contracts, on the basis of actual services being rendered in case of time and material contracts and on achievement of milestones in respect of other contracts.

Schedules to the Financial Statements (Contd.)

Revenue earned in excess of billing has been reflected as unbilled revenues in the balance sheet.

Interest on deployment of funds is recognized using the time proportion method, based on underlying interest rates.

f) Fixed assets and Depreciation

Fixed assets are carried at cost of acquisition or construction, less accumulated depreciation and impairment loss, if any. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition of respective assets. Acquired intangible assets are recorded at the consideration paid for acquisition. Application software purchased is fully written off in the year of purchase.

Advance paid towards the acquisition of fixed assets and the cost of assets not installed as at the balance sheet date are accounted for as capital work in progress.

Depreciation on fixed assets is provided on a straight line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life or remaining useful life. Pursuant to this policy, depreciation on assets has been provided at the rates based on the following useful lives of fixed assets as estimated by management:

Asset Description	Useful life
Buildings	30 years
Laboratory equipment	8 years
Electrical equipment	8 years
Plant and machinery – others	8 years
Computer hardware and software	3 years
Office equipment	8 years
Furniture and fixtures	8 years
Vehicles	5 years
Technical know-how	3 years

Depreciation is charged on a time proportionate basis for all assets purchased and sold during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase.

g) Borrowing costs

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

h) Impairment of assets

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such

Schedules to the Financial Statements (Contd.)

recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

i) Foreign currency transactions

Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account..

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date, the resultant exchange differences are recognised in the profit and loss account.

j) Employee benefits

Contributions payable to recognised provident fund, which is a defined contribution scheme, are made monthly at pre-determined rates and charged to profit and loss account.

Gratuity which is defined benefit scheme is accrued based on actuarial valuation at each balance sheet date, carried out by an independent actuary.

Long term incentives which is defined benefit scheme is accrued based on actuarial valuation at each balance sheet date, carried out by an independent actuary.

k) Investments

Long term investments are carried at cost less other-than-temporary diminution in value, determined separately for each individual investment.

l) Leases

Leases under which the Company has substantially assumed all the risks and rewards of ownership are classified as finance lease. Such assets are capitalised at fair value of the asset or the present value of the minimum lease payments, at the inception of the lease, whichever is lower.

Leases under which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments are charged to the profit and loss account on a straight line basis over the lease term.

m) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that decrease profit per share are included.

Schedules to the Financial Statements (Contd.)

n) Taxation

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Company in India. Minimum alternative Tax ('MAT') paid in accordance with the tax laws, which give rise to future economic benefits in the form of tax credit against future income tax liability, is recognized in the balance sheet if there is convincing evidence that the Company will pay normal tax after the tax holiday period and the resultant asset can be measured reliably. Deferred tax charge or credit is recognized for the future tax consequences attributable to timing difference that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period is recognized in the year in which the timing difference originates. For this purpose, the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

The Company offsets, on a year on year basis, current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

o) Provision and Contingencies

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. 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 that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

p) Employee stock options

The Company accounts for stock based compensation based on the intrinsic value method. 'Option Discount' has been amortised on a straight-line basis over the vesting period of the shares issued under Employee Stock Option Plans ('ESOP').

'Option Discount' means the excess of the market price/fair value of the underlying shares at the date of grant of the options over the exercise price of the options.

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	As at 31 March 2011	As at 31 March 2010
3. Share capital		
Authorised		
95,000,000 (previous year : 90,000,000) equity shares of Rs. 10 each	950,000	900,000
45,000,000 (previous year : Nil) 8% cumulative redeemable preference shares of Rs. 10 each	450,000	450,000
	1,400,000	1,400,000
Issued, subscribed and paid-up		
90,544,104 (Previous year :90,544,104) equity shares of Rs. 10 each, fully paid up - [Refer note 1]	905,441	905,441
14,750,000 (Previous year : 14,750,000) 8 % cumulative redeemable preference shares of Rs. 10 each, fully paid up - [Refer note 2]	147,500	147,500
	1,052,941	1,052,941
Note 1		
Of the above issued, subscribed and paid up equity shares 90,544,088 (Previous year : 90,544,088) equity shares of Rs. 10 each fully paid up are held by Dr. Reddy's Laboratories Limited (DRL), the holding Company and 16 (Previous year : 16) equity shares are held by the nominees of DRL. DRL is the ultimate holding Company.		
Note 2		
Of the above issued, subscribed and paid up 8% cumulative preference shares 14,750,000 (Previous year : 14,750,000) preference shares of Rs. 10 each fully paid up are held by DRL, the ultimate holding Company. These shares are allotted as fully paid-up pursuant to a Business Purchase Agreement without payments being received in cash.		
4. Reserves and Surplus		
Capital reserve		
Balance at the beginning of the year	1,797	1,780
<i>Add:</i> Additions during the year	-	17
Balance at the end of the year	1,797	1,797
Securities premium account	28,837	28,837
	30,634	30,634
The above amount represents the employee stock option compensation expense. Also refer to note o of Schedule 19.		

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	As at 31 March 2011	As at 31 March 2010
5. Secured loan		
- Vehicle loans	-	118
[Amount repayable within one year Nil (Previous year Rs 118 thousand)]		
Vehicle loans represents loan from ICICI Bank Ltd., secured by hypothecation of vehicles.	-	118
6. Unsecured loan		
Interest free loan from Dr. Reddy's Laboratories Limited		
- Holding Company	8,858	358,858
From banks		
- term loans [Refer Note 1]	-	41,993
[Amount repayable within one year Nil (Previous year Rs. 22,800 thousand)]		
- short term loan [Refer note 2]	26,486	2,214
	35,344	403,065
Note 1		
Term loan from State Bank of India was secured by corporate guarantee from DRL, the ultimate holding company.		
Note 2		
Short term loan from State Bank of India is secured by corporate guarantee from DRL, the ultimate holding company.		

Schedules to the Financial Statements (Contd.)

Schedule - 7 : Fixed Assets	(Rs. in thousands)									
	Gross Block				Depreciation			Net Block		
	As at 1st April 2010	Additions / Adjust -ments	Deletions	As at 31st March 2011	As at 1st April 2010	For the year	Deletions	As at 31st March 2011	As at 31st March 2010	As at 31st March 2010
Leased assets										
Land - Leasehold (Note 1) (A)	49,729	-	-	49,729	-	-	-	49,729	49,729	49,729
Owned assets- tangible										
Buildings	268,551	2,942	-	271,493	52,790	8,974	-	209,729	215,761	215,761
Laboratory equipment	531,527	81,236	167	612,596	240,247	87,579	14	284,784	291,280	291,280
Electrical equipment	121,744	18,808	-	140,552	81,207	17,333	-	42,012	40,537	40,537
Plant and machinery - others	17,126	1,139	-	18,265	4,528	2,463	-	11,274	12,598	12,598
Computers	50,334	8,091	1,080	57,345	37,008	7,615	613	13,335	13,326	13,326
Office equipment	21,489	5,585	4,265	22,809	16,139	2,953	4,167	7,884	5,350	5,350
Furniture and fixture	63,993	4,412	-	68,405	43,165	8,611	-	16,629	20,828	20,828
Vehicles	7,961	2,561	-	10,522	2,901	1,474	-	6,147	5,060	5,060
Total (B)	1,082,725	124,774	5,512	1,201,987	477,985	137,002	4,794	610,193	591,794	604,740
Owned assets- intangible										
Technical know how	-	13,990	-	13,990	-	3,884	-	3,884	10,106	-
Total (C)	-	13,990	-	13,990	-	3,884	-	3,884	10,106	-
Total (A)+(B)+(C)	1,132,454	138,764	5,512	1,265,706	477,985	140,886	4,794	614,077	651,629	654,469
Previous year	900,149	232,305	-	1,132,454	371,111	106,874	-	477,985	654,469	654,469
Note 1	In pursuance of an allotment letter ("the letter") dated 16 October 2001, received from Karnataka Industrial Area Development Board ("KIADB"), the Company acquired land located at Electronics city, Bangalore, on a lease-cum-sale basis. In terms of the letter, the lease shall be converted into a sale at the end of six years from the date of allotment subject to fulfillment of the terms and conditions of the allotment. Pending fulfillment of the terms and conditions of the allotment, the amount incurred on the land acquisition aggregating to Rs. 49,729 thousand has been accounted for as leasehold land.									

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	As at 31 March 2011	As at 31 March 2010
8. Investments		
Trade (Long term - Unquoted)		
Investment in subsidiary		
4,400,000 (Previous year : 4,400,000) common stock of USD 1 each, fully paid up, of Aurigene Discovery Technologies Inc., U.S.A., subsidiary Company	208,282	208,282
100,000 (previous year : 100,000) common stock of Malaysian Ringgits 1 each, fully paid up, of Aurigene Discovery Technologies (Malaysia) Sdn Bhd, Malaysian, subsidiary Company	1,239	1,239
	209,521	209,521
<i>Less: Provision for permanent diminution in value of investment [Refer note p of Schedule 19]</i>	208,282	208,282
	1,239	1,239
9. Inventories		
Consumables	8,722	9,303
Less: Provision for slow moving consumables	1,465	-
	7,257	9,303
10. Sundry debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
considered good	398	-
considered doubtful	34,541	31,246
Other debts		
considered good	218,582	156,388
considered doubtful	-	-
	253,521	187,634
<i>Less: Provision for doubtful debts</i>	(34,541)	(31,246)
	218,980	156,388
11. Cash and bank balances		
Cash in hand	47	71
Balances with scheduled banks		
- in current accounts	13,733	1,247
- in exchange earner's foreign currency accounts	52,017	33,201
- in deposit account	20,000	70,000
	85,797	104,519

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	As at 31 March 2011	As at 31 March 2010
12. Loans and advances		
(Unsecured, considered good)		
Advance to subsidiary**		
- Share application money pending allotment	-	2,026
- Other advances	55,751	45,166
Advances recoverable in cash or in kind or for value to be received *		
	42,030	30,638
Advance tax	16,401	16,401
[net of provision for income tax Rs Nil (Previous year Nil)]		
MAT credit entitlement	33,659	-
Deposits	3,398	3,398
Interest receivable	21	4,063
	151,260	101,692
(Unsecured, considered doubtful)		
Advance to subsidiary **		
- Share application money pending allotment	31,885	29,494
- Other advances	111,488	115,025
	143,373	144,519
<i>Less</i> : Provision for advance to Aurigene Discovery Technologies Inc., U.S.A. [Refer Note (q) and (r) of Schedule 19]		
	143,373	144,519
	151,260	101,692
*Includes amount due from Mr.CSN Murthy (Wholetime Director)		
	-	-
Maximum amount outstanding during the year from CSN Murthy (Wholetime Director)		
	-	-
** Amounts due from the companies under the same management as defined under section 370 (1B) of the Companies Act, 1956 [Refer note m of schedule 19]		
	199,124	191,711
** Maximum amount outstanding from the companies under the same management as defined under section 370 (1B) of the Companies Act, 1956 [Refer note m of schedule 19]		
	202,296	191,711
13. Current liabilities		
Sundry creditors		
- outstanding dues to small enterprises and micro enterprises [Refer Note(s) of Schedule 19]	-	-
- capital goods	24,109	5,394
- others	177,506	55,899
Advance from Customers	154,970	63,049
Other liabilities	11,989	8,746
	368,574	133,088

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	As at 31 March 2011	As at 31 March 2010
14. Provisions		
Provision for taxes [net of advance tax of Rs 13,344 thousand (Previous year Nil)]	20,315	-
Provision for gratuity	25,243	21,159
	45,558	21,159

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	For the year ended 31 March 2011	For the year ended March 2010
15. Other income		
Interest income on deposits with bank (tax deducted at source Rs. 237 thousand (Previous year Rs. 898 thousand))	2,417	8,731
Foreign exchange gain, (net)	824	-
Miscellaneous income	1,977	178
	5,218	8,909
16. Employee costs		
Salaries, allowances and bonus	414,030	240,749
Contribution to provident and other funds	17,124	12,304
Staff welfare expenses	19,156	18,378
Employee stock option expense*	842	2,764
	451,152	274,195
* includes Rs. 842 thousand (Previous year Rs. 2,747 thousand) on account of Employees stock option plan 2003 of the Company credited to the employee stock options outstanding account and Rs.Nil (Previous year Rs. 17 thousand) on account of Holding Company, Dr. Reddy's Laboratories Limited Employees stock option plan-2002 credited to the capital reserve.		
17. Operating and other expenses		
Laboratory consumables	272,187	209,989
Power and fuel	41,604	35,232
Rent	17,731	10,962
Repairs and maintenance	-	-
Buildings	8,372	3,988
Plant and machinery	25,698	17,547
Others	24,194	18,579
Traveling and conveyance	25,280	17,829
Legal and professional charges	16,709	8,438
Donation	-	50,000
Business development	13,862	11,240
Communication	4,123	4,318
Membership and subscription	8,750	4,067
Rates and taxes	2,426	3,679
Insurance	4,350	2,518
Handling charges	3,075	1,647
Software expenses	7,303	2,673
Recruitment charges	2,492	1,323
Security charges	3,001	2,430
Safety and environmental charges	4,578	1,873
Printing and stationery	1,524	682
Loss on sale of fixed assets, (net)	557	-
Foreign exchange loss, (net)	-	8,026
Miscellaneous expenses	29	24
Provision for doubtful debts	3,295	-
Provision for doubtful advances	2,230	-
	493,370	417,064

Schedules to the Financial Statements (Contd.)

(Rs in thousands)		
Particulars	For the year ended 31 March 2011	For the year ended March 2010
18. Finance expenses		
Interest		
- on term loan and cash credit	682	11,776
Bank charges	2,376	74
	<u>3,058</u>	<u>11,850</u>

Schedules to the Financial Statements (Contd.)

19. Notes to the accounts

a) Commitments and contingent liabilities

(Rs in thousands)

As at **As at**
31 March 2011 **31 March 2010**

(i)	Claims against the Company not acknowledged as debt	-	-
(ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	11,306	22,960
(iii)	Arrears dividend on 8% cumulative redeemable preference shares	15,873	4,073
(iv)	As at 31 March 2011 the Company is in the process of completing the formalities of converting the leased land into an absolute sale deed with the Karnataka Industrial Area Development Board ("KIADB") [Refer note 1 of schedule 7]. The Management believes that the Company may incur certain cost in this regard, the amount of which cannot be quantified currently.		
(v)	The Bangalore Unit of the Company is registered as a 100% export oriented unit ("EOU"), and is exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Company has executed legal undertakings to pay Customs duty, Central Excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. As on 31 March 2011, the Company has a positive Net Foreign Exchange Earning, as defined in the Foreign Policy 2004 - 2009.		

b) Details of imported and indigenous lab consumables and spare parts consumed

	Year Ended		Year Ended	
	31 March 2011		31 March 2010	
	Value	% of total consumption	Value	% of total consumption
Lab consumables (excluding job work)				
Imported	59,348	22%	55,567	26%
Indigenous	212,839	78%	154,422	74%
Total	272,187	100%	209,989	100%
Spare parts (included in repairs and maintenance)				
Imported	1,124	11%	3,568	37%
Indigenous	9,343	89%	6,088	63%
Total	10,467	100%	9,656	100%

(Rs in thousands)

Year ended **Year ended**
31 March 2011 **March 2010**

c) CIF value of imports

Laboratory consumables	59,348	55,567
Capital goods	58,291	28,754
Spare parts	1,124	3,568
Total	118,763	87,889

Schedules to the Financial Statements (Contd.)

		(Rs in thousands)	
		Year ended 31 March 2011	Year ended March 2010
d)	Expenditure in foreign currency		
	Travelling and conveyance	4,022	2,696
	Legal and professional charges	8,158	2,850
	Others	16,868	16,993
	Total	29,048	22,539
e)	Earnings in foreign currency		
	Income from operations	1,167,775	750,017
f)	Managerial remuneration*:		
	The Company has made following payments as managerial remuneration to a whole-time director during the year:		
	Salary and allowances	8,028	5,255
	Performance bonus	2,550	3,000
	Leave encashment	250	233
	Employee stock option	-	17
	Total	10,828	8,505
	<p>Maximum remuneration payable as per schedule XIII of the Companies Act, 1956 is Rs 4,200 thousand per annum. The Company has obtained Central Government approval for Rs 8,500 thousand per annum for the period 1 April 2007 to 15 August 2008, Rs 9,000 thousands for the period 16 August 2008 to 15 August 2011 and Rs 13,000 thousands for the period from 1 April 2010 to 15 Aug 2011 from the Ministry of Corporate Affairs under section 269, 198, 309 and 637AA of the Companies Act, 1956.</p> <p>The Whole time Director is covered by the personnel accident insurance policy taken by the Company along with the other employees of the Company. The proportionate premium paid towards insurance policy pertaining to the Managing Director is not been included in the aforementioned disclosures as separate amounts are not available for the Whole time Director. Further, the above figures do not include provision for gratuity and long term incentives as the same is actuarially determined for the Company as a whole.</p>		
g)	Auditors' remuneration (included in legal and professional charges)*		
		(Rs in thousands)	
		Year ended 31 March 2011	Year ended March 2010
	Statutory audit	700	700
	Out of pocket expenses	23	33
	Total	723	733
	*Excludes applicable service tax.		

Schedules to the Financial Statements (Contd.)

h) **Gratuity plan**

The following table set out the status of the gratuity plan as required under Accounting Standard (AS) 15 – “Employee benefits”.

Reconciliation of the Defined benefit obligations

	(Rs in thousands)	
	Year ended 31 March 2011	Year ended 31 March 2010
Change in defined benefit obligation		
Opening defined benefit obligation	21,159	6,035
Current service cost	4,564	3,289
Interest cost	1,882	1,166
Actuarial losses / (gain)	(1,072)	952
Liability assumed on acquisition	-	10,481
Benefits paid	(1,290)	(764)
Closing defined benefit obligation	25,243	21,159
Change in plan assets		
Plan assets at period beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial (gain)/ loss	-	-
Contributions	1,290	764
Benefits paid	(1,290)	(764)
Plan assets at period end, at fair value	-	-
Reconciliation of present value of obligation and fair value of plans assets		
Fair value of the plan assets at the end of the period	-	-
Present value of defined benefit obligation at the end of the period	25,243	21,159
Asset/ (liability) recognized in the balance sheet	(25,243)	(21,159)

Gratuity cost for the period

	(Rs in thousands)	
	Year ended 31 March 2011	Year ended 31 March 2010
Current Service Cost	4,564	3,289
Interest on Defined Benefit Obligation	1,882	1,166
Net actuarial losses / (gains) recognized in year	(1,072)	952
Total, included in “Salaries, allowances and bonus”	5,374	5,407

Assumptions at the valuation date

	Year ended 31 March 2011	Year ended 31 March 2010
Discount Rate	7.95% p.a.	7.50% p.a.
Expected Rate of Return on Plan Assets	0.00%	0.00%

Salary Escalation Rate

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

i) **Operating leases**

Schedules to the Financial Statements (Contd.)

The Company leases Hyderabad unit and guest house under cancelable operating lease agreements. The total rental expense under cancelable operating leases is Rs. 17,731 thousand (Previous year: Rs. 10,962 thousand).

j) **Deferred taxes**

Components of deferred tax assets and liabilities:

	(Rs in thousands)	
	As at 31 March 2011	As at 31 March 2010
Deferred Tax Asset		
Provision for gratuity	8,190	6,652
Provision for doubtful debts	11,207	10,620
Provision for long term incentives	12,983	-
Fixed assets	3,061	-
Others	535	561
Deferred Tax Liability		
Fixed assets	-	57
Deferred tax asset/ (liability), net	35,976	17,776

k) **Earnings/ (loss) per share (EPS)**

	Year ended 31 March 2011	Year ended March 2010
Calculation of weighted average number of equity shares of Rs 10 each		
Number of shares at the beginning of the year	90,544,104	88,644,161
Total number of equity shares outstanding at the end of the year	90,544,104	90,544,104
Weighted average number of equity shares outstanding during the year – Basic	90,544,104	89,461,136
Net profit after tax (Rs in thousands)	222,532	105,534
<i>Less: Preference dividend (including dividend distribution tax thereon)</i>	13,760	4,766
Net profit after tax attributable to equity share holders (Rs. in thousands)	208,772	100,768
Basic earnings per share (Rs.)	2.30	1.13
Number of potentially dilutive shares under options	828,895	1,639,798
Weighted average number of equity shares outstanding during the year – Diluted	91,372,999	91,100,934
Diluted earnings per share (Rs.)	2.28	1.11

l) **Segment reporting**

The Board of Directors ("the Board") of the Company reviews the performance of the Company at the enterprise level. The Board relies primarily on results at the enterprise

Schedules to the Financial Statements (Contd.)

level for assessing performance and making decisions about resource allocation and hence the Management believes that there are no reportable segments on risk and reward-sharing basis.

- m) **Details of amount dues and maximum amount outstanding from companies under the same management included in loans and advances are as follows:**

(Rs. In thousands)

Parties	31 March 2011	31 March 2010
Aurigene Discovery Technologies Inc., U.S.A		
-Amount due	143,373	146,545
-Maximum outstanding	146,545	146,545
Aurigene Discovery Technologies (Malaysia) Sdn Bhd		
-Amount due	55,751	45,166
-Maximum outstanding	55,751	45,166

- n) **Related party disclosures**

- i. Parties where control exists:
 - Aurigene Discovery Technologies Inc., U.S.A - Subsidiary Company
 - Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia - Subsidiary Company
 - Dr. Reddy's Laboratories Ltd., Hyderabad - Holding Company
- ii. Other related parties with whom transactions have taken place during the year:
 - Creative Business Sarl, an entity in which a director is interested
 - Konticon APS, an entity in which a director is interested
- iii. Key Management Personnel represented on the Board of the Company:
 - Mr. C S N Murthy, Wholetime Director
- iv. Particulars of related party transactions

The following is a summary of significant related party transactions:

(Rs in thousands)

	Year ended 31 March 2011	Year ended 31 March 2010
Repayment of loan		
Dr. Reddy Laboratories Limited –Holding Company	350,000	-
Advances to		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	10,585	9,888
Revenue from operations		
Dr. Reddy Laboratories Limited – Holding Company	114,874	134,986
Institute of Life Science	-	3,894
Power and fuel		
Dr. Reddy Laboratories Limited – Holding Company	21,386	16,172
Lease rent paid		
Dr. Reddy Laboratories Limited – Holding Company	16,680	9,730
Repairs and maintenance		
Dr. Reddy Laboratories Limited – Holding Company	3,979	1,581
Membership and subscription		
Dr. Reddy Laboratories Limited – Holding Company	1,979	1,501
Other expenses		

Schedules to the Financial Statements (Contd.)

Dr. Reddy Laboratories Limited – Holding Company	1,220	772
Donation		
Institute of Life Science	-	50,000
Expenses re-charged		
Dr. Reddy Laboratories Limited – Holding Company	9,138	71
Professional fee		
Creative Business Sarl	6,307	5,461
Konticon APS	3,435	3,145
Remuneration to key management personnel		
Mr. C S N Murthy, Whole time Director	10,828	8,505

v. The following amounts are due from/ to related parties:

	(Rs in thousands)	
	As at	As at
	31 March 2011	March 2010
Due to related parties (included in unsecured loans)		
Dr. Reddy Laboratories Limited – Holding Company	8,858	358,858
Due to related parties (included in current liabilities)		
Dr. Reddy Laboratories Limited – Holding Company	66,520	32,401
Due from related parties (included in sundry debtor)		
Dr. Reddy Laboratories Limited – Holding Company	13,273	36,405
Institute of Life Science	3,295	3,295
Due to related parties (included in sundry creditors for capital goods)		
Dr. Reddy Research foundation – Fellow subsidiary	-	-
Due from related parties (included in loans and advances)		
Aurigene Discovery Technologies Inc., U.S.A – Subsidiary Company	143,373	146,545
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	55,751	45,166
Dr. Reddy Laboratories Limited – Holding Company	7,349	71
Investments		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	208,282	208,282
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	1,239	1,239
Provision for doubtful advances		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	143,373	144,519
Provision for permanent diminution in value of investment		
Aurigene Discovery Technologies Inc., U.S.A.		

Schedules to the Financial Statements (Contd.)

– Subsidiary Company	208,282	208,282
Provision for doubtful debts		
Institute of Life Science	3,295	-

o) **Employee stock option plan (ESOP)**

ESOP 2003 (hereinafter referred to as “the plan”)

The ESOP scheme of the Company was approved by the shareholders at the Extraordinary general meeting held on 30 January 2003 and will remain in force till 31 July 2012. All employees of the Company and its subsidiary who have completed 1 full year of service with the Company and its affiliate will be eligible to participate in the scheme. A total of 4,550,000 equity shares of Rs. 10 each have been earmarked for the scheme and will be allotted during the period (extended or otherwise) the scheme is in force.

During the year 2007-08, the Plan was amended and approved by the shareholders at the Extraordinary general meeting held on 2 January 2008, whereby 2,950,000 equity shares earmarked for Management Stock Grant Plan was merged with this plan, thereby increasing the number of shares available under this scheme to 7,500,000 equity shares. This plan would be applicable for all employees, working in India or out of India who have completed one full year of service with the Company, the subsidiary or the holding Company as applicable with minimum work level of 1A as on the eligible date.

For the financial year ended 31 March 2011, no grants were made under the Plan. Further, during the year Nil (Previous year: 1,899,943) shares were exercised by the employees. The movement of stock options under the ESOP scheme during the year ended 31 March 2011 is follows:

	Year ended 31 March 2011	Year ended 31 March 2010
Stock options at the beginning	1,012,331	2,916,262
Grants during the year	-	-
Exercised during the year	-	1,899,943
Forfeited due to resignation of employees	3,241	3,988
Stock options outstanding at the end	1009,089	1,012,331
Exercisable at the end of the year	1009,089	850,237

In accordance with Guidance Note on Employee Share Based Payments, cost of such options calculated under the intrinsic value method amounting to Rs.842 thousand (Previous year Rs. 2,747 thousand) has been recognized in these financial statements.

Dr. Reddy’s Employees Stock Option Plan-2002

Dr. Reddy’s Laboratories Limited, the parent Company instituted the 2002 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The Scheme covers all directors and employees of DRL and directors and employees of all its subsidiaries. Under the above Scheme, certain employees of the Company have been granted options during the previous years. In accordance with Guidance Note on Employee Share Based Payments, cost of such options calculated under the intrinsic value method amounting to Rs. Nil (Previous year Rs. 17 thousand) has been recognised in these financial statements.

Schedules to the Financial Statements (Contd.)

Had compensation for the above plans been determined under the fair value approach described in the guidance note on, "Accounting for employee share based payments", the Company's net profit and basic and diluted earnings per share would have reduced to the pro forma amounts as indicated:

	(Rs in thousands)	
	Year ended 31 March 2011	Year ended 31 March 2010
Net profit/ (loss) as reported	222,532	105,534
<i>Add:</i> Stock-based employee compensation expense (intrinsic value method)	842	2,764
<i>Less:</i> Stock-based employee compensation expense (fair value method)	874	3,354
Proforma net profit/ (loss)	222,500	104,944
Basic profit/ (loss) per share as reported	2.31	1.13
Pro forma basic profit/ (loss) per share	2.31	1.13

- p) The Company has a wholly owned subsidiary - Aurigene Discovery Technologies Inc. in USA. Considering the financial position and recurring losses incurred by the subsidiary, the Company has assessed its investment in subsidiary for other than temporary impairment. Accordingly, the Company had provided for its entire investment in its subsidiary towards impairment, being other than temporary.
- q) In 2004, Dr. Reddy's Laboratories Limited (DRL), the ultimate holding company had advanced, on behalf of the Company, an amount of USD 2.5 million (equivalent to Rs 112,338 thousand) to Aurigene Discovery Technologies Inc., the wholly owned subsidiary of the Company. Based on the evaluation of recoverability of the advance, the Company had provided for the entire amount of advances.
- r) The Company has advanced money in the form of share application money amounting to USD 0.67 million (equivalent to Rs 31,035 thousand) to Aurigene Discovery Technologies Inc against which no shares have been allotted till date. Considering the financial position of the subsidiary and based on the evaluation of the recoverability of such advance, the Company has provided for Rs 31,035 thousand of share application money.
- s) The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Further, The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2011 has been made in the financial statements based on information received and available

Schedules to the Financial Statements (Contd.)

with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the said Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

(Amounts in Rs.)

Year ended Year ended
31 March 2011 31 March 2010

The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	Nil	Nil
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

- t) The Company has not taken any hedging instruments to hedge the foreign currency exposure. Foreign currency denominated sundry debtors, advance from customers, advances to creditors/Capital work in progress (CWIP) and sundry creditors as at 31 March 2011 amounted to Rs 236,938 thousands, Rs 146,862 thousands, Rs. 2,936 thousands and Rs. 8,549 thousands respectively (Previous year Rs 116,690 thousands, Rs. 63,049 thousands, Rs.10,559 thousands and Rs. 4,550 thousands respectively). The details of sundry debtors, advances to creditors/CWIP and sundry creditors denominated in foreign currency are as follows:

Particulars	Currency	Year ended 31 March 2011	Year ended 31 March 2010
Sundry debtors	US Dollar	4,488,979	2,549,978
	Euro	572,754	36,304
	CHF	9,211	-
Advance from customers	US Dollar	3,293,246	1,390,751
	Euro	-	10,000
Advances to creditors/CWIP	US Dollar	51,336	216,307
	CHF	1,238	-
	Great Britain Pound	-	392
	Euro	9,250	13,563
Sundry creditors	US Dollar	114,163	78,139

Great Britain Pound	4,300	11,090
Japanese Yen	-	569,352
CHF	11,140	-
Euro	41,116	-

- u) The Company has developed a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961, which require existence of these records. The Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.
- v) Previous year's figures have been regrouped and/or reclassified wherever necessary, to conform to current year's presentation.

for and on behalf of the Board

G V Prasad
Director

C S N Murthy
Whole-time Director

P Sudha Mayi
Company Secretary

Place : Bangalore
Date : 02 May 2011

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(8,620)	(9,456)
Balance Brought forward	(38,571)	(29,115)
Balance Carried forward to Balance Sheet	(47,191)	(38,571)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

Place : Hyderabad
Date : 11.05.2011

Ewers Michael
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited
Hyderabad.

We have audited the attached Balance Sheet of M/s. Beta Healthcare Solutions GmbH as at 31st March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,350	1,350
Reserves & surplus	2	(634)	1,546
		716	2,896
Loan funds			
Unsecured loans	3	47,723	35,904
		47,723	35,904
		48,439	38,800
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	4	1,246	240
Loans and advances		2	1
		1,248	241
Current liabilities and provisions			
Current liabilities	5	-	12
		-	12
Net current assets			
Profit & Loss Account		1,248	229
		47,191	38,571
		48,439	38,800

Notes to accounts

7

The schedules referred to above form an integral part of the Consolidated Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **beta Healthcare Solutions GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Ewers Michael
Director

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income		2	1
		<u>2</u>	<u>1</u>
Expenditure			
Operating and other expenses	6	8,622	9,457
		<u>8,622</u>	<u>9,457</u>
Profit/(loss) before taxation		(8,620)	(9,456)
Provision for tax			
- Current tax		-	-
- Deferred tax expense/ (benefit)		-	-
Profit for the year		(8,620)	(9,456)
Balance in profit and loss account brought forward		(38,571)	(29,115)
Balance in profit and loss account carried forward		<u>(47,191)</u>	<u>(38,571)</u>

Notes to accounts

7

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **beta Healthcare Solutions GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Ewers Michael
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet and Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1: Share capital		
Authorised		
Authorised capital EUR 25000*	1,350	1,350
Issued, Subscribed and paid-up		
Issued capital EUR 25,000*	1,350	1,350
	1,350	1,350
Schedule 2: Reserves & Surplus		
Share Premium	-	-
Currency Translation Reserve A/c	(634)	1,546
	(634)	1,546
Schedule 3: Unsecured Loans		
Borrowing IU	47,723	35,904
	47,723	35,904
Schedule 4: Cash and bank balances		
Balances with banks		
On current accounts	1,246	240
	1,246	240
Schedule 5: Current Liabilities		
Sundry creditors	-	12
	-	12
Schedule 6: Operating and other expenses		
Rates and taxes	217	103
Printing and stationery	9	-
Legal and professional charges	-	11
Bank charges	11	11
Sundry expenses	8,385	9,332
	8,622	9,457

Schedules to Balance Sheet and Profit and Loss Account

Schedule 7 : NOTES TO ACCOUNTS

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

d) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31st March 2011.

3. Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.
4. The Company, incorporated in Germany, is a 100% subsidiary of Reddy Holding GmbH.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	1	1
Balance Brought forward	-	-
Balance Carried forward to Balance Sheet	1	1

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date :11.05.2011

Mahato Sujit Kumar
Director

Erhardt Horst
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s beta Institute GmbH as at 31 March, 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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, 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCE OF FUNDS			
Shareholders' Funds			
Share capital	1	5,401	5,401
Reserves & Surplus	2	938	814
Loan Funds			
Secured loans		-	-
Unsecured loans		-	34,630
		6,339	40,845
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	27,910	36,771
<i>Less: Accumulated depreciation</i>		23,208	30,113
Net block		4,702	6,658
Capital work-in-progress (including capital advances)		-	494
		4,702	7,725
Current assets, loans and advances			
Sundry debtors	4	3	1,037
Cash and bank balances	5	16,229	77,326
Loans and advances	6	1,359	36,859
		17,591	115,222
Current liabilities and provisions			
Current liabilities	7	15,954	82,102
Provisions		-	-
		15,954	82,102
Net current assets		1,637	33,120
		6,339	40,845

Notes to accounts

11

The schedules referred to above form an integral part of the Balance Sheet.

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

for **beta Institute GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Mahato Sujit Kumar
Director

Place : Hyderabad
Date : 11.05.2011

Erhardt Horst
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income	8	157,324	239,056
		157,324	239,056
Expenditure			
Personnel costs	9	75,804	120,484
Operating and other expenses	10	79,273	115,813
Amortisation of intangibles		1,141	1,280
Depreciation		1,105	1,478
		157,323	239,055
Profit before taxation		1	1
Provision for tax			
- Current tax		-	-
- Deferred tax expense/ (benefit)		-	-
Profit for the year		1	1
Balance carried forward		1	1

Notes to accounts 11

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

for **beta Institute GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Mahato Sujit Kumar
Director

Place : Hyderabad
Date : 11.05.2011

Erhardt Horst
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1:		
Share capital		
Authorised		
Authorised capital 100,000 EUR*	5,401	5,401
<hr/>		
Issued, Subscribed and paid-up		
Issued capital 100,000 EUR*	5,401	5,401
	5,401	5,401
<hr/>		
Schedule 2 :		
Reserves and surplus		
Securities premium account	-	14,156
Foreign Currency Translation Reserve	937	(12,813)
Profit and Loss Account	1	1
	938	814
<hr/>		

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Schedule - 3 : Fixed Assets

Description	Gross Block					Depreciation					Net Block		
	As at 01.04.10	Additions	Deletions	Forex	As at 31.03.11	As at 01.04.10	For the year	Deductions	Forex	As at 31.03.11	As at 31.03.10	As at 31.03.11	As at 31.03.10
Computers	20,945	-	10,650	1,021	11,316	20,404	344	10,375	716	11,089	227	541	
Electrical/Office equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fixtures	10,955	-	-	531	11,486	8,075	761	-	370	9,206	2,280	2,880	
Patents, trademarks and designs	4,871	-	-	237	5,108	1,634	1,141	-	138	2,913	2,195	3,237	
Total	36,771	-	10,650	1,789	27,910	30,113	2,246	10,375	1,224	23,208	4,702	6,658	
Previous year	40,822	-	-	(4,051)	36,771	30,884	2,758	-	(3,529)	30,113	6,658		

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 4:		
Sundry debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	3	1,037
	3	1,037
Schedule 5:		
Cash and bank balances		
Balances with banks		
On current accounts	16,229	77,326
	16,229	77,326
Schedule 6:		
Loans and advances		
(Unsecured)		
<i>Considered good</i>		
Advance tax (net of provision for current taxes)	93	585
Deposits	1,259	1,201
	1,352	1,786
<i>Other Current Assets</i>	7	35,073
	1,359	36,859
Schedule 7:		
Current Liabilities		
Sundry creditors	957	6,857
Other Current Liabilities	3,858	75,245
Deferred Revenue income	11,139	-
	15,954	82,102

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 8:		
Other income		
Interest on fixed deposits	346	397
Miscellaneous income	156,978	238,659
	157,324	239,056
 Schedule 9:		
Personnel costs		
Salaries, wages and bonus	52,731	98,017
Contribution to provident and other funds	8,587	18,096
Workmen and staff welfare expenses	14,486	4,371
	75,804	120,484
 Schedule 10:		
Operating and other expenses		
Rent	1,016	1,295
Rates and taxes	483	784
Repairs and maintenance		
Plant and machinery	-	-
Others	2,199	2,520
Insurance	-	144
Travelling and conveyance	2,345	4,202
Communication	1,325	1,559
Advertisements	161	3,093
Other selling expenses	3,373	6,745
Printing and stationery	536	1,050
Legal and professional charges	22,370	31,728
Donations	3	-
Loss on sale/retirement of fixed assets, net	42	-
Exchange loss, net	-	-
Bank charges	17	18
Sundry expenses	45,403	62,675
	79,273	115,813

Schedules to Balance Sheet and Profit and Loss Account

Schedule 11 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipment	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangibles	6-10

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

i) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

j) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31st March 2011.

- 3.** Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.
- 4.** The Company, incorporated in Germany, is a 100% subsidiary of Reddy Holding GmbH.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	384,446	(1,634,943)
Balance Brought forward	(505,555)	1,129,388
Balance Carried forward to Balance Sheet	(121,089)	(505,555)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Ewers Michael
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Betapharm Arzneimittel GmbH as at 31 March, 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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, 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	55,225	55,225
Reserves & surplus	2	2,823,774	165,983
		2,878,999	221,208
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	9,435,154	9,082,505
Less: Accumulated depreciation		6,999,635	6,388,853
Net block		2,435,519	2,693,652
Capital work-in-progress (including capital advances)		-	-
		2,435,519	2,693,652
Current assets, loans and advances			
Inventories	4	1,107,209	1,133,433
Sundry debtors	5	397,050	204,712
Cash and bank balances	6	147,875	488,186
Loans and advances	7	2,148,734	77,016
		3,800,868	1,903,347
Current liabilities and provisions			
Current liabilities	8	3,357,388	4,375,791
Provisions		-	-
		3,357,388	4,375,791
Net current assets		443,480	(2,472,444)
Deferred tax assets		-	-
		2,878,999	221,208

Notes to consolidated accounts 14

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for **Betapharm Arzneimittel GmbH**

Ewers Michael
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		5,325,231	7,288,027
Other income	9	279,405	130,612
		5,604,636	7,418,639
Expenditure			
Material costs	10	3,478,219	4,639,627
Conversion charges		32,807	53,408
Personnel costs	11	339,780	1,680,426
Operating and other expenses	12	973,051	1,342,281
Amortisation of intangibles		319,121	1,241,413
Finance charges	13	28,932	21,917
Depreciation		48,260	74,510
		5,220,170	9,053,582
Profit before taxation		384,466	(1,634,943)
Provision for tax			
- Current tax		-	-
- Deferred tax expense / (benefit)		-	-
Profit for the year		384,466	(1,634,943)
Balance in profit and loss account brought forward		(505,555)	1,129,388
Amount available for appropriation		(121,089)	(505,555)
Appropriations:			
Transfer to general reserve		-	-
		(121,089)	(505,555)
Balance in profit and loss account carried forward		(121,089)	(505,555)

Notes to accounts

14

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No. 9750

Place : Hyderabad

Date : 11.05.2011

for **Betapharm Arzneimittel GmbH**

Ewers Michael

Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital 2,000,000 DM*	55,225	55,225
Issued, Subscribed and paid-up		
Issued capital 2,000,000 DM*	55,225	55,225
* No concept of nature and number of shares in this company	55,225	55,225
 Schedule 2: Reserves & Surplus		
General Reserve	7,385,551	7,385,551
Currency Translation Reserve A/c		
Balance at the beginning of the year	(6,714,013)	(6,690,595)
Additions/deductions during the year	2,273,325	(23,418)
	<u>(4,440,688)</u>	<u>(6,714,013)</u>
 Profit and Loss A/c	 (121,089)	 (505,555)
	<u>2,823,774</u>	<u>165,983</u>

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets												
(All amounts in Indian Rupees thousands, except share data)												
Description	Gross Block						Depreciation				Net Block	
	As at 01.04.2010	Additions	Deletions	Forex	As at 31.03.2011	As at 01.04.2010	Additions	Deletions/ Adjtsms.	Forex	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land - freehold	83,734	-	-	4,058	87,792	-	-	-	-	-	87,792	83,734
Buildings	230,838	378	-	11,188	242,404	67,775	10,169	-	3,729	81,673	160,731	163,063
Computers	140,721	1,642	91,382	6,814	57,795	115,542	30,015	105,010	3,572	44,119	13,676	25,179
Plant & Machinery	41,189	-	-	1,997	43,186	30,589	8,726	-	1,863	41,178	2,008	10,600
Furniture and fixtures	59,890	4,943	-	2,903	67,736	35,504	-	-	7,305	42,809	24,927	24,386
Patents, trademarks and designs	8,525,726	-	3,137	413,225	8,935,814	6,139,099	320,261	-	330,070	6,789,430	2,146,384	2,386,627
Vehicles	407	-	-	20	427	344	110	49	21	426	1	63
Total	9,082,505	6,963	94,519	440,205	9,435,154	6,388,853	369,281	105,059	346,560	6,999,635	2,435,519	2,693,652
Previous year	10,101,999	24,591	12,849	(1,031,236)	9,082,505	5,801,425	1,315,923		(728,495)	6,388,853	2,693,652	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 4: Inventories		
Stores and spares	548	669
Raw materials	8,619	17,982
Work-in-process	5,024	18,646
Finished goods	1,093,018	1,096,136
	1,107,209	1,133,433
Schedule 5: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	397,050	204,712
Considered doubtful	33,251	32,388
	430,301	237,100
<i>Less:</i> Provision for doubtful debts	33,251	32,388
	397,050	204,712
Schedule 6: Cash and bank balances		
Balances with banks		
On current accounts	147,875	488,186
	147,875	488,186
Schedule 7: Loans and advances (Unsecured)		
<i>Considered good</i>		
Other Advances	2,066,167	-
Advance tax (net of provision for current taxes)	2,127	1,768
Deposits	40,468	56,083
Other Current Assets	39,972	19,165
	2,148,734	77,016
Schedule 8: Current Liabilities		
Sundry creditors	1,067,813	942,676
Other Current Liabilities	2,289,575	3,433,115
	3,357,388	4,375,791

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 9: Other income		
Interest on fixed deposits	279,405	648
Exchange gain, net	-	11,989
Miscellaneous income	-	117,975
	279,405	130,612
Schedule 10 : Material costs		
a) Opening stock of Finished goods	1,096,136	2,078,130
Closing stock of Finished goods	1,093,018	1,096,136
Net (increase) / decrease	3,118	981,994
b) Opening Stock of raw materials	-	-
Raw materials purchased	14,844	9,581
Less :Closing stock	-	-
Net (increase) / decrease	14,844	9,581
c) Stores, chemicals, spares and packing material consumed	19	1,685
d) Purchase of traded goods	3,460,238	3,646,367
TOTAL	3,478,219	4,639,627
Schedule 11: Personnel costs		
Salaries, wages and bonus	286,267	836,090
Contribution to provident and other funds	37,768	119,022
Workmen and staff welfare expenses	15,745	725,314
	339,780	1,680,426

Schedule to Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 12: Operating and other expenses		
Rent	24,568	55,943
Rates and taxes	76,458	67,222
Repairs and maintenance	-	59,034
Insurance	24,092	37,235
Travelling and conveyance	19,498	19,458
Communication	3,872	6,632
Advertisements	67,376	172,872
Other selling expenses	48,762	125,248
Printing and stationery	1,208	1,985
Legal and professional charges	53,834	54,572
Donations	214	12,778
Loss on sale/retirement of fixed assets, net	1,401	2,327
Auditors' remuneration	-	3
Exchange loss, net	690	-
Bank charges	1,456	1,366
Sundry expenses	649,622	725,606
	973,051	1,342,281
Schedule 13: Finance charges		
Other finance charges	28,932	21,917
	28,932	21,917

Schedules to Balance Sheet and Profit and Loss Account

Schedule 14 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipment	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

The management estimates the useful lives for the various intangible assets as follows:

Years

Intangibles 6-10

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

g) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

i) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

j) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. The company has taken buildings under finance lease. Future minimum lease payments under finance leases as at 31 March 2011 are as follows:

	Present value of minimum lease payments	Future interest	Minimum lease payments
Not later than 1 year	7,963	41	8,004
Later than 1 year and not later than 5 years	48,260	252	48,512
Beyond 5 years	193,051	1,008	194,059
Total	249,274	1,301	250,575

3. Related party disclosures

- a. The Company has following amounts due from/to related parties:

Particulars	(Rs. thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due from related parties (included in Advances):		
Dr. Reddy's laboratories (UK) Limited	-	-
ii) Due to related parties (included in Creditors):		
Dr. Reddy's laboratories Limited	642,974	439,172
Dr. Reddy's laboratories (UK) Limited	-	8,774

4. Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in Germany, is a 100% Subsidiary of Reddy Holding GmbH.

DIRECTORS' REPORT

Your Directors present the 21st Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Rupees)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period	682	(18,939)
Balance Brought forward	(124,889)	(105,950)
Balance Carried forward to Balance Sheet	(125,571)	(124,889)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2011.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommend reappointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2011-12 for shareholder's approval.

Directors

Mr. Satish Reddy, retires by rotation at the ensuing 21st Annual General Meeting and is eligible for re-appointment subject to the approval of members in the ensuing 21st Annual General Meeting of the Company.

Compliance Certificate

Pursuant to the provisions of Section 383A of the Companies Act, 1956, a certificate issued by a secretary in whole time practice with regard to compliance with the provisions of the Companies Act, 1956 is enclosed as Annexure – I.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to your company.

Conservation of energy, research and developments, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 with regard to conservation of energy and technology absorption are not applicable to your company.

Acknowledgements

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

for and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

G.V. Prasad
Director

AUDITORS' REPORT

To

The Members of

M/s Cheminor Investments Limited.

Hyderabad.

We have audited the attached Balance Sheet of M/s. Cheminor Investments Limited as at 31 March 2011 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Ministry of Finance (Department of Company Affairs, New Delhi dated 12.06.03) in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub – section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2011; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.,**
Chartered Accountants
ICAI FRN No. 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad

Date : 11.05.2011

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditor's report to the Members of M/s. Cheminor Investments Limited for the year ended 31 March 2011. We report as required under paragraph 4 that:

- i. (a) According to the information provided and explanations offered, the Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets;
- (b) In our opinion, the Company has a regular program of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets;
- (c) Based on the explanations given to us, the Company has not disposed off any substantial part of its fixed assets and hence in our opinion the sub-clause (c) is not applicable to the company for the year;
- ii. (a) According to the explanations given to us, the Company does not have any inventory and hence, in our opinion, the clauses 4(ii)(b) and 4(ii)(c) are not applicable to the company;
- iii. (a) The Company has neither granted nor taken loans, secured or unsecured to or from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, during the year;
- (b) Accordingly, in our opinion, the clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) are not applicable to the company for the year;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business for the purchase of fixed assets. The company does not have any purchase of inventory and sale of goods. There is no continuing failure to correct major weaknesses in internal control;
- (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
- (b) In view of the above the clause 4(v)(b) is not applicable to the company for the year;
- v. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Sec.58A and Sec.58AA of the Companies Act, 1956 and the rules framed thereunder do not apply;
- vi. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- vii. According to the information and explanations given to us, the maintenance of Cost record has not been prescribed by the Central Government, u/s. 209(1)(d) of the Companies Act, 1956 to the Company;
- viii. (a) According to the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Income Tax and Wealth Tax and any other statutory dues with the appropriate authorities. We have been informed that the provisions of provident fund, investor education protection fund, employee's state insurance, sales tax, customs duty, excise duty and cess are not applicable to the company for the year;
- (b) According to the information and explanations given to us, there are no dues of income tax or wealth tax remaining to be deposited on account of any dispute.

- ix. Based on the explanations given to us and in our opinion, the accumulated losses at the end of the current financial year of the company are less fifty percent of its net worth and it has incurred cash losses during the financial year and in the financial year immediately proceeding such year;
- x. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;
- xi. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statute does not apply;
- xiii. The company is not dealing or trading in shares, securities, debentures and other investments and hence maintenance of records regarding the same does not apply;
- xiv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from bank or financial institutions;
- xv. According to the information and explanations given to us, the Company has not obtained any term loan;
- xvi. In our opinion and according to the information and explanations given to us, the funds raised on short-term basis have not been used for long term investment or vice versa;
- xvii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xviii. According to the information and explanations given to us, the Company has not issued any debentures and hence the question of creation of Security for the same does not arise;
- xix. According to the information and explanations given to us, the Company has not made public issue during the year of audit;
- xx. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A. Ramachandra Rao & Co.,**
Chartered Accountants
ICAI FRN No. 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
I SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1.01	1,345,930	1,345,930
TOTAL		1,345,930	1,345,930
II APPLICATION OF FUNDS			
Fixed Assets			
(Land & Buildings)	1.02		
Gross Block		1,208,993	1,208,993
Less: Depreciation		-	-
Net Block		1,208,993	1,208,993
Current Assets & Liabilities			
A. Current Assets	1.03	20,243	13,192
B. Less: Current Liabilities & Provisions	1.04	8,877	1,144
Net current Assets		11,366	12,048
Profit & Loss Account		125,571	124,889
TOTAL		1,345,930	1,345,930
NOTES TO ACCOUNTS	3.00		

Schedule Nos. 1.01 to 1.05 and schedule 3.00 are an integral part of this Balance Sheet and should be read in conjunction therewith.

As per our report attached

for and on behalf of the Board

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 002857S

Satish Reddy
Chairman

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
I INCOME		-	-
II EXPENDITURE		-	-
Administrative Expenses	2.01	682	17,903
Depreciation		-	1,036
		682	18,939
Profit /(Loss) for the year		(682)	(18,939)
Profit/ (Loss) for the earlier years brought forward		(124,889)	(105,950)
Transferred to Balance Sheet		(125,571)	(124,889)
Earnings per share			
Basic- Par value Rs.10 per share		(0.005)	(0.141)
Diluted— Par value Rs.10 per share		(0.005)	(0.141)

NOTES TO ACCOUNTS 3.00

Schedule Nos.2.01 and Schedule No 3.00 form an integral part of this Profit & Loss Account and should be read in conjunction therewith.

As per our report attached

for and on behalf of the Board

for **A. Ramachandra Rao & Co.**
Chartered Accountants
Firm Registration No. 002857S

Satish Reddy
Chairman

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
SCHEDULE 1.01		
Share Capital		
Authorised:		
1,50,000 Equity Shares of Rs.10/-each	1,500,000	1,500,000
200, 12% Cumulative Redeemable preference Shares of Rs.100/-each	20,000	20,000
TOTAL	1,520,000	1,520,000
Issued, Subscribed & Paid up :		
134,513 (previous year 134,513) Equity Shares of Rs.10/-each of these shares 1,34,508 are held by Dr. Reddy's Laboratories Ltd (previous year 1,34,508 Equity Shares of Rs.10/-each)	1,345,130	1,345,130
8, 12% Cumulative Redeemable Preference Shares of Rs.100/-each	800	800
TOTAL	1,345,930	1,345,930
SCHEDULE 1.03		
CURRENT ASSETS		
Cash and Bank Balances		
Balance with Scheduled Banks in current a/c	13,082	13,192
Loans & Advances		
Other advances recoverable in cash or in kind or for value to be received	7,161	-
Total	20,243	13,192
SCHEDULE 1.04		
CURRENT LIABILITIES & PROVISIONS		
Sundry Creditors for Expenses	8,877	1,144
TOTAL	8,877	1,144
Schedule to Profit and Loss Account		
Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
SCHEDULE 2.01		
Administrative Expenses		
Auditors remuneration	572	572
General Expenses	110	17,331
TOTAL	682	17,903

Schedules to Balance Sheet (Contd.)

Schedule 1.03 (FIXED ASSETS)
(All amounts in Indian Rupees thousands, except share data)

Description	Gross Block at Cost			Depreciation			Net Block	
	As on 1-04-2010	Additions during the year	As on 31-3-2011	As on 01-4-2010	For the Year	Deletions	As on 31.3.2011	As on 31-3-2010
Land	1,208,993	1,208,993	-	-	-	-	1,208,993	1,208,993
Buildings	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	1,208,993	1,208,993
Previous year	1,272,625	(63,632)	1,208,993	15,550	1,036	16,586	1,208,993	1,208,993

Schedule 3 : Notes to Accounts

Significant Accounting Policies

Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

- 1) Fixed Assets are stated at historical cost less depreciation. Depreciation has been calculated at rates prescribed under straight-line method in Schedule XIV of the Companies Act, 1956.
- 2) In view of unabsorbed depreciation and carry forward of losses under tax laws and in the view of the fact that there is no virtual certainty of sufficient future taxable income, no provision has been made for deferred tax.
- 3) Additional Information pursuant to clause 4C and 4D of part II of Schedule VI to the Companies Act, 1956 is not required to be furnished.
- 4) Previous year's figures are regrouped wherever necessary.

5) Earnings per share:		
	2010-11	2009-10
Net profit/ (Loss) for the year (Rs.)	(682)	(18,939)
Shares :		
Weighted average number of equity shares outstanding during the year - Basic	134,513	134,513
Weighted average number of equity shares outstanding during the year - Diluted	134,513	134,513
Basic Earnings per share	(0.005)	(0.141)
Diluted Earnings per share	(0.005)	(0.141)

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(134,561)	(43,832)
Balance Brought forward	(909,729)	(865,897)
Balance Carried forward to Balance Sheet	(1,044,290)	(909,729)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under the review, Mr. Abhijit Mukherjee resigned as director of the Company w.e.f. 15 June 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Chirotech Technology Limited as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	807,173	807,173
Reserves & Surplus	2	(7,219)	607
		799,954	807,780
Loan Funds			
Unsecured loans	3	17	16,175
		17	16,175
		799,971	823,955
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	59,921	42,295
Less: Accumulated depreciation		23,380	14,582
Net block		36,541	27,713
Capital work-in-progress (including capital advances)		494	306
		37,035	28,019
Current assets, loans and advances			
Inventories	5	13,099	10,554
Sundry debtors	6	137,537	189,090
Cash and bank balances	7	69,694	181,360
Loans and advances	8	102,659	49,377
		322,989	430,381
Current liabilities and provisions			
Current liabilities	9	609,691	550,251
		609,691	550,251
Net current assets			
Deferred Tax Asset	14(2)	(286,702)	(119,870)
Profit and Loss Account		5,348	6,077
		1,044,290	909,729
		799,971	823,955
Notes to accounts	14		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO 002857S

for **Chirotech Technology Limited**

A. Ramachandra Rao
Partner
Membership No.9750
Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

G.V.Prasad
Director

Profit & Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		401,870	556,692
Income from Service Contracts		65,600	172,714
Other income	10	13,154	16,597
		480,624	746,003
Expenditure			
Material costs	11	307,154	495,655
Personnel costs	12	158,316	180,640
Operating and other expenses	13	141,255	106,096
Depreciation		6,967	6,122
Amortization		409	440
		614,101	788,953
Profit/ (Loss) before taxation		(133,477)	(42,950)
Provision for tax			
- Current tax		-	-
- Deferred tax expense/ (benefit)		1,084	882
Profit/ (Loss) for the year		(134,561)	(43,832)
Balance in profit and loss account brought forward		(909,729)	(865,897)
Balance in profit and loss account carried forward		(1,044,290)	(909,729)
Notes to accounts	14		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**

for **Chirotech Technology Limited**

Chartered Accountants
ICAI FRN NO 002857S

A. Ramachandra Rao
Partner

Satish Reddy
Director

G.V.Prasad
Director

Membership No.9750

Place : Hyderabad

Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital 108,298,978 shares of 0.10 each in GBP	811,051	811,051
Issued ,Subscribed and paid-up		
107,780,577 shares of 0.10 each in GBP	807,173	807,173
	807,173	807,173
Schedule 2: Reserves & Surplus		
Foreign Currency Translation Reserve	(7,219)	607
	(7,219)	607
Schedule 3: Unsecured Loans		
Borrowings -IU	17	16,175
	17	16,175
Schedule 5: Inventories		
Stores and spares	-	-
Raw materials	10,737	8,460
Work-in-process	-	-
Finished goods	2,362	2,094
	13,099	10,554
Schedule 6: Sundry Debtors		
Debts outstanding for a period exceeding six months Considered good	137,537	189,090
	137,537	189,090
Schedule 7: Cash and Bank Balances		
Cash on Hand	14	-
Balances with Scheduled banks	-	181,360
- on deposit accounts	282	-
- on current account	69,398	-
	69,694	181,360
Schedule 8: Loans & Advances		
Other advances recoverable in cash or in kind or for value to be received	39,593	219
Balances with Statutory Authorities	33,986	35,657
Other Current Assets	29,080	13,501
	102,659	49,377
Schedule 9: Current Liabilities		
Sundry Creditors	477,748	444,117
Accrued Expenses	48,263	30,065
Other Liabilities	83,680	76,069
	609,691	550,251

Schedules to Balance Sheet (Contd.)

		(All amounts in Indian Rupees thousands, except share data)										
		Gross Block					Depreciation					Net Block
	As at 01.04.2010	Additions	Deletions	Forex	As at 31.03.2011	As at 01.04.2010	Additions	Deletions	Forex	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Plant & Machinery	34,339	9,904	-	2,530	46,773	11,922	5,081	-	701	17,704	29,069	22,417
Computers & Software	4,423	2,215	-	214	6,852	2,054	1,585	-	744	4,383	2,469	2,369
Furniture & Fixtures	742	694	-	-	1,436	166	213	-	(48)	331	1,105	576
Office Equipment	-	1,911	-	-	1,911	-	57	-	-	57	1,854	-
Patents and Trademarks	2,791	-	-	158	2,949	440	440	-	-	905	2,044	2,351
Total	42,295	14,724	-	2,902	59,921	14,582	7,376	-	1,422	23,380	36,541	27,713
Previous year	32,962	9,644	-	(311)	42,295	7,860	6,562	-	160	14,582	27,713	

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 10 : Other Income		
Other Income-IU	13,154	16,597
	13,154	16,597
Schedule 11: Material costs		
<i>Raw materials consumed</i>		
Opening Stock of raw materials	10,554	486,411
Add: Purchases	309,700	19,798
Less: Closing stock	13,099	10,554
TOTAL	307,155	495,655
Schedule 12: Personnel costs		
Salaries, Wages and Bonus	149,099	164,665
Contribution to Provident and other funds	-	12,159
Workmen and staff welfare expenses	9,218	3,816
	158,317	180,640
Schedule 13: Operating and Other expenses		
Audit fee	353	365
Bank charges	370	628
Communication expenses	1,771	3,737
Insurance	586	705
Lab expenses	14,852	15,436
Travel expenses	8,378	4,600
Legal and professional expenses	27,307	13,676
Power and Fuel	5,629	5,938
Selling Expenses	3,202	1,731
Carriage Outwards	1,121	1,900
Rates and taxes	4,379	3,638
Rent	38,471	22,637
Royalty	-	-
Repairs and Maintenance		
Building	1,161	2,450
Plant and Machinery	5,900	5,580
Others	2,105	2,205
Printing and stationery	1,668	2,495
General expenses	14,431	9,806
Foreign exchange Loss	9,572	8,569
	141,256	106,096

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Furniture and fixtures & Office equipment	4 to 8

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Patents and Trade Marks	6-10

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on research and development having alternative uses is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

g) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

i) Revenue recognition

Revenue received by way of contributions for research is recognised over the period for which the contribution has been received.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets

can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

k) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

Deferred Tax Assets	As at 31 March 2011	As at 31 March 2010
Other current assets	9,996	-
Depreciation	-	9,236
	9,996	9,236
Deferred Tax Liability		
Excess of depreciation allowable under Income –Tax law over depreciation provided in accounts	(4,648)	(3,159)
	(4,648)	(3,159)
Deferred Tax Asset, net	5,348	6,077

3. Related party Transactions:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due to related parties (included in Advances):		
Dr. Reddy's Laboratories Limited	-	-
ii) Due to related parties (included in Creditors):		
Dr. Reddy's Laboratories Limited	16,934	2,864
Dr. Reddy's Laboratories (UK) Limited	-	-
Dr. Reddy's Laboratories (EU) Limited	416,426	421,358
iii) Due from related parties (included in Borrowings):		
Dr. Reddy's Laboratories Inc.	17	1,611
Dr. Reddy's Laboratories (EU) Limited	-	-
Dr. Reddy's Laboratories Limited	-	14,564

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	(77,912)	(156,951)
Balance Brought forward	(935,249)	(778,298)
Balance Carried forward to Balance Sheet	(1,013,161)	(935,249)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under the review, Mr. Jobelino Vitoriano Locatelli has resigned from the Board of Directors of the Company w.e.f. 18 January 2011

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

VSS Seshagiri Rao Vempati
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Dr. Reddy's Farmaceutica do Brasil Ltda. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO: 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	633,545	97,085
Loan funds			
Unsecured loans	2	232,793	758,167
		866,338	855,252
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	23,632	35,328
Less: Accumulated depreciation		21,385	21,474
Net block		2,247	13,854
Current assets, loans and advances			
Inventories	4	337	23,770
Sundry debtors	5	9,506	49,182
Cash and bank balances	6	41,293	7,139
Loans and advances	7	48,948	25,771
		100,084	105,862
Current liabilities and provisions			
Current liabilities	8	88,256	242,613
Deferred Revenue Income		245,248	-
		333,504	242,613
Net current assets		(233,420)	(136,751)
Deferred tax assets		84,350	42,900
Profit & Loss Account		1,013,161	935,249
		866,338	855,252

Notes to accounts

14

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN NO: 002857S

for Dr. Reddy's Farmaceutica Do Brasil Ltda.

A Ramachandra Rao
Partner
Membership No. 9750

VSS Seshagiri Rao Vempati
Director

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the period ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales and service income		74,915	157,312
Other income	9	48,857	71,992
Total		123,772	229,304
Expenditure			
Material costs	10	50,951	125,219
Personnel costs	11	54,198	142,047
Operating and other expenses	12	56,715	145,208
Finance charges	13	37,943	11,297
Depreciation		4,714	5,926
Total Expenditure		204,521	429,697
Profit/ (Loss) before tax		(80,749)	(200,393)
Income tax expense / (benefit)		(2,837)	(43,442)
Profit/ (loss) after taxation		(77,912)	(156,951)
Balance in profit and loss account brought forward		(935,249)	(778,298)
Balance in profit and loss account carried forward		(1,013,161)	(935,249)

Notes to accounts 14

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A Ramachandra Rao & Co**
Chartered Accountants
ICAI FRN NO: 002857S

for **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

A Ramachandra Rao
Partner
Membership No. 9750

VSS Seshagiri Rao Vempati
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
26,699,230 equity shares of BRL 1 each (previous year: 6,100,000 equity shares of BRL 1 each)	97,085	97,085
Issued, Subscribed and paid-up		
26,699,230 equity shares of BRL 1 each (previous year: 6,059,231 equity shares of BRL 1 each) (Held by Dr. Reddy's Laboratories Ltd.(Holding Company))	633,545	97,085
TOTAL	633,545	97,085
 Schedule 2 : Unsecured loans		
Borrowings - Others	1,964	1,800
Borrowings- IU	230,829	756,367
TOTAL	232,793	758,167
 Schedule 4 : Inventories		
Finished goods	337	23,770
TOTAL	337	23,770
 Schedule 5 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	9,506	49,182
Considered doubtful	42,378	33,983
	51,884	83,165
<i>Less: Provision for doubtful debts</i>	42,378	33,983
TOTAL	9,506	49,182
 Schedule 6 : Cash and bank balances		
Cash on hand	155	240
Balance with non-scheduled banks		
On current accounts	41,138	6,899
TOTAL	41,293	7,139

Schedules to Balance Sheet (Contd.)

Schedule 3 : FIXED ASSETS (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block				Depreciation				Net Block	
	As at 01-4-2010	Additions	Deductions	As at 31-3-2011	As at 01-4-2010	Depn. for the year	Deductions	Forex	As at 31-3-2011	As at 31-3-2010
Buildings	-	22	-	22	-	-	-	-	22	-
Lease hold improvements	6,266	-	2,190	4,076	2,790	496	354	1	2,933	3,476
Plant & Machinery	15,838	-	336	15,502	7,870	1,704	242	62	9,394	7,968
Furniture and Fixtures	3,292	-	2,667	625	3,292	-	17	(11)	3,264	(2,639)
Vehicles	5,058	277	6,802	(1,467)	3,046	2,106	4,304	58	906	(2,373)
Computer Equipment	4,874	-	-	4,874	4,476	407	13	18	4,888	(14)
TOTAL	35,328	299	11,995	23,632	21,474	4,713	4,930	128	21,385	13,854
Previous Year	30,970	4,403	45	35,328	15,540	5,926	67	75	21,474	13,854

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 7 : Loans and advances (Unsecured)		
Staff loans and advances	6,130	4,483
Other advances recoverable in cash or in kind or for value to be received	(1,584)	2,416
Advance tax (net of provision for current taxes)	18,658	-
Deposits	832	571
Other Current Assets	24912	18,301
TOTAL	48,948	25,771
 Schedule 8 : Current Liabilities		
Sundry creditors	28,981	216,198
Other Liabilities	38,155	1,950
Accrued Expenses	21,120	24,465
TOTAL	88,256	242,613

Schedules to Profit and Loss Account

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 9 : Other income		
<i>Interest income:</i>		
On fixed deposits	1,983	574
Profit on sale of fixed assets	-	16
Exchange gain (net)	-	71,402
Miscellaneous income	46,874	-
TOTAL	48,857	71,992
Schedule 10 : Material costs		
(a) Opening stock of finished goods	40,601	64,371
<i>Less : Closing stock of finished goods</i>	337	23,770
Net (increase)/ decrease	40,264	40,601
(b) Purchase of traded goods	10,687	84,618
TOTAL	50,951	125,219
Schedule 11 : Personnel costs		
Salaries, wages and bonus	19760	67,655
Workmen and staff welfare expenses	34438	74,392
TOTAL	54,198	142,047
Schedule 12 : Operating and other expenses		
Rent	5559	7,612
Rates and taxes	11003	17,774
Insurance	468	1,427
Travelling and conveyance	5794	27,209
Communication	2735	6,370
Advertisement	-	8,863
Other selling expenses	7892	37,310
Printing and stationery	182	1,847
Loss on sale/retirement of fixed assets (net)	940	-
Auditors' remuneration	402	473
Bad debts	5083	6,625
Legal and professional	8822	22,155
Exchange loss (net)	3459	-
Sundry expenses	4376	7,543
TOTAL	56,715	145,208
Schedule 13: Finance charges		
Other finance charges	37,943	11,297
TOTAL	37,943	11,297

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Furniture, Fixtures & Office Equipment	4 to 8
Vehicles	4 to 5

d) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First-in-first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from services is recognised as per the terms of the contracts with the customers when the services are performed.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities,

and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Deferred tax Assets	As at 2010-11	As at 2009-10
Other current assets	(2,280)	-
Sundry Debtors	(225)	(214)
Current Liabilities	85,291	41,628
Inventories	1,564	1,486
Net Tax Asset, net	84,350	42,900

i) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Contingencies and commitment liabilities

There were no commitments or contingent liabilities as on 31 March 2011 (previous year: Nil).

3. Related Party Disclosure:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due to related parties (included in Borrowings): Dr. Reddys Laboratories Limited	230,829	758,367
ii) Due to related parties (included in Creditors): Dr. Reddys Laboratories Limited	28,981	215,023
iii) Due from related parties (included in Debtors): Dr. Reddy's Laboratories Limited	5,840	1,297

4. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in Brazil, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	1,854	30,201
Balance Brought forward	(40,362)	(70,563)
Balance Carried forward to Balance Sheet	(38,508)	(40,362)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under the review, Mr. Abhijit Mukharjee and Mr. M.V. Narasimham were appointed as Directors of the Company w.e.f. 28 March 2011.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Dr. Reddy's Laboratories Limited – 100% Holding Company

During the year, Dr. Reddy's Laboratories Limited, India bought 40% stake in the Company from Calshelf Investments 214 (Proprietary) Limited thereby making the Company its wholly owned subsidiary.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

M.V. Narasimham
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories (Proprietary) Ltd. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital		-	-
Loan funds			
Unsecured loans	1	9,329	8,232
TOTAL		9,329	8,232
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	16,812	8,483
Less: Accumulated depreciation		7,129	3,135
Net block		9,683	5,348
Current assets, loans and advances			
Cash and Bank balances	3	71,842	55,229
Inventories	4	81,334	58,912
Sundry debtors	5	197,567	180,597
Loans and advances	6	16,510	833
		367,253	295,571
Current liabilities and provisions			
Current liabilities	7	381,506	327,321
Deferred Revenue Income		35,999	13,513
		417,505	340,834
Net current assets		(50,252)	(45,263)
Deferred tax asset		11,390	7,785
Profit & Loss Account		38,508	40,362
TOTAL		9,329	8,232

Notes to accounts

12

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **Dr. Reddy's Laboratories (Proprietary) Ltd.**

for **A. Ramachandra Rao & Co.**

Satish Reddy

Chartered Accountants

Director

ICAI FRN : 002857S

A. Ramachandra Rao

M.V. Narasimham

Partner

Director

Membership No. 9750

Place : Hyderabad

Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		688,450	441,863
Other income		8,776	4,450
TOTAL		697,226	446,313
Expenditure			
Material costs	8	310,654	143,920
Personnel costs	9	111,261	73,364
Operating and other expenses	10	259,616	204,530
Amortisation of Intangibles		2,455	201
Finance charges		610	777
Depreciation		1,502	1,310
Total Expenditure		686,098	424,102
Profit/(Loss) before tax		11,128	22,211
Less: Income tax expense/ (benefit)	11	9,274	(7,990)
Profit after taxation		1,854	30,201
Balance in Profit and Loss Account brought forward		(40,362)	(70,563)
Balance in Profit and Loss account carried forward		(38,508)	(40,362)

Notes to accounts 12

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for **Dr. Reddy's Laboratories (Proprietary) Ltd.**

Satish Reddy
Director

M.V. Narasimham
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at	As at
	31 March 2011	31 March 2010
Schedule 1 : Unsecured loans		
Borrowings - IU	9,329	8,232
TOTAL	9,329	8,232
Schedule 3 : Cash & Bank Balances		
Cash at bank	71,807	55,229
Cash in hand	35	-
TOTAL	71,842	55,229
Schedule 4 : Inventories		
Finished goods	81,334	58,912
TOTAL	81,334	58,912
Schedule 5 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	197,567	180,597
Considered doubtful	2,721	5,041
	200,288	185,638
Less: Provision for doubtful debts	(2,721)	(5,041)
TOTAL	197,567	180,597
Schedule 6 : Loans and advances (Unsecured)		
Deposits	2,766	-
Other advances recoverable in cash or in kind or for value to be received	343	-
Other Current assets	13,401	833
TOTAL	16,510	833
Schedule 7 : Current Liabilities		
Trade payables	358,598	313,608
Accrued expenses	3,328	1,562
Others current liabilities	19,580	12,151
TOTAL	381,506	327,321

Schedules to Balance Sheet (Contd.)

Schedule 2 : FIXED ASSETS											
(All amounts in Indian Rupees thousands, except share data)											
Description	Gross Block				Depreciation				Net Block		
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	Depn. for the year	Deductions	Forex	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Lease Hold Improvements	1,613	6,653	1,871	6,395	1,012	692	-	1	1,705	4,690	601
Furniture, fixtures & Office Equipment	1,878	2,764	-	4,641	726	369	-	1	1,096	3,545	1,151
Computer equipment	1,176	783	-	1,959	645	441	-	3	1,089	870	531
Intangibles	3,817	-	-	3,817	752	2,455	-	32	3,239	578	3,065
TOTAL	8,483	10,200	1,871	16,812	3,135	3,957	-	37	7,129	9,683	5,348
Previous Year	8,033	874	424	8,483	1,839	1,510	-	11	3,135	5,348	

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 8 : Material costs		
Raw materials consumed	310,654	143,920
TOTAL	310,654	143,920
Schedule 10 : Personnel costs		
Salaries, wages and bonus	99,036	70,003
Workmen and staff welfare expenses	12,225	3,361
TOTAL	111,261	73,364
Schedule 10 : Operating and other expenses		
Rent	6,590	3,494
Rates and taxes	42	109
Insurance	2,374	1,586
Travelling and conveyance	4,066	4,777
Communication	3,023	1,526
Advertisements	36,638	18,443
Commission on sales	-	855
Other selling expenses	149,354	126,539
Printing and stationery	4,814	2,545
Loss on sale of assets	-	174
Auditors' remuneration	952	1,934
Bad debts	(578)	-
Legal and professional	7,014	5,118
Bank charges	800	508
Exchange loss (net)	7,456	(5,364)
Sundry expenses	37,071	42,286
TOTAL	259,616	204,530
Schedule 11: Provision for taxation		
Current taxes	12,276	-
Deferred taxes	(3,002)	(7,990)
TOTAL	9,274	(7,990)

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 12 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
Stores and spares	Weighted average method

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipment	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2011 (previous year Nil).

3. Related Party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due from related parties (included in Debtors) Dr. Reddy's Laboratories Ltd.	4,592	557
ii. Due to related parties (included in Borrowings) Dr. Reddy's Laboratories Ltd.	9,328	8,232
iii. Due to related parties (included in Creditors) Dr. Reddy's Laboratories Ltd.	264,092	218,533

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in the South Africa, is a 100% subsidiary of Dr. Reddy's Laboratories Ltd.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	444,868	1,399,179
Balance Brought forward	3,924,982	2,525,803
Balance Carried forward to Balance Sheet	4,369,850	3,924,982

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under the review, Mr. Anupam Puri has been appointed as Director of the Company w.e.f. 23 August 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerned for the co-operation to the company during the year.

For and on behalf of the Board

Dr. K. Anji Reddy
Director

G V. Prasad
Director

Place : Hyderabad
Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Dr. Reddy's Laboratories Inc. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A.Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	580,218	580,218
Reserves and Surplus	2	5,180,050	4,735,182
		5,760,268	5,315,400
Loan funds			
Unsecured loans	3	1,784,078	8,248
		1,784,078	8,248
		7,544,346	5,323,648
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	841,578	948,962
Less: Accumulated depreciation		769,228	832,731
Net block		72,350	116,231
Capital work-in-progress (including capital advances)		116	613
		72,466	116,844
Investments			
	5	2,878,802	1,759,128
Current assets, loans and advances			
Inventories	6	3,072,366	2,600,379
Sundry debtors	7	4,885,095	1,796,149
Cash and bank balances	8	2,333,812	502,130
Loans and advances	9	4,467,648	3,229,166
		14,758,921	8,127,824
Current liabilities and provisions			
Current liabilities	10	10,615,841	4,720,797
Provisions	11	34	494
		10,615,875	4,721,291
Net current assets		4,143,046	3,406,533
Deferred tax assets		450,032	41,143
		7,544,346	5,323,648
Notes to accounts		18	

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **Dr. Reddy's Laboratories Inc.**

for **A. Ramachandra Rao & Co.**

Dr. K. Anji Reddy

Chartered Accountants

Director

ICAI FRN : 002857S

A. Ramachandra Rao

G.V. Prasad

Partner

Director

Membership No. 9750

Place : Hyderabad

Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		19,480,772	18,141,067
Service Income		333,102	513,755
Other income	12	51,262	99,846
		19,865,136	18,754,668
Expenditure			
Material costs	13	17,543,403	13,489,943
Personnel costs	14	909,691	737,038
Operating and other expenses	15	1,304,440	2,763,220
Research and development expenses		21,929	37,972
Amortisation of intangibles		150	217,337
Finance charges	16	3,394	-
Depreciation		26,679	17,080
		19,809,686	17,262,590
Profit before taxation		55,450	1,492,078
Provision for tax	17		
- Current tax		23,361	105,987
- Deferred tax expense/ (benefit)		(412,779)	(13,088)
Profit for the year		444,868	1,399,179
Balance in profit and loss account brought forward		3,924,982	2,525,803
Balance in Profit and Loss account carried forward		4,369,850	3,924,982
Notes to accounts	18		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **Dr. Reddy's Laboratories Inc.**

for **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

Dr. K. Anji Reddy

Director

A. Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place : Hyderabad

Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
1,500,000 shares of USD 10 each (previous year : 1,500,000 shares of USD 10 each)	673,500	673,500
Issued, Subscribed and paid-up		
1,401,000 shares of USD 10 each (previous year : 1,401,000 shares of par value USD 10 each)	580,218	580,218
	580,218	580,218
Schedule 2: Reserves and surplus		
Securities Premium Account	810,200	810,200
Profit and Loss account	4,369,850	3,924,982
	5,180,050	4,735,182
Schedule 3: Unsecured Loans		
Borrowings - IU	1,784,078	8,248
	1,784,078	8,248
Schedule 5: Investments (Long term at cost)		
Investment in affiliates	16,331	16,331
Investment in Subsidiaries	2,862,471	1,742,797
	2,878,802	1,759,128
Schedule 6: Inventories		
Stores and spares	135,677	116,104
Finished goods	2,936,689	2,484,275
	3,072,366	2,600,379
Schedule 7: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	4,885,095	1,796,149
Considered doubtful	1,179	9,066
	4,886,274	1,805,215
Less: Provision for doubtful debts	1,179	9,066
	4,885,095	1,796,149

Schedules to Balance Sheet

Schedule - 4 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block			Depreciation				Net Block			
	As at 01.04.2010	Additions	Deletions	As at 31.3.2011	As at 01.4.2010	For the year	Deduc- tions	Forex	As at 31.03.2011	As at 31.03.2010	
Goodwill & Other Intangibles	800,936	-	188,693	612,243	734,739	150	85,152	(6,068)	643,669	(31,426)	66,197
Lease hold Improvements	15,042	50,717	-	65,759	8,064	8,019	-	333	16,416	49,343	6,978
Computers	79,419	2,365	246	81,538	52,247	11,168	222	482	63,675	17,863	27,172
Electrical/ Office equipment	17,822	-	-	17,822	10,781	-	-	1,732	12,513	5,309	7,041
Furniture and fixtures	35,743	28,473	-	64,216	26,900	7,492	-	(1,437)	32,955	31,261	8,843
Total	948,962	81,555	188,939	841,578	832,731	26,829	85,374	(4,958)	769,228	72,350	116,231
Previous year	921,129	27,833	-	948,962	611,506	234,417	738	(12,454)	832,731	116,231	

Schedules to the Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 8: Cash and bank balances		
Cash in hand	50	60
Balances with banks		
On current accounts	2,333,762	502,070
	2,333,812	502,130
 Schedule 9: Loans and advances (Unsecured)		
<i>Considered good</i>		
Staff loans and advances	657	1,265
Other advances recoverable in cash or in kind or for value to be received	133,094	1,796,278
Advance tax (net of provision for current taxes)	1,345,346	1,406,326
Other current assets	2,988,551	25,297
	4,467,648	3,229,166
 Schedule 10: Current Liabilities		
Sundry creditors	8,304,339	2,849,767
Other current liabilities	964,276	507,895
Income taxes payable	1,347,226	1,363,135
	10,615,841	4,720,797
 Schedule 11: Provisions		
Provision for Staff Benefits	34	494
	34	494

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 12: Other income		
Interest on fixed deposits	3,293	59,703
Exchange gain, net	5,439	-
Miscellaneous income	42,530	40,143
	51,262	99,846
Schedule 13: Material costs		
a) Opening Stock of raw materials	-	-
Raw materials Consumed	14,914,287	8,746,065
Less: Closing stock	-	-
b) Purchase of traded goods	2,629,116	4,743,878
TOTAL	17,543,403	13,489,943
Schedule 14: Personnel costs		
Salaries, wages and bonus	778,829	641,473
Contribution to provident and other funds	66,956	62,030
Workmen and staff welfare expenses	63,906	33,535
	909,691	737,038

Schedules to Profit and Loss Account (Contd.)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 15: Operating and other expenses		
Rent	46,633	116,504
Rates and taxes	5,889	6,071
Repairs and maintenance		
Buildings	-	-
Plant and machinery	35	2,194
Others	19	1
Insurance	12,528	12,236
Travelling and conveyance	91,503	55,543
Communication	21,875	16,171
Advertisements	20,782	18,120
Other selling expenses	365,817	148,213
Printing and stationery	12,918	8,672
Legal and professional charges	364,959	330,574
Donations	458	180
Bad debts written-off	27,227	48,302
Auditors' remuneration	1,982	2,102
Exchange loss, net	-	239,330
Bank charges	1,878	2,469
Sundry expenses	329,937	1,756,538
	1,304,440	2,763,220
Schedule 16: Finance charges		
Other finance charges	3,394	-
	3,394	-
Schedule 17: Provision for tax		
Current taxes	23,361	105,987
Deferred taxes	(412,779)	(13,088)
	(389,418)	92,899

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 18: Notes to accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

Years

Electrical / office equipment	5 to 15
Furniture & fixtures	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Goodwill	5-10

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTD.)

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
-------------------------	------------------

f) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

g) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Revenue from the various profit sharing arrangements entered into by the Company is recognised when it is earned and is measurable and when the ultimate collection is reasonably certain.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTD.)

date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Deferred tax asset, net included in the balance sheet comprises the following:

Deferred tax Assets	As at 2010-11	As at 2009-10
Current Liabilities	71,426	22,708
Losses carry forward	191,746	(22,570)
Sundry Debtors	136,004	(18,918)
Inventories	14,439	-
Other current Assets	19,705	-
	433,320	(18,780)
Deferred Tax Liability		
Inventories	-	10,452
Stock based compensation	(93,278)	(75,712)
Depreciation	109,990	125,183
Current Liabilities	-	-
	16,712	59,923
Deferred Tax asset, net	450,032	41,143

j) **Earnings per share**

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

2. **Contingencies and commitment**

There were no commitments and contingent liabilities as at 31st March 2011 (previous year Nil)

3. **Accounting for associates**

Pursuant to the adoption of AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements, the Company has accounted for its investments in APR LLC under the equity method.

4. Related party disclosures

a. The Company has following amounts due from/ to related parties:

(Rs. thousands)

Particulars	As at 31 March 2011	As at 31 March 2010
i. Due from related parties (included in Advances and other assets):		
Dr. Reddy's Laboratories Limited	632,642	232,347
Promius Pharma LLC	1,803,725	1,163,973
Aurigene Discovery Technologies Inc.	10,524	10,058
Industrias Quimicas Falcon de Mexico, SA de CV	111,700	112,469
Dr. Reddy's Laboratories Louisiana LLC	390,606	267,612
Chirotech Technologies Limited	399	1,611
Trigenesis Therapeutics Inc.	-	190
Dr. Reddy's Laboratories (Proprietary) Limited	-	45
Dr. Reddy's Laboratories Tennessee, LLC	111,816	-
ii. Due from related parties (included in Debtors):		
Dr. Reddy's Laboratories Limited	1,034	1,072
iii. Due to related parties (included in Sundry creditors):		
Dr. Reddy's Laboratories Limited	6,586,975	1,780,870
Dr. Reddys Laboratories SA, Switzerland	1,294,167	788,424
Industrias Quimicas Falcon de Mexico, SA de CV	42,013	84,0131
Dr. Reddy's Laboratories Louisiana LLC	-	7,567
iv. Due to related parties (included in Borrowings):		
Dr. Reddy's Laboratories Limited	-	8,248
Reddy US Therapeutics Inc.	-	103
Dr. Reddys Laboratories SA, Switzerland	1,784,078	-

5. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

6. The Company, incorporated in the United States of America, 71% of shares are held by Dr. Reddy's Laboratories SA (100% subsidiary of Dr. Reddy's Laboratories Limited), and remaining 29% are held by Dr. Reddy's Laboratories Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the period ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period	(704)	88
Balance carried forward	88	-
Balance Carried Forward to Balance Sheet	(616)	88

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad

Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr.Reddy's Laboratories S.A. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub-section 3 (c) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao &Co.**
Chartered Accountants
ICAI FRN NO :002857S

Place : Hyderabad
Date : 11.05.2011

A. Ramachandra Rao
Partner
Membership No: 9750

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	4,144	-
Share Application Money pending allotment		-	4,144
Reserves & Surplus		-	88
		4,144	4,232
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances		3,716	4,232
		3,716	4,232
Current liabilities and provisions			
Current liabilities		188	-
		188	-
Net current assets			
Profit and Loss		3,528	4,232
		616	-
		4,144	4,232

Notes to accounts 2

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO :002857S

for **Dr. Reddy's Laboratories International SA**

A. Ramachandra Rao
Partner
Membership No.9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Profit & Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income		88	88
		88	88
Expenditure			
Operating and other expenses		1289	-
		1,289	-
Profit / (loss) for the year			
Balance in profit and loss account brought forward		(704)	88
		88	-
		(616)	88

Notes to accounts

2

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO :002857S

for **Dr. Reddy's Laboratories International SA**

A. Ramachandra Rao
Partner
Membership No.9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1:		
Share capital		
Authorised		
100,000 equity shares of 1CHF each (previous year: 100,00)	4,144	4,144
Issued, Subscribed and paid-up		
100,000 equity shares of 1CHF each (previous year: NIL)	4,144	-
	4,144	-

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 2 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

d) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax

rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

f) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31st March 2011 (Previous year : NIL)

3. Related Party Disclosures:

Particulars	As at 31 March 2011	As at 31 March 2010
i. Dues from related Parties	Nil	Nil
ii. Due to related parties	Nil	Nil

4. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

5. The Company incorporated in the Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the 11th Annual Report of the Company for the year ended 31 March 2011.

Financial Results

(In Thousands)

Particulars	31 March 2011	31 March 2010
Profit / (Loss) for the period	(22)	(22)
Balance Brought forward	(154,090)	(154,068)
Balance Carried forward to Balance Sheet	(154,112)	(154,090)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2011.

Directors

Mr. Satish Reddy, retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment subject to the approval of the members in the ensuing Annual General Meeting of the Company.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Audit Committee and the Board of Directors recommends reappointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants, as Statutory Auditors of the Company for the financial year 2011-12 for shareholder's approval.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts of the Company on a going concern basis.

Audit Committee

The Audit Committee consists of Mr. G.V. Prasad, Mr. Satish Reddy and Mr. A S Kumar as members of the Committee.

The functions of the Audit Committee are:

- a) Hold discussions with the Auditors periodically about internal control systems and the scope of audit including observations of the auditors;
- b) Review of the half-yearly and annual financial statements before submission to the Board; and
- c) Ensure the compliance of internal control systems in the Company.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to your company.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your Directors place on record their sincere appreciation for support and co-operation extended by all concerned to the Company during the year.

for **Dr. Reddy's Bio-Sciences Limited**

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Chairman

AUDITORS' REPORT

**To
The Members of**

Dr. Reddy's Bio-Sciences Limited.
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Bio-Sciences Limited as at 31 March, 2011 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31.03.2011 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2011; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A.Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditor's report to the Members of M/s. Dr. Reddy's Bio-Sciences Limited (Formerly Satyam Institute of E-Business Limited) for the year ended 31 March, 2011. We report as required under paragraph 4 that:

- i. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular program of Physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets;
- ii. (a) The Company does not have any inventories and as such verification of stocks does not arise;
- (b) In view of the above, the clauses 4(ii)(b) and 4(ii)(c) are not applicable to the company;
- iii. (a) Based on the information provided and explanations offered to us, the Company has not granted loans to, secured or unsecured, but taken unsecured loan from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, during the year. The amount involved is Rs. 2,13,75,216/- ;
- (b) In our opinion the rate of interest and other terms and conditions of unsecured loan taken by the company are not prima facie prejudicial to the interests of the company;
- (c) The payment of principal amount and interest are regular as agreed.
- (d) There are no overdue amounts of more than Rs. 1 lakh and hence sub-clause (d) of clause (iii) is not applicable to the company for the year;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business for the purchase of fixed assets. The company does not have any purchase of inventory and sale of goods. There is no continuing failure to correct major weaknesses in internal control;
- v. (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Act.
- (b) In view of the above the clause 4(v)(b) is not applicable to the company;
- vi. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed thereunder do not apply;
- vii. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- viii. According to the information and explanations given to us, the maintenance of Cost records has not been prescribed by the Central Government, under Section 209(1)(d) of the Companies Act, 1956 to the Company;
- ix. (a) According to the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Income Tax and Wealth Tax and any other statutory dues with the appropriate authorities. We have been informed that the provisions of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Sales Tax, Customs Duty, Excise Duty and Cess are not applicable to the company;

- (b) According to the information and explanations given to us, there are no dues of Income tax or Wealth tax remaining to be deposited on account of any dispute.
- x. The Company has accumulated losses amounting to Rs. 154,112 thousands as at 31 March 2011. The Company has incurred cash loss of Rs. 22 thousand in the current financial year as well as in the immediately preceding financial year.
- xi. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;
- xii. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xiii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statute does not apply;
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments and hence maintenance of records regarding the same does not apply;
- xv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from bank or financial institutions;
- xvi. According to the information and explanations given to us, the Company has not obtained any term loan;
- xvii. In our opinion and according to the information and explanations given to us, the funds raised on short-term basis have not been used for long term investment or vice versa;
- xviii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xix. According to the information and explanations given to us, the Company has not issued any debentures and hence the question of creation of Security for the same does not arise;
- xx. According to the information and explanations given to us, the Company has not made public issue during the year of audit;
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A.Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS:			
Shareholder's Funds			
Share Capital	1.01	340,221	340,221
Loan Funds			
Unsecured Loan	1.02	21,375	62,269
Total		361,596	402,490
APPLICATION OF FUNDS:			
Fixed Assets			
Gross Block	1.03	261,783	261,783
Less: Depreciation		-	-
Net Block		261,783	261,783
Capital work-in-progress		6,112	-
		267,895	261,783
Current Assets, Loans and Advances			
Cash and Bank Balances	1.04	305	305
Loans & Advances	1.05	56	56
		361	361
Current Liabilities and Provisions			
Current Liabilities	1.06	60,772	13,744
		60,772	13,744
Net Current Assets		(60,411)	(13,383)
Profit and Loss Account		154,112	154,090
Total		361,596	402,490
Notes to accounts	2.00		

The schedules referred to above are integral part of the Balance Sheet.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for and on behalf of the Board

Satish Reddy
Chairman

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income		-	-
Expenditure		-	-
Audit Fees		22	22
		22	22
Profit before taxation		(22)	(22)
<i>Less : Provision for taxation</i>		-	-
Profit after taxation		(22)	(22)
<i>Add: Balance brought forward from previous year</i>		(154,090)	(154,068)
Balance carried to Balance Sheet		(154,112)	(154,090)

Earnings per share
(Refer Note 8 of Schedule 2.00(B))

Notes to accounts 2.00

The schedules referred to above are integral part of the Profit and Loss Account.

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for and on behalf of the Board
Satish Reddy
Chairman

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1.01 :		
Share Capital		
Authorised		
35,000,000 (previous year 35,000,000)		
Equity Shares of Rs.10/- each	350,000	350,000
	350,000	350,000
Issued, Subscribed and paid up		
34,022,070 Equity shares of Rs.10/- each fully paid up		
(All the shares are held by Dr.Reddy's Laboratories Ltd., the holding company and its nominees)	340,221	340,221
	340,221	340,221
Schedule 1.02		
Unsecured Loans		
Bank loan	-	-
Dr.Reddy's Laboratories Limited	21,375	62,269
	21,375	62,269

Schedules to Balance Sheet (Contd.)

Schedule 1.03 : FIXED ASSETS

(All amounts in Indian Rupees thousands, except share data)

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.10	Additions during the year	Deletions	As at 31.03.11	As at 01.04.10	For the year	Deletions	As at 31.03.11	As at 31.03.11	As at 31.03.10
Land Freehold	261,783	-	-	261,783	-	-	-	261,783	261,783	261,783
Previous Year	261,783	-	-	261,783	-	-	-	261,783	261,783	261,783

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule - 1.04		
Cash and Bank Balances		
Cash on Hand	-	-
On Current Account	305	305
	305	305
Schedule - 1.05		
Loans & Advances		
Taxes net of TDS	56	56
	56	56
Schedule - 1.06		
Current Liabilities & Provisions		
Other liabilities	60,721	13,693
Sundry Creditor for Expenses	20	20
Provision for Expenses	31	31
TOTAL	60,772	13,744

Schedules to Balance Sheet and Profit and Loss Account

Schedule - 2.00 :

A. Significant Accounting Policies:

1. Accounting Assumptions

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

2. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Direct costs related to acquisition of fixed assets are capitalized. These costs include freight, duties and taxes related to acquisition. Pre-operative expenditure forms part of assets capitalised.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/ sold/ transferred during the year. Management estimate of the useful life of fixed assets is given below:

Plant & machinery	2 – 5 years
Computers	2 years
Software	2 years
Furniture and Fittings	5 years
Office Equipment	5 years

3. Revenue recognition of Income and Expenditure.

All interest income and expenditure are accounted on accrual basis except where stated otherwise.

B. Notes to Accounts

1. 16,932,000 Equity Shares of Rs. 10 each have been allotted as fully paid up in settlement of unsecured loan received from erstwhile parent company Satyam Infoway Limited.
2. A portion of land belonging to the company is under boundary dispute. This will not have any financial impact on the company.
3. Estimated amount of contracts to be executed on capital account and not provided for in books is Nil (previous year: Nil).
4. Claims against the Company not acknowledged as debts - Nil (previous year Nil).
5. Expenditure in Foreign currency - Nil (previous year Nil).
6. Value of Imports on CIF basis - Nil (previous year Nil).

7. Additional information pursuant to clause 4 C and D of Part II, Schedule VI of the Companies Act, 1956 is not applicable. Companies Act, 1956 is not applicable.

8. Earnings per share

	2010-11	2009-10
Net profit/ (Loss) for the year	(22)	(22)
Weighted average number of equity shares outstanding during the year - Basic	34,022,070	34,022,070
Weighted average number of equity shares outstanding during the year - Diluted	34,022,070	34,022,070
Basic Earnings per share (Rs.)	-	-
Diluted Earnings per share (Rs.)	-	-

9. Figures are rounded off to the nearest Rs.Thousand

10. Figures have been regrouped and reclassified wherever necessary.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(131,791)	(152,378)
Balance Brought forward	(237,147)	(84,769)
Balance Carried forward to Balance Sheet	(368,938)	(237,147)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, Mr. M.V. Narasimham and Mr. Abijit Mukherjee were been appointed as Directors of the Company w.e.f. 24 March 2011.

Further, Mr. Raghu Cidambi has resigned as Director of the Company wef 24 March 2011.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Azhar Ibrahim
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Dr. Reddy's Laboratories (Australia) Pty. Limited as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Company's Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao

Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	35,126	35,126
Reserves & Surplus	1(a)	1,795	1,795
		36,921	36,921
Loan Funds			
Unsecured loans	2	274,904	221,135
		311,825	258,056
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	2,594	2,244
Less: Accumulated depreciation		926	423
Net block		1,668	1,821
Current assets, loans and advances			
Inventories		35,489	18,607
Cash and bank balances	4	9,993	16,557
Sundry debtors	5	26,466	4,911
Loans and advances		-	1,795
		71,948	41,870
Current liabilities and provisions			
Current liabilities	6	130,729	22,782
		130,729	22,782
Net current assets		(58,781)	19,088
Profit & Loss Account		368,938	237,147
		311,825	258,056
Notes to Accounts	11		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Laboratories (Australia) Pty. Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Azhar Ibrahim
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		98,168	14,669
Other income	7	530	141
		98,698	14,810
Expenditure			
Material costs		74,098	12,114
Personnel costs	8	28,504	15,742
Operating and other expenses	9	100,627	125,964
Amortisation of intangibles		-	21
Finance charges	10	26,762	12,942
Depreciation		498	405
		230,489	167,188
Profit for the year		(131,791)	(152,378)
Balance in profit and loss account brought forward		(237,147)	(84,769)
Balance in profit and loss account carried forward		(368,938)	(237,147)
Notes to Accounts	11		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Laboratories (Australia) Pty. Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Azhar Ibrahim

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
1,000,000 ordinary shares of USD 1 each	35,126	35,126
Issued ,Subscribed and paid-up		
1,000,000 fully paid ordinary shares of USD 1 each <i>(Out of above 1,000,000 ordinary shares are held by Dr.Reddy's Laboratories Limited) (Holding Company)</i>	35,126	35,126
	35,126	35,126
Schedule 1(a): Reserves & Surplus		
Securities premium account	1,795	1,795
Total	1,795	1,795
Schedule 2: Unsecured Loans		
Borrowings IU	274,904	221,135
	274,904	221,135
Schedule 4: Cash and bank balances		
Cash in hand	-	23
Balances with Scheduled banks		
On deposit accounts	390	237
Balances with Non Scheduled banks	9,603	16,297
	9,993	16,557
Schedule 5 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	26410	3,586
Other Current assets	56	1,325
TOTAL	26,466	4,911
Schedule 6: Current Liabilities		
Sundry creditors	49,862	21,876
Other Current Liabilities	80,867	906
	130,729	22,782

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

	Gross Block						Depreciation			Net Block	
	As at 01.04.2010	Additions	Deductions	Forex	As at 31.3.2011	As at 01.4.2010	Additions	Deductions	Forex	As at 31.03.2011	As at 31.03.2010
Goodwill	1,795	-	-	-	1,795	29	435	-	(9)	1,340	1,766
Electrical/ Office equipment	449	350	-	-	799	394	63	-	14	328	55
Total	2,244	350	-	-	2,594	423	498	-	5	1,668	1,821
Previous year	-	2,244	-	-	2,244	426	-	-	(3)	423	1,821

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 7: Other income		
Interest on fixed deposits	530	141
	530	141
Schedule 8: Personnel costs		
Salaries, wages and bonus	26,750	15,742
Contribution to provident and other funds	1,754	-
	28,504	15,742
Schedule 9: Operating and other expenses		
Rent	3,457	1,855
Rates and taxes	479	-
Lab expenses	-	41,947
Travelling and conveyance	2,590	3,039
Communication	1,226	942
Other selling expenses	3,191	9,821
Printing and stationery	85	24
Legal and professional charges	28,775	7,637
Auditors' remuneration	1,076	373
Exchange loss, net	21,274	7,682
Bank charges	189	32
Sundry expenses	38,285	52,612
	100,627	125,964
Schedule 10: Finance charges		
Other finance charges	26,762	12,942
	26,762	12,942

Schedule 11 : Notes to accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipment	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing

from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangibles	6-10

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

g) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

i) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2011. (Previous year : NIL)

3. **Related party disclosures**

a. The Company has following amounts due from/ to related parties:

Particulars	(Rs. thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due to related parties (included in unsecured loans):		
Dr. Reddy's Laboratories Limited	274,904	221,135
ii. Due from related parties (included in Advances):		
Dr. Reddy's Laboratories Limited	-	1,795
ii. Due to related parties (included in Creditors):		
Dr. Reddy's Laboratories Limited	21,195	12,148

4. The Company, incorporated in Australia, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	24,482	194,696
Balance Brought forward	377,807	183,111
Balance Carried forward to Balance Sheet	399,289	377,807

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under the review, the Board of Directors of the Company had appointed Mr. V. Viswanath and Mr. Jonathan Kilham as directors on the Board of the Company w.e.f. 3 May 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Viswanatha R. Bonthu
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories (EU) Limited as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN NO : 002857S

A.Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	723,060	723,060
Reserves and surplus	2	419,810	355,221
Loan Funds			
Secured loans		-	-
Unsecured loans	3	629,544	615,316
TOTAL		1,772,414	1,693,597
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	1,055,868	993,042
Less: Accumulated depreciation		520,083	430,393
Net block		535,785	562,649
Capital work-in-progress (including capital advances)		2,089	-
		537,874	562,649
Investments	5	328,959	328,958
Current assets, loans and advances			
Inventories	6	111,262	111,588
Sundry debtors	7	492,672	502,489
Cash and bank balances	8	298,454	295,678
Loans and advances	9	162,332	107,166
Current liabilities and provisions			
Current liabilities	10	167,452	218,007
Deferred Revenue Income		-	1,267
Net current assets		897,268	797,647
Deferred tax liability		8,313	4,343
TOTAL		1,772,414	1,693,597

Notes to accounts 17
The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A Ramachandra Rao & Co.,**
Chartered Accountants
ICAI FRN NO : 002857S

A Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for **Dr. Reddy's Laboratories (EU) Ltd.**

Satish Reddy
Director

Viswanatha R. Bonthu
Director

Profit and Loss Account for the period ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales (includes service income)		534,697	771,440
Other income	11	79,549	69,419
TOTAL		614,246	840,859
Expenditure			
Material costs	12	99,963	88,119
Personnel costs	13	201,168	217,577
Operating and other expenses	14	213,920	210,947
Amortisation of goodwill		6,589	7,347
Finance charges	15	16,775	20,014
Depreciation/Amortisation of goodwill		57,938	61,932
Total Expenditure		596,353	605,936
Profit /(Loss)before tax		17,893	234,923
Income tax expense / (benefit)	16	(3,589)	40,227
Profit after taxation		21,482	194,696
Balance brought forward		377,807	183,111
Balance carried to the balance sheet		399,289	377,807
Notes to accounts	17		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A Ramachandra Rao & Co.,**
Chartered Accountants
ICAI FRN NO : 002857S

for **Dr. Reddy's Laboratories (EU) Ltd.**

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Viswanatha R. Bonthu
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
20,000,000 shares of GBP 1 each	723,060	723,060
Issued, Subscribed and paid-up		
9,133,290 shares of GBP 1 each	723,060	723,060
TOTAL	723,060	723,060
Schedule 2 : Reserves and surplus		
Profit/ (loss) account	399,289	377,807
Foreign Currency Translation Reserve	20,521	(22,586)
TOTAL	419,810	355,221
Schedule 3 : Unsecured loans		
Borrowings - IU	629,544	615,316
TOTAL	629,544	615,316
Schedule 5 : Investments (Long term at cost)		
<i>In Subsidiaries</i>	328,959	328,958
TOTAL	328,959	328,958
Schedule 6 : Inventories		
Stores and spares	693	1,032
Raw-materials	9,580	5,843
Work-in-process	29,216	71,700
Finished goods	71,773	33,013
Total	111,262	111,588
Schedule 7 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	455,731	472,942
Other Current assets	36,941	29,547
TOTAL	492,672	502,489

Schedule to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Schedule - 3 : Fixed Assets

	Gross Block						Depreciation				Net Block		
	Gross Block	Aquisitions	Additions	Sale	Forex	Gross Block	Acc Dep	For the	Sale	Forex	Acc Dep	WDV	WDV
	01.04.2010					31.03.2011	01.04.2010	year			31.3.2011	31.3.2010	31.3.2010
Buildings	79,457	-	1,142	-	4,490	85,089	11,974	6,329		760	19,063	66,026	67,483
Land	47,569	-	-	-	2,688	50,257	-	-		-	-	50,257	47,569
Plant & Machinery	484,676	-	4,956	-	27,631	517,263	93,002	49,706		5,988	148,696	368,567	391,674
Intangibles	313,038	-	-	-	17,689	330,727	313,038	-		17,689	330,727	-	-
Goodwill	63,196	-	-	-	3,571	66,767	10,677	6,677		603	17,957	48,810	52,518
Computers	5,106	-	614	-	45	5,765	1,702	1,902		36	3,640	2,125	3,404
TOTAL	993,042	-	6,712	-	56,114	1,055,868	430,393	64,614	-	25,076	520,083	535,765	562,648
Previous Year	1,038,830	-	19,202	-	(64,990)	993,042	393,764	69,278	-	(32,649)	430,393	562,649	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 8 : Cash and bank balances		
Cash on hand	96	48
Balance with non-scheduled banks	53	52
Balances with scheduled banks		
On deposit accounts	140	61
on current account	298,165	295,517
TOTAL	298,454	295,678
Schedule 9 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	162,332	107,166
TOTAL	162,332	107,166
Schedule 10 : Current Liabilities		
Sundry creditors	35,492	29,875
Accrued Expenses	23,052	23,685
Others Current Liabilities	108,908	164,447
TOTAL	167,452	218,007

Schedules to Profit and Loss Account

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 11 : Other income		
Exchange gain (net)	-	4,647
Miscellaneous income	79,549	64,772
TOTAL	79,549	69,419
Schedule 12 : Material costs		
Opening Stock of raw materials	-	-
(a) <i>Raw materials purchased/consumed:</i>	89,752	76,342
<i>Less: Closing stock of raw material</i>	-	-
	89,752	76,342
(b) <i>Stores, chemicals, spares and packing material consumed</i>	5,109	11,777
(d) <i>Purchase of traded goods</i>	5,102	-
(c) <i>Duty on Goods</i>	-	-
TOTAL	99,963	88,119
Schedule 13 : Personnel costs		
Salaries, wages and bonus	198,283	205,572
Contribution to provident and other funds	-	-
Workmen and staff welfare expenses	2,885	12,005
TOTAL	201,168	217,577
Schedule 14 : Operating and other expenses		
Power and fuel	42,863	50,157
Repairs and maintenance		
Buildings	3,265	3,087
Plant and machinery	15,950	13,625
Others	47,915	67,398
Rent	4,340	2,359
Rates and taxes	7,452	10,414
Insurance	6,556	6,550
Travelling and conveyance	4,170	3,653
Communication	1,742	1,013
Lab expenses	10,007	6,319
Other selling expenses	24,834	16,608
Printing and stationery	1,351	870
Donations	22	-
Vehicle expense	110	80
Auditors' remuneration	353	365
Legal and professional charges	25,494	26,166
Bank charges	1,002	669
Exchange loss (net)	13,617	-
Shipping Costs (Carriage Outwards)	1,300	-
Sundry expenses	1,577	1,614
Total	213,920	210,947

Schedules to Profit and Loss Account (Contd.)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 15: Finance charges		
Other finance charges	16,775	20,014
TOTAL	16,775	20,014
Schedule 16: Provision for taxation		
Current taxes	183	33,883
Deferred taxes	(3772)	6,344
TOTAL	(3,589)	40,227

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 17 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings:	
- Factory and administrative buildings	20 to 39
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office machinery & equipment	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangibles	13

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First-in-first-out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

g) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

i) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated exclusive of returns, applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

k) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

Deferred tax Assets	As at 31 March 2011	As at 31 March 2010
Inventories	20,405	20,800
Other Current Assets	(1,393)	-
	19,013	20,800
Deferred Tax Liability		
Excess of depreciation allowable under Income tax law over depreciation provided in accounts	(10,699)	(16,457)
	(10,699)	(16,457)
Net Tax Asset, Net	8,314	4,343

3. Commitments and contingent liabilities

There were no commitments or contingent liabilities as on 31st March 2011. (Previous year : NIL)

4. Related Party Disclosures:

The company has the following related party transactions:

Particulars	As at 31 March 2011	As at 31 March 2010
i. Due from related parties (included in advances):		
Dr. Reddy's Laboratories (UK) Ltd.	79,945	76,506
Dr. Reddy's Laboratories SA, Switzerland	-	-
Dr. Reddy's Newzealand Limited	24,315	-

ii.	Due from related parties (included in Debtors):		
	Chirotech Technology Limited	416,426	421,358
	Dr. Reddy's Laboratories Limited	18,443	5,681
iii.	Due to related parties (included in Borrowings):		
	Dr. Reddy's Laboratories SA, Switzerland	629,572	599,583
	Dr. Reddy's Laboratories Limited	27	15,733
iv.	Due to related parties (included in Payables):		
	Dr. Reddy's Laboratories Limited	265	9,546
	Industrias Quimicas Falcon de Mexico SA de CV	3,976	983
	Chirotech Technology Limited	-	14,715

5. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

6. The Company, incorporated in United Kingdom, 99% shares of the company are held by Dr. Reddy's Laboratories SA (100% subsidiary of Dr. Reddy's Laboratories Limited) and remaining 1% shares are held by Dr. Reddy's Laboratories Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	207,407	38,797
Balance Brought forward	-	-
Balance Carried forward to Balance Sheet	207,407	38,797

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Directors

During the year under review, Mr. M.V. Narasimham and Mr. Jonathan Kilham had been appointed as Directors of the Company w.e.f. 3 May 2010.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Viswanatha R. Bonthu
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories (UK) Ltd. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No: 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	70	70
Reserves and surplus	2	418,951	211,544
Loan funds			
Unsecured loans	3	80,079	77,927
		499,100	289,541
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	445,428	346,702
Less: Accumulated depreciation		200,702	172,865
Net block		244,727	173,837
Capital work-in-progress (including capital advances)		26,582	36,525
Current assets, loans and advances			
Inventories	5	198,785	137,259
Sundry debtors	6	396,713	388,780
Cash and bank balances	7	216,602	181,642
Loans and advances	8	68,324	73,518
Current liabilities and provisions			
Current liabilities	9	537,251	645,686
Deferred Revenue income		117,306	62,162
Net current assets		225,867	73,351
Deferred tax asset		1,925	5,828
		499,100	289,541
Notes to accounts	16		
The schedules referred to above form an integral part of the Balance Sheet			

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN No: 002857S

for **Dr. Reddy's Laboratories (UK) Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Vishwanatha R Bonthu
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales and service income		2,318,572	1,965,158
Other income	10	54,254	35,917
Total		2,372,826	2,001,075
Expenditure			
Material costs	11	1,454,585	1,205,207
Personnel costs	12	302,809	299,929
Operating and other expenses	13	349,938	407,636
Depreciation/Amortization of intangibles		31,290	31,347
Total Expenditure		2,138,622	1,944,119
Profit/ (Loss) before tax		234,204	56,956
Less: Income tax expense/ (benefit)	14	26,797	18,159
Profit after taxation carried forward		207,407	38,797

Notes to accounts

15

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN No: 002857S

for **Dr. Reddy's Laboratories (UK) Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Vishwanatha R Bonthu

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
1000 equity shares of GBP 1 each	70	70
Issued, Subscribed and paid-up		
1000 equity shares of GBP 1 each (Held by Dr. Reddy's Laboratories (EU) Limited)	70	70
TOTAL	70	70
Schedule 2 : Reserves and surplus		
Profit and Loss account :		
Opening balance	182,984	144,187
Add : Profit/ (loss) for the year	207,407	38,797
Closing Balance	390,391	182,984
Foreign Currency Translation Reserve	28,560	28,560
TOTAL	418,951	211,544
Schedule 3 : Unsecured loans		
Borrowings - IU	80,079	77,927
TOTAL	80,079	77,927
Schedule 5 : Inventories		
Stores and spares	27,523	14,628
Raw-materials	383	2,793
Work-in-process	20,593	12,943
Finished goods	150,286	106,895
TOTAL	198,785	137,259
Schedule 6 : Sundry debtors (Unsecured)		
Debts out standing for period exceeding six months		
- Considered good	396,713	388,780
- Considered doubtful	8,908	9,798
	405,621	398,578
Less: Provision for doubtful debts	8,908	9,798
TOTAL	396,713	388,780
Schedule 7 : Cash and bank balances		
Cash on hand	53	64
Balance with non-scheduled banks		
On current accounts	216,549	181,578
TOTAL	216,602	181,642

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2010	Additions	Deletions	Forex	As at 31.03.2011	For the year	Deletions	Forex	As at 31.03.2011	As at 31.03.2010
Land	15,262	-	-	-	15,262	-	-	-	15,262	15,262
Intangebles	38,861	-	-	-	38,861	-	-	-	38,861	-
Plant & Machinery	116,147	81,744	3,595	78,194	194,296	18,743	2,906	200	94,231	37,953
Computer Equipment	19,748	1,784	964	17,551	20,568	1,826	873	19	18,523	2,197
Office Furniture & Fittings	17,057	1,812	-	10,481	18,869	2,547	-	(21)	13,007	6,576
Tenants Improvements	17,376	-	-	9,742	17,376	3,406	-	36	13,184	7,634
Land & Building	122,251	17,945	-	18,036	140,196	4,768	-	92	22,896	104,215
Total	346,702	103,285	4,559	172,865	445,428	31,290	3,779	326	200,702	173,837
Previous Year	337,838	8,865	-	144,581	346,702	31,347	-	(3,063)	172,865	173,837

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 8 : Loans and advances		
(Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	-	18,899
Advance tax (net of provision for current taxes)	10,335	9,934
Other Current Assets	57,989	44,685
TOTAL	68,324	73,518
 Schedule 9 : Current Liabilities		
Sundry creditors	374,577	508,312
Accrued Expenses	108,982	80,452
Others Current Liabilities	15,509	28,196
Tax Provison	38,184	28,726
TOTAL	537,252	645,686

Schedules to the Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 10 : Other income		
<i>Interest income</i>	120	126
Profit on sale of fixed assets	209	-
Forex Gain	-	3,730
Miscellaneous income	53,925	32,061
TOTAL	54,254	35,917
Schedule 11 : Material costs		
<i>(a) Raw materials consumed :</i>		
Opening Stock of raw materials	2,793	2,872
<i>Add: Purchases</i>	1,257,698	1,205,128
<i>Less: Closing stock</i>	383	2,793
<i>Raw materials consumed</i>	1,260,108	1,205,207
<i>(b) Purchase of traded goods</i>	194,477	-
TOTAL	1,454,585	1,205,207
Schedule 12 : Personnel costs		
Salaries, wages and bonus	294,654	298,203
Contribution to provident and other funds	3	1,175
Workmen and staff welfare expenses	8,152	551
TOTAL	302,809	299,929

Schedules to the Profit and Loss Account (Contd.)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 13 : Operating and other expenses		
Power and fuel	3,277	4,109
Repairs and maintenance		
Buildings	-	10
Plant and machinery	2,994	2,898
Others	21,112	34,027
Rent	38,134	46,129
Rates and taxes	4,486	2,518
Insurance	7,366	5,592
Travelling and conveyance	26,192	28,198
Communication	10,897	10,844
Other selling expenses	50,443	24,814
Printing and stationery	5,274	4,602
Provision for bad and doubtful debts	(1,293)	9,987
Interest expense	-	465
Auditors' remuneration	341	578
Donations	39	-
Legal and professional	108,992	167,431
Bank charges	559	479
Lab Expenses	18,735	11,491
Vehicle Charges	2,115	3,166
Shipping Costs	20,794	22,014
Exchange loss / (gain)	13,281	-
Sundry expenses	16,200	28,284
TOTAL	349,938	407,636
Schedule 14: Provision for taxation		
Current taxes	22,455	21,446
Deferred taxes	4,342	(3,287)
TOTAL	26,797	18,159

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 15: Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on research and development having alternative uses is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

d) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipment	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangibles	6-10

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

g) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

i) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from sale of products is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

k) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

l) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

(Rs. thousands)

	As at 31 March 2011	As at 31 March 2010
Deferred tax asset/ (liability)		
Sundry Debtors	(268)	(16,061)
Provisions	(2,264)	(2,264)
Inventory	(859)	1,340
Others Current Assets	(14,701)	-
Current Liabilities	(3,691)	(4,204)
Depreciation	23,707	27,017
Deferred tax asset/ (liability), net	1,925	5,828

3. Related party disclosures

a. The Company has following amounts due from/ to related parties:

Particulars	(Rs. thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due to related parties (included in Creditors and other liabilities) Dr. Reddy's Laboratories Ltd.	243,536	477,693
ii. Due to related parties (included in Unsecured loans): Dr. Reddy's Laboratories Ltd. Dr. Reddy's Laboratories (EU) Ltd.	- 80,079	1,248 76,679
iii. Due from related parties (included in Advances and other assets): Dr. Reddy's Laboratories Ltd. Dr. Reddy's SRL	2,099 3,447	1,601 15,698
iv. Due from related parties (included in Debtors): betapharm Arzneimittel GmbH. Dr. Reddy's Laboratories SA Dr. Reddy's SRL	- - 4440	8,774 1,390 -

4. Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in United Kingdom, is a 100% subsidiary of Dr. Reddy's Laboratories (EU) Limited. Dr. Reddy's Laboratories (EU) Ltd., incorporated in United Kingdom, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	(1)	65
Balance Brought forward	(104)	(169)
Balance Carried forward to Balance Sheet	(105)	(104)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Manishmukund Joshi
Director

Place : Hyderabad

Date : 11.05.2011

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories ILAC TICARET as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the profit and loss account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO: 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	162	162
		162	162
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	2	57	58
		57	58
Current liabilities and provisions			
Current liabilities	3	-	-
		-	-
Net current assets		57	58
Profit & Loss Account		105	104
		162	162

Notes to accounts

5

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO: 002857S

for **Dr. Reddy's Laboratories ILAC TICARET**

A. Ramachandra Rao
Partner
Membership No.9750

Manishmukund Joshi
Director

Place : Hyderabad
Date : 11.05.2011

Profit & Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		-	-
Other income		-	-
		-	-
Expenditure			
Personnel costs		-	-
Operating and other expenses	4	1	(65)
		1	(65)
Profit for the year		(1)	(65)
Balance in profit and loss account brought forward		(104)	(169)
Balance in profit and loss account carried forward		(105)	(104)
Notes to accounts	5		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO: 002857S

for **Dr. Reddy's Laboratories ILAC TICARET**

A. Ramachandra Rao
Partner
Membership No.9750

Manishmukund Joshi
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital - TRL 5,000	63,400	63,400
Issued, Subscribed and paid-up		
Paid-up TRL 5,000	162	162
	162	162
Schedule 2 : Cash and Bank Balances		
Balance with Scheduled Banks	57	58
	57	58
Schedule 3 : Current Liabilities and Provisions		
Other Liabilities	-	-
	-	-
Schedule 4: Operating and Other Expenses		
Other General Expenses	1	(65)
	1	(65)

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 5 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2011.

3. The Company, incorporated under the laws of Turkey, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results:

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(190,602)	(512,746)
Balance Brought forward	(718,574)	(205,828)
Balance Carried forward to Balance Sheet	(909,176)	(718,574)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s Dr. Reddy's Laboratories Louisiana LLC as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao &Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital*		-	-
*No concept of share capital in this company			
Reserves & Surplus	1	918,741	1,112,017
		918,741	1,112,017
Loan funds			
Unsecured loans	2	-	267,612
		-	267,612
Total		918,741	1,379,629
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	1,651,745	1,575,759
Less: Accumulated depreciation		603,710	497,439
Net block		1,048,035	1,078,320
Capital work-in-progress (including capital advances)		180,070	81,691
		1,228,105	1,160,011
Current assets, loans and advances			
Inventories	4	471,784	331,165
Sundry debtors	5	56,089	65,234
Cash and bank balances	6	9,572	32,878
Loans and advances	7	2,189	218
		539,634	429,495
Current liabilities and provisions			
Current liabilities	8	848,998	209,877
		848,998	209,877
Net current assets		(309,364)	219,618
		918,741	1,379,629
Notes to accounts	13		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Reddy's Laboratories Louisiana LLC**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Profit & Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		1,777,024	1,474,784
Other income	9	618	7,275
		1,777,642	1,482,059
Expenditure			
Material costs	10	866,631	745,884
Conversion charges		13,740	7,292
Personnel costs	11	710,582	623,013
Operating and other expenses	12	265,176	243,893
Amortisation of intangibles		46,600	310,059
Depreciation		65,515	64,664
		1,968,244	1,994,805
Profit/ (loss) for the year		(190,602)	(512,746)
Balance in profit and loss account brought forward		(718,574)	(205,828)
Balance in profit and loss account carried forward		(909,176)	(718,574)

Notes to Accounts 13

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Reddy's Laboratories Louisiana LLC**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1: Reserves & Surplus		
Foreign currency translation reserve	207,517	210,191
Profit and Loss a/c	(909,176)	(718,574)
Securities Premium	1,620,400	1,620,400
	918,741	1,112,017
Schedule 2: Unsecured Loans		
Borrowing - IU	-	267,612
	-	267,612
Schedule 4: Inventories		
Stores and spares	65,913	63,581
Raw materials	193,836	136,315
Work-in-process	163,219	67,987
Finished goods	48,816	63,282
	471,784	331,165
Schedule 5: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months	50,334	62,587
Other Current assets	5,755	2,647
	56,089	65,234
Schedule 6: Cash and bank balances		
Cash in hand	12	-
Balances with banks		
On current accounts	9,560	32,878
	9,572	32,878
Schedule 7: Loans and advances (Unsecured)		
<i>Considered good</i>		
Advances recoverable in cash or in kind or for value to be received	2,189	218
	2,189	218
Schedule 8: Current Liabilities		
Sundry creditors	331,796	93,850
Other Liabilities	390,607	37,929
Accrued Expenses	126,595	78,098
	848,998	209,877

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets												
(All amounts in Indian Rupees thousands, except share data)												
Description	Gross Block					Depreciation				Net Block		
	01.04.2010	Additions	Deletions	Forex	31.03.2011	01.04.2010	For the Year	Deletions	Forex	31.03.2011	31.03.2011	31.03.2010
Land	30,974	-	-	(210)	30,764	-	-	-	-	-	30,764	30,974
Buildings	376,037	28,324	-	(2,554)	401,807	28,847	15,476	-	(517)	43,806	358,001	347,190
Plant & Machinery	418,519	44,139	-	(3,102)	459,556	75,760	42,983	-	(1,818)	116,925	342,631	342,759
Computers & Software	8,083	533	-	(55)	8,561	5,031	2,754	-	(91)	7,694	867	3,052
Laboratory equipment	2,306	-	-	(16)	2,290	131	275	-	(91)	315	1,975	2,175
Electrical Equipment	-	9,129	-	-	9,129	-	204	-	-	204	8,925	-
Furniture & Customer contract	35,727	4,824	-	(243)	40,308	6,826	3,823	-	(240)	10,409	29,899	28,901
Goodwill	169,803	-	-	(1,153)	168,650	32,546	16,865	-	(221)	49,190	119,460	137,257
Patents, Trademarks	22,450	-	-	(153)	22,297	22,450	-	-	(153)	22,297	-	-
Intangibles (others)	152,660	-	-	(1,037)	151,623	46,661	14,865	-	(317)	61,209	90,414	105,999
Total	1,575,759	86,949	-	(10,963)	1,651,745	497,439	112,115	-	(5,844)	603,710	1,048,035	1,078,320
Previous year	1,750,046	26,555	28	(200,814)	1,575,759	159,679	374,722	4	(36,958)	497,439	1,078,320	

Schedules to Profit and Loss Account

All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 9: Other income		
Profit on sale of fixed assets	39	-
Miscellaneous income	579	7,275
TOTAL	618	7,275
Schedule 10 : Material costs		
Opening Stock of raw materials	-	-
Raw materials purchased/ consumed	807,642	724,962
Less: Closing stock	-	-
	807,642	724,962
Purchase of traded goods	58,989	20,922
TOTAL	866,631	745,884
Schedule 11: Personnel costs		
Salaries, wages and bonus	626,406	543,171
Contribution to provident and other funds	63,625	63,313
Workmen and staff welfare expenses	20,551	16,529
TOTAL	710,582	623,013
Schedule 12: Operating and other expenses		
Power and fuel	45,817	42,469
Rates and taxes	28,126	28,041
Repairs and maintenance		
Buildings	14	2,411
Plant and machinery	50,476	43,904
Others	50,282	58,669
Insurance	9,056	5,092
Travelling and conveyance	11,873	6,302
Communication	5,940	4,617
Lab Expenses	39,391	27,894
Other selling expenses	67	133
Printing and stationery	3,114	4,291
Legal and professional charges	2,783	(1,156)
Donations	213	223
Bad debts written-off	41	5,176
Loss on sale of assets	-	13
Exchange loss, net	-	34
Bank charges	20	20
Sundry expenses	17,963	15,760
TOTAL	265,176	243,893

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 13 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

Years

Buildings:

- Factory and administrative buildings	20 to 39
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office machinery & equipment	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangibles	13

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First-in-first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

g) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from sale of products is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

i) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due from related parties (included in other assets)		
Dr. Reddy's Laboratories Inc.	-	-
Dr. Reddy's Laboratories Limited	207	208
ii. Due to related parties (included in Borrowings)		
Dr. Reddy's Laboratories Inc.	-	267,612
iii. Due to related parties (included in Creditors)		
Dr. Reddy's Laboratories Inc.	390,606	-
Dr. Reddy's Laboratories Limited	-	55,619
iv. Due from related parties (included in Debtors)		
Dr. Reddy's Laboratories Inc.	-	17,568

3. Commitments and contingent liabilities

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

	(Rs. thousands)	
	As at 31 March 2011	As at 31 March 2010
Estimated amount of contracts remaining to be Executed on capital account and not provided for (net of advances)	78,203	-

4. The Company, incorporated in USA, is a wholly owned subsidiary of Dr. Reddy's Laboratories Inc., by virtue of 100% holding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	2,989,158	3,048,464
Balance Brought forward	4,938,808	1,890,344
Balance Carried forward to Balance Sheet	7,927,966	4,938,808

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

G.V. Prasad
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories S.A. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
Shareholders' funds			
Share capital	1	2,951,200	2,951,200
Reserves & Surplus	2	7,980,199	4,487,646
		10,931,399	7,438,846
Loan funds			
Unsecured loans	3	8,969,295	2,111,575
		8,969,295	2,111,575
		19,900,694	9,550,421
APPLICATION OF FUNDS			
Fixed assets			
Gross block (Intangibles)		54,972	54,972
Less: Accumulated depreciation		-	-
Net block		54,972	54,972
Investments	4	2,062,561	2,019,637
Current assets, loans and advances			
Inventories	5	456,661	469,690
Sundry debtors	6	7,580,060	5,235,588
Cash and bank balances	7	771,954	643,481
Loans and advances	8	12,552,507	2,948,044
		21,361,182	9,296,803
Current liabilities and provisions			
Current liabilities	9	3,578,030	1,820,999
		3,578,030	1,820,999
Net current assets		17,783,152	7,475,804
Deferred tax assets		9	8
		19,900,694	9,550,421
Notes to accounts	16		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

for **Dr. Reddy's Laboratories SA**

A. Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Profit & Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		11,113,270	8,649,465
Other income	10	130,888	145,106
		11,244,158	8,794,571
Expenditure			
Material costs	11	4,994,186	3,572,981
Personnel costs	12	697,484	519,792
Operating and other expenses	13	2,043,278	1,162,013
Research and development expenses		72,199	123,554
Finance charges	14	95,166	23,395
		7,902,313	5,401,735
Profit before taxation		3,341,845	3,392,836
Provision for tax	15		
- Current tax		352,687	344,372
- Deferred tax expense/ (benefit)		-	-
		2,989,158	3,048,464
Profit for the year		2,989,158	3,048,464
Balance in profit and loss account brought forward		4,938,808	1,890,344
Balance in profit and loss account carried forward		7,927,966	4,938,808

Notes to accounts

16

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

for **Dr. Reddy's Laboratories SA**

A. Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 04/05/2010

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital 75,640,410 shares of CHF 1 each	2,951,200	2,951,200
Issued, Subscribed and paid-up		
Issued capital 75,640,410 shares of CHF 1 each	2,951,200	2,951,200
	2,951,200	2,951,200
Schedule 2: Reserves & Surplus		
Profit and Loss a/c	7,927,966	4,938,808
Foreign currency translation reserve	52,233	(451,162)
	7,980,199	4,487,646
Schedule 3: Unsecured Loans		
Borrowing - IU	(4)	2,111,575
Other unsecured loans from banks	8,969,299	-
	8,969,295	2,111,575
Schedule 4: Investments (Long term at cost)		
Aggregate cost of unquoted investments in subsidiaries	2,062,561	2,019,637
	2,062,561	2,019,637
Schedule 5: Inventories		
Raw materials	185,192	106,153
Work-in-process	4,199	-
Finished goods	267,270	363,537
	456,661	469,690
Schedule 6: Sundry debtors (Unsecured)		
Other debts		
- Considered good	7,580,060	5,235,588
	7,580,060	5,235,588
Schedule 7: Cash and bank balances		
Balances with banks		
- On current accounts	771,954	643,481
	771,954	643,481

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 8: Loans and advances (Unsecured)		
Advances recoverable in cash or in kind or for value to be received	12,216,274	2,851,620
Advance tax (net of provision for current taxes)	132,369	62,866
Balances with statutory authorities	(131)	129
	12,348,512	2,914,615
Other Current assets	203,995	33,429
	12,552,507	2,948,044
Schedule 9: Current Liabilities		
Sundry creditors	2,147,077	1,119,243
Sundry creditors for expenses	13,931	-
Income Tax Payable	352,951	495,995
Other Liabilities	1,064,071	205,761
	3,578,030	1,820,999

Schedules to Profit and Loss Account

All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 10: Other income		
Interest income	130,888	52,841
Miscellaneous income	-	92,265
	130,888	145,106
Schedule 11 : Material costs		
a) Opening Stock of raw materials	106,153	203,095
Raw materials purchased/consumed	2,468,441	(33,296,252)
Less: Closing stock	185,192	106,153
	2,389,402	(33,199,310)
b) <i>Purchase of traded goods</i>	2,604,784	36,772,291
TOTAL	4,994,186	3,572,981
Schedule 12: Personnel costs		
Salaries, wages and bonus	668,419	497,348
Workmen and staff welfare expenses	29,065	22,444
	697,484	519,792
Schedule 13: Operating and other expenses		
Rent	52,324	43,955
Rates and taxes	2,048	(2,712)
Insurance	124,371	86,699
Travelling and conveyance	79,339	104,945
Communication	18,829	19,352
Advertisements	58,179	29,989
Other selling expenses	564,822	490,770
Printing and stationery	4,956	1,349
Legal and professional charges	29,259	61,651
Bad debts written-off	40,433	-
Commission on Sales	139,321	75,038
Auditors' remuneration	3,588	4,028
Exchange loss, net	135,170	141,896
Bank charges	5,913	3,502
Shipping costs carriage outwards	13,806	8,486
Vehicle Expense	73,442	45,835
Other expense IU	591,392	5,755
Sundry expenses	106,086	41,475
	2,043,278	1,162,013

Schedules to Profit and Loss Account (Contd.)

All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 14: Finance charges		
Interest on loans	95,166	23,395
	95,166	23,395
 Schedule 15: Provision for tax		
Current taxes	352,687	344,372
Deferred taxes	-	-
	352,687	344,372

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 16 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
-------------------------	------------------

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

f) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the Profit and Loss Account.

g) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

i) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

1(a). Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

Deferred tax Assets	As at 2010-11	As at 2009-10
Other current assets	9	8
Net Tax Asset	9	8

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31st March 2011.

3. Related Party Disclosures:

Particulars	As at 31 March 2011	As at 31 March 2010
i. Dues from related Parties (included in Advances and other assets)		
Dr. Reddy's Laboratories Ltd.	177,022	192,555
Dr. Reddys Pharma Iberia SA	348,604	332,489
Dr. Reddy's Laboratories Inc.	1,784,066	-
Industrias Quimicas Falcon de Mexico, S.A.de CV	-	-
Dr. Reddy's Laboratories (EU) Limited	629,571	599,583
Reddy Antilles N.V.	11,209	11,283
Reddy Netherlands BV	3,803	3,702
Lacock Holdings Limited	8,452,291	769,566
Reddy Holdings GmbH	884,949	845,188
Eurobridge Consulting B.V.	4,467	3,698
ii. Due to related parties (included in Borrowings and other liabilities) :		
Dr. Reddy's Laboratories Ltd.	511,668	2,111,575
Dr. Reddy's Laboratories Inc	-	-
Dr. Reddy's Laboratories (EU) Limited	-	-
Dr. Reddy's New Zealand Limited	-	-
iii. Due from related parties (included in Debtors)		
Dr. Reddy's Laboratories Ltd.	1,767,099	1,692,915
OOO Dr. Reddy's Laboratories Limited	2,837,140	1,558,486
Dr. Reddy's New Zealand Limited	87,213	56,843
Industrias Quimicas Falcon de Mexico, S.A. de CV	21,461	-
Dr. Reddy's Laboratories Inc.	1,294,158	-

iv.	Due to related parties (included in Creditors)		
	Dr. Reddy's Laboratories Ltd.	1,964,801	1,034,663
	Dr. Reddy's Laboratories Inc.	-	-
	Industrias Quimicas Falcon de Mexico, S.A. de CV	141,442	84,671
	Dr. Reddy's Laboratories (U.K.) Limited	-	1,390
	Dr. Reddy's Laboratories Romania SRL	21,112	-

4. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

- 5.** The Company incorporated in the Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	7,620	11,578
Balance Brought forward	2,948	(8,630)
Balance Carried forward to Balance Sheet	10,568	2,948

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Raghu Cidambi
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's New Zealand Limited as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Companies Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	328	328
Reserves & Surplus	2	105,239	83,855
		105,567	84,183
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	95,407	81,783
Less: Accumulated depreciation		75,423	43,422
Net block		19,984	38,361
Capital work-in-progress (including capital advances)		-	-
		19,984	38,361
Current assets, loans and advances			
Inventories	4	117,149	66,889
Sundry debtors	5	62,762	35,636
Cash and bank balances	6	15,613	18,566
Loans and advances	7	24,841	23,753
		220,365	144,844
Current liabilities and provisions			
Current liabilities	8	134,782	99,053
Provisions		-	-
		134,782	99,053
Net current assets		85,583	45,791
Deferred tax assets		-	31
		105,567	84,183
Notes to accounts	15		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's New Zealand Limited**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Raghu Cidambi
Director

Profit & Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		393,182	351,232
Other income	9	610	327
		393,79	351,559
Expenditure			
Material costs	10	280,723	241,892
Personnel costs	11	10,846	17,558
Operating and other expenses	12	44,267	37,735
Amortisation of intangibles		31,686	26,470
Finance charges	13	90	34
Depreciation		248	321
		367,860	324,010
Profit before taxation		25,932	27,549
Provision for tax			
- Current tax	14	18,279	15,910
- Deferred tax expense/ (benefit)		33	61
Profit for the year		7,620	11,578
Balance in profit and loss account brought forward		2,948	(8,630)
Balance in profit and loss account carried forward		10,568	2,948
Notes to Accounts	15		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's New Zealand Limited**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Raghu Cidambi
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1: Share capital		
Authorised		
Authorised capital 10,000 shares of NZD 1 each	328	328
Issued, Subscribed and paid-up		
Authorised capital 10,000 shares of NZD 1 each <i>(Held by Dr.Reddy's Laboratories SA)</i> <i>(100% subsidiary of Dr. Reddy's Laboratories Limited)</i>	328	328
	328	328
Schedule 2: Reserves & Surplus		
Share Premium	94,477	80,907
Profit and Loss a/c	10,568	2,948
Foreign currency translation reserve	194	-
	105,239	83,855
Schedule 4: Inventories		
Finished goods	117,149	66,889
	117,149	66,889
Schedule 5: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months - Considered good	62,762	35,636
	62,762	35,636
Schedule 6: Cash and bank balances		
Cash in hand	5	6
Balances with Scheduled banks	15,608	18,560
	15,613	18,566
Schedule 7: Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	415	531
Advance tax (net of provision for current taxes)	24,371	10,906
Balances with statutory authorities	1	12,316
Deposits	54	-
	24,841	23,753

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets

(All amounts in Indian Rupees thousands, except share data)

	Gross Block						Depreciation				Net Block	
	01.04.2010	Additions	Deletions	Forex	31.03.2011	01.04.2010	For the Year	Deletions	Forex	31.03.2011	31.03.2011	31.03.2010
Furniture & Fixtures	389	127	-	-	516	124	57	-	1	182	334	265
office equipment	903	59	-	-	962	604	191	-	1	796	166	299
Intangibles	80,491	13,649	-	(211)	93,929	42,694	31,686	-	65	74,445	19,484	37,797
Total	81,783	13,835	-	(211)	95,407	43,422	31,934	-	67	75,423	19,984	38,361
Previous Year	69,296	12,831	344	-	81,783	16,690	26,791	176	117	43,422	38,361	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 8: Current Liabilities		
Sundry creditors	89,725	63,412
Accrued Expenses	1,866	809
Other Liabilities	43,191	34,832
	134,782	99,053

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 9: Other income		
Interest on fixed deposits	608	327
Miscellaneous income	2	-
	610	327
Schedule 10 : Material costs		
Opening Stock of raw materials	-	-
Raw materials purchased/consumed	280,723	241,892
TOTAL	280,723	241,892
Schedule 11: Personnel costs		
Salaries, wages and bonus	10,731	15,985
Contribution to provident and other funds	115	541
Workmen and staff welfare expenses	-	1,032
	10,846	17,558

Schedules to Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 12: Operating and other expenses		
Rent	1,796	1,753
Rates and taxes	73	176
Insurance	406	255
Travelling and conveyance	1,423	1,687
Communication	1,606	1,349
Other selling expenses	14,058	22,735
Printing and stationery	211	191
Legal and professional charges	2,647	1,100
Auditors' remuneration	692	543
Exchange loss, net	2,687	2,933
Bank charges	119	89
Sundry expenses	4,199	4,924
CF/CA Handling and Distribution charge	12,917	-
Shipping Costs (Carriage Outwards)	1,433	-
	44,267	37,735
Schedule 13: Finance charges		
Interest on loans	90	34
	90	34
Schedule 14 : Provision for tax		
Current taxes	18,279	15,910
Deferred taxes	33	61
	18,312	15,971

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 15 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings:	
- Factory and administrative buildings	20 to 39
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office machinery & equipment	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing

from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

Years

Intangibles 13

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First-in-first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

g) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date not covered by forward exchange contracts are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

i) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets

can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

j) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	(Rs. in thousands)	
	As at	As at
	31 March 2011	31 March 2010
Other Current Assets	226	-
Current Liabilities	(226)	31
Net Tax Asset, Net	-	31

3. Related party Disclosures

Particulars	(Rs. in thousands)	
	As at	As at
	31 March 2011	31 March 2010
i) Due to related parties (included in Advances): Dr. Reddy's Laboratories SA	-	-
ii) Due to related parties (included in Creditors): Dr. Reddy's Laboratories SA	87,213	56,843

4. Comparative figures

Since the company acquired during the current year, comparative figures for the corresponding previous year are not available.

5. The Company incorporated in the New Zealand, is a 100% subsidiary of Dr. Reddy's Laboratories SA., which is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the 2nd Annual Report for the financial year 2010-11 of the Company.

Financial Highlights

Particulars	31 March 2011	31 March 2010
Profit / (Loss) for the period	(5)	(175)
Balance carried forward	(175)	-
Balance Carried Forward to Balance Sheet	(180)	(175)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2011.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Auditors

The Statutory Auditors of the Company M/s. Ramachandra & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommends reappointment of M/s. Ramachandra & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2011-12 for shareholder's approval.

Directors

Mr. Satish Reddy, retire by rotation at the ensuing 2nd Annual General Meeting and is eligible for re-appointment, subject to the approval of the members in the ensuing 2nd Annual General Meeting of the Company.

Conservation of energy research and developments, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to the company.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

For and on behalf of the board

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad

Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Pharma SEZ Limited as at 31 March, 2011 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Ministry of Finance (Department of Company Affairs, New Delhi dated 12.06.03) in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2011; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditors' report to the Members of M/s. Dr. Reddy's Pharma SEZ Limited for the year ended 31 March 2011. We report as required under paragraph 4 that:

- i. (a) The company does not have any fixed assets as such maintaining records of fixed assets does not arise;
(b) In view of the above, the clause 4(i) (b) and 4(i) (c) are not applicable to the company;
- ii. (a) The Company does not have any inventories and as such verification of stocks does not arise;
(b) In view of the above, the clauses 4(ii)(b) and 4(ii)(c) are not applicable to the company;
- iii. (a) The Company has not granted nor taken loans, secured or unsecured to or from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, during the year;
(b) In view of the above, the clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) are not applicable to the company;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business for the purchase of fixed assets. The company does not have any purchase of inventory and sale of goods. There is no continuing failure to correct major weaknesses in internal control;
- v. (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Act.
(b) In view of the above the clause 4(v)(b) is not applicable to the company;
- vi. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed thereunder do not apply;
- vii. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- viii. According to the information and explanations given to us, the maintenance of Cost record has not been prescribed by the Central Government, under Section 209(1)(d) of the Companies Act, 1956 to the Company;
- ix. (a) According to the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Income Tax and Wealth Tax and any other statutory dues with the appropriate authorities. We have been informed that the provisions of Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Sales tax, Customs duty, Excise duty and cess are not applicable to the company;
(b) According to the information and explanations given to us, there are no dues of income tax or wealth tax remaining to be deposited on account of any dispute.

- x. Since the company has been registered for a period less than 5 years, in our opinion, the clause 4(x) does not apply;
- xi. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;
- xii. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xiii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statute does not apply;
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments and hence maintenance of records regarding the same does not apply;
- xv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from bank or financial institutions;
- xvi. According to the information and explanations given to us, the Company has not obtained any term loan;
- xvii. In our opinion and according to the information and explanations given to us, the funds raised on short term basis have not been used for long term investment or vice versa;
- xviii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xix. According to the information and explanations given to us, the Company has not issued any debentures and hence the question of creation of security for the same does not arise;
- xx. According to the information and explanations given to us, the Company has not made public issue during the year of audit;
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A. Ramachandra Rao &Co.**

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
I. SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1.01	500	500
		500	500
II. APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		-	-
Less: Depreciation		-	-
Net Block		-	-
Current Assets & Liabilities			
A. Current Assets		500	500
B. Less: Current Liabilities & Provisions		180	175
Net current assets (A-B)		320	325
Profit & Loss Account		180	175
Total		500	500
Notes to accounts	2.00		

Schedule Nos. 1.01 and schedule 2.00 are an integral part of this Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Pharma SEZ Limited**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Profit & Loss Account for the period ended 31 March 2010

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
I. INCOME			
Miscellaneous Income		-	-
		-	-
II. EXPENDITURE			
Preliminary Expenses		5	175
Depreciation		-	-
		5	175
Profit/ (Loss) for the year		(5)	(175)
Loss for the earlier years brought forward		-	-
Transferred to Balance Sheet		(5)	(175)
Earnings per share			
Basic- Par value Rs.10 per share		(0.000)	(0.004)
Diluted- Par value Rs.10 per share		(0.000)	(0.004)

Notes to Accounts

2.00

Schedule No 2.00 form an integral part of this Profit & Loss Account and should be read in conjunction therewith.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Pharma SEZ Limited**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule : 1		
Share capital		
Authorised		
1,000,000 (previous year: 1,000,000) Equity Shares of Rs.10/-each	10,000	10,000
Total	10,000	10,000
Issued, Subscribed and paid-up		
50,000 (previous year: 50,000) Equity Shares of Rs.10/-each	500	500
	500	500

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 2.00 : Notes to Accounts

Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

Significant Accounting Policies

- 1) Fixed Assets are stated at historical cost less depreciation. Depreciation has been calculated at rates prescribed under straight-line method in Schedule XIV of the Companies Act, 1956.
- 2) Additional Information pursuant to clause 4C and 4D of part II Schedule VI to the Companies Act, 1956 is not required to be furnished.
- 3) Previous year's figures are regrouped wherever necessary.

4) Earnings per share:

	2010-11	2009-10
Net profit/ (Loss) for the year (Rs. thousands)	(5)	(175)
Shares		
Weighted average number of equity shares outstanding during the year - Basic	50,000	50,000
Weighted average number of equity shares outstanding during the year - Diluted	50,000	50,000
Basic Earnings per share	(0.0001)	(0.004)
Diluted Earnings per share	(0.0001)	(0.004)

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(Rs. in Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(137,633)	(161,426)
Balance Brought forward	(365,905)	(204,479)
Balance Carried forward to Balance Sheet	(503,538)	(365,905)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, the Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, Mr. Paul Fleming has been appointed as Director of the Company w.e.f. 1 April 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

Sameer Natu
Director

Stanislao Carlo Caputo
Director

Place : Hyderabad
Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's SRL as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao &Co.**
Chartered Accountants
ICAI FRN No : 002857S

Place : Hyderabad
Date : 11.05.2011

A. Ramachandra Rao
Partner
Membership No: 9750

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	6,234	6,234
Reserves & Surplus	2	11,394	32,395
		17,628	38,629
Loan funds			
Unsecured loans	3	591,359	378,413
TOTAL		608,987	417,042
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	122,255	115,505
Less: Accumulated depreciation		97,165	82,600
Net block		25,090	32,905
Current assets, loans and advances			
Inventories	5	49,398	48,003
Sundry debtors	6	125,378	71,261
Cash and bank balances	7	64,352	21,176
Loans and advances	8	21,701	19,879
		260,829	160,319
Current liabilities and provisions			
Current liabilities	9	180,470	142,087
		180,470	142,087
Net current assets		80,359	18,232
Profit and Loss Account		503,538	365,905
		608,987	417,042
Notes to accounts	14		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

for **Dr. Reddy's SRL**

A. Ramachandra Rao
Partner
Membership No.9750
Place : Hyderabad
Date : 11.05.2011

Sameer Natu
Director

Stanislao Carlo Caputo
Director

Profit & Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		192,081	123,187
Other income		555	2
		192,636	123,189
Expenditure			
Material Costs	10	103,563	65,822
Personnel costs	11	34,069	35,795
Operating and other expenses	12	155,280	168,525
Finance Charges	13	25,931	-
Amortisation of Intangibles		9,586	14,024
Depreciation		1,840	449
		330,269	284,615
Profit /(loss) for the year		(137,633)	(161,426)
Balance in profit and loss account brought forward		(365,905)	(204,479)
Balance in profit and loss account carried forward		(503,538)	(365,905)

Notes to accounts

14

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

for **Dr. Reddy's SRL**

A. Ramachandra Rao
Partner
Membership No.9750

Sameer Natu
Director

Stanislao Carlo Caputo
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital *		
99,000 shares EUR 1 each	6,234	6,234
Issued, Subscribed and paid-up		
99,000 shares EUR 1 each	6,234	6,234
	6,234	6,234
Schedule 2: Reserves & Surplus		
Foreign Currency Translation Reserve	11,394	32,395
	11,394	32,395
Schedule 3: Unsecured Loans		
Borrowings - IU	591,359	378,413
	591,359	378,413
Schedule 5: Inventories		
Finished goods	49,398	48,003
	49,398	48,003
Schedule 6: Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	125,378	71,261
Considered doubtful	11,530	5,681
	136,908	76,942
<i>Less:</i> Provision for doubtful debts	11,530	5,681
	125,378	71,261
Schedule 7: Cash and Bank Balances		
Balances with banks		
On current accounts	64,352	21,176
	64,352	21,176
Schedule 8: Loans & Advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	1,312	670
Balances with statutory authorities	14,590	11,060
Other Current Assets	5,799	8,149
	21,701	19,879
Schedule 9: Current Liabilities		
Sundry creditors	90,246	113,691
Accrued Expences	31,338	28,396
Other Liabilities	58,886	-
	180,470	142,087

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Schedule - 4 : Fixed Assets

	Gross Block						Depreciation			Net Block	
	As at 1-4-2010	Additions	Dele- tions	Forex	As at 31.03.2011	As at 1-04-2010	For the Year	Deletions	Forex	As at 31.03.2011	As at 31.03.2010
Computers & Software	1,128	2,784	1,621	43	2,334	553	1,840	1,461	37	969	575
Product related intangible	106,583	-	-	5,166	111,749	75,280	9,142	-	4,235	88,657	31,303
Other Intangibles	7,794	-	-	378	8,172	6,767	444	-	328	7,539	1,027
Total	115,505	2,784	1,621	5,587	122,255	82,600	11,426	1,461	4,600	97,165	32,905
Previous year	116,379	11,184	-	(12,058)	115,505	77,638	14,473	-	(9,511)	82,600	32,905

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 10: Material costs		
Raw materials purchased/ consumed	103,563	65,822
TOTAL	103,563	65,822
Schedule 11: Personnel costs		
Salaries, wages and bonus	34,069	35,795
	34,069	35,795
Schedule 12: Operating and Other Expenses		
Rent	292	1,126
Travelling and conveyance	10,726	9,854
Communication	2,335	2,198
Commission on sales	43,214	35,013
Other selling expenses	50,467	33,654
Printing and stationery	280	-
Legal and professional charges	19,788	8,275
Bad debts written-off	12	6,653
Provision for doubtful debts	3,512	-
Bank charges	3,760	958
Sundry expenses	20,894	70,794
	155,280	168,525
Schedule 13: Finance charges		
Interest on loans	25,931	-
	25,931	-

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings:	
- Factory and administrative buildings	20 to 39
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office machinery & equipment	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangibles	13

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Stores and spares	Weighted average method
Finished goods (traded)	Cost of purchase

f) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

g) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

i) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Related Party Transactions:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due to related parties (included in Borrowings):		
Dr. Reddy's Laboratories Limited	-	15,698
Dr. Reddys Pharma Italia SPA	591,359	362,715
ii) Due to related parties (included in Creditors):		
Dr. Reddys Pharma Italia SPA	72,168	78,207
Dr. Reddy's Laboratories Limited	14,151	19,607
Dr. Reddy's Laboratories (U.K.) Limited	7,887	-

3. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31st March 2011.

4. The Company, formerly known as Jet Generici SRL, incorporated under the laws of Italy, is a 100% subsidiary of Reddy Pharma Italia SPA.

DIRECTORS' REPORT

Your Directors present the 24th Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(Rs. in Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period	62,972	(2,735)
Balance Brought forward	(2,700)	35
Balance Carried forward to Balance Sheet	60,272	(2,700)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2011.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommends reappointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2011-12 for shareholder's approval.

Directors

Mr. Raghu Cidambi, retire by rotation at the ensuing 24th Annual General Meeting and is eligible for re-appointment subject to the approval of members in the ensuing 24th Annual General Meeting of the Company.

I-Ven Pharma Capital Limited – A wholly owned subsidiary

During the year under review, M/s. I-Ven Pharma Capital Limited became the wholly owned subsidiary of the Company by acquisition of equity shares and Optionally convertible debentures of the Company.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to the company.

Conservation of energy research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

for **DRL INVESTMENTS LIMITED**

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

G V Prasad
Director

AUDITORS' REPORT

**To
The Members of**

M/s DRL Investments Limited.
Hyderabad.

We have audited the attached Balance Sheet of M/s. DRL Investments Limited as at 31 March, 2011 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31.03.2011 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2011; and
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.,**
Chartered Accountants
ICAI FRN NO : 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in paragraph 1 of the Auditor's report to the Members of M/s. M/s. DRL Investments Limited for the year ended 31 March, 2011. We report as required under paragraph 4 that:

- i. (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular program of Physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets;
- (c) Based on the explanations given to us, the company has not disposed off any substantial part of its fixed assets and hence in our opinion the sub-clause (c) is not applicable to the company for the year;
- ii. According to the explanations given to us, the Company does not have any inventories and hence, in our opinion, the clauses 4(ii)(b) and (ii)(c) are not applicable to the Company;
- iii. (a) Based on the information provided and explanations offered to us, the Company has not granted loans to, secured or unsecured, but taken unsecured loan from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, during the year. The amount involved is Rs.2,711,665,805/- ;
- (b) In our opinion the rate of interest and other terms and conditions of unsecured loan taken by the company are not prima facie prejudicial to the interests of the company;
- (c) The payment of principal amount and interest are regular as agreed;
- (d) There are no overdue amounts of more than Rs. 1 lakh and hence sub clause (d) of Clause (iii) is not applicable to the company for the year;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and the nature of the business for the purchase of fixed assets. The company does not have any purchase of inventory and sale of goods. There is no continuing failure to correct major weaknesses in internal control;
- v. (a) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
- (b) In our opinion, in view of the above the clause 4(v)(b) is not applicable to the company;
- vi. In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public. Therefore, the directives issued by RBI and the provision of Sec.58A and Sec.58AA of the Companies Act, 1956 and the rules framed thereunder do not apply;
- vii. In our opinion, the Company has in general an adequate internal audit system commensurate with the size and nature of its business;
- viii. According to the information and explanations given to us, the maintenance of Cost record has not been prescribed by the Central Government, u/s. 209(1)(d) of the Companies Act, 1956 to the Company;
- ix. (a) According to the information and explanations given to us, the Company is regular in depositing the undisputed statutory dues including Income Tax and Wealth Tax and any other statutory dues with the appropriate authorities. We have been informed that the provisions of Provident Fund, Investor Education Protection Fund, Employee's State

Insurance, Sales tax, Customs duty, Excise duty and cess are not applicable to the company;

- (b) According to the information and explanations given to us, there are no dues of income tax or wealth tax remaining to be deposited on account of any dispute.
- x. The Company doesnot have accumulated losses as at 31 March 2011. The Company has not incurred cash loss in the current financial year.
- xi. According to the information and explanations given to us, the company has no dues to a financial institution or bank or debenture holders;
- xii. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the requirement as to maintenance of documents and records does not apply;
- xiii. The Company is not a chit fund or nidhi or mutual benefit fund or society, and hence the provisions of any special statue does not apply;
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments and hence maintenance of records regarding the same does not apply;
- xv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from bank or financial institutions;
- xvi. According to the information and explanations given to us, the Company has not obtained any term loan;
- xvii. In our opinion and according to the information and explanations given to us, on a boarder examination of the financial statements, the funds raised on short-term basis have not been used for long term investment or vice versa;
- xviii. In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 at a price which is prejudicial to the interest of the company;
- xix. According to the information and explanations given to us, the Company has not issued any debentures and hence the clause (xix) is not applicable to the company for the year;
- xx. According to the information and explanations given to us, the Company has not made public issue during the year of audit and hence the clause (xx) is not applicable to the company for the year;
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year;

For **A. Ramachandra Rao & Co.,**
Chartered Accountants
ICAI FRN NO : 002857S

Place : Hyderabad
Date : 11.05.2011

A. Ramachandra Rao
Partner
Membership No. 9750

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
I SOURCES OF FUNDS			
1 Shareholders Funds			
Share Capital	1.01	500	500
2 Loan funds:			
Unsecured	1.02	2,711,666	8,536
Total		2,712,166	9,036
II APPLICATION OF FUNDS			
Fixed Assets	1.03		
Gross Block		6,111	6,111
Less: Depreciation		-	-
Net Block		6,111	6,111
Investments	1.04	2,530,000	-
Current Assets & Liabilities			
A. Current Assets	1.05	428,373	310
B. Less: Current Liabilities & Provisions	1.06	192,046	85
Net current assets (A-B)		236,327	225
Profit and Loss Account		(60,272)	2,700
Total		2,712,166	9,036
NOTES TO ACCOUNTS	3.00		

Schedule Nos. 1.01 to 1.05 and schedule 3.00 are an integral part of this Balance Sheet and should be read in conjunction therewith.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for **DRL Investments Limited**

Satish Reddy
Director

G V Prasad
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
I INCOME			
Miscellaneous Income		128,063	-
		128,063	-
II EXPENDITURE			
Administrative Expenses	2.01	25,707	2,718
Depreciation		-	17
		25,707	2,735
Profit/(Loss) before tax		102,356	(2,735)
Provision for Income tax		39,384	-
Profit/(Loss) for the year		62,972	(2,735)
Balance in Profit and Loss Account brought forward		(2,700)	35
Balance in Profit and Loss Account carried forward		60,272	(2,700)
Earnings per share (Refer Note 2 in Schedule 3.00)		1,259.44	(54.71)
Notes to Accounts:	3.00		

Schedule Nos.2.01 and Schedule No 3.00 form an integral part of this Profit & Loss Account and should be read in conjunction therewith.

As per our report attached

for **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN NO : 002857S

A. Ramachandra Rao

Partner

Membership No. 9750

Place : Hyderabad

Date : 11.05.2011

for DRL Investments Limited

Satish Reddy

Director

G V Prasad

Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011 Rupees	As at 31 March 2010 Rupees
Schedule : 1.01		
Share Capital		
Authorised:		
50,000 Equity Shares of Rs.10/-each (Previous year 50,000)	500	500
TOTAL	500	500
Issued, Subscribed & Paid up :		
50,000 Equity Shares of Rs.10/-each (Previous year 50,000)	500	500
All the shares are held by Dr.Reddy's Laboratories Ltd		
TOTAL	500	500
Schedule : 1.02		
Unsecured Loans:		
From Dr. Reddys Laboratories Limited	2,711,666	8,535
From Directors	-	1
TOTAL	2,711,666	8,536
Schedule : 1.04		
Investments:		
Investments in subsidiaries	1,544,900	-
Investments in Debentures	985,100	-
Total	2,530,000	-
Schedule 1.05		
Current Assets		
Trade Receivables	87,757	-
Cash and Bank Balances		
Balance with Scheduled Banks in current account	310	310
Balance with Non Scheduled Banks in current account	150,000	-
	15,310	310
Loans & Advances		
Advances recoverable in cash or in kind of value to received	150,000	-
Advance with Statutory Authorities	40,306	-
	190,306	-
Total	428,373	310

Schedules to Balance Sheet (Contd.)

Schedule 1.03 : FIXED ASSETS											
Description	Gross Block				Depreciation				Net Block		
	As at 1-04-2010 Rs.	Additions during the year Rs.	Deletions / Adjustments Rs.	As at 31-3-2011 Rs.	As at 01-4-2010 Rs.	For the Year Rs.	Deletions / Adjustments Rs.	As at 31.3.2011 Rs.	As at 31-3-2011 Rs.	As at 31-3-2010 Rs.	
Land	6,111	-	-	6,111	-	-	-	-	6,111	6,111	
Building	-	-	-	-	-	-	-	-	-	-	
Total	6,111	-	-	6,111	-	-	-	-	6,111	6,111	
Previous Year	7,163	-	1,052	6,111	248	17	265	-	6,111	-	

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011 Rupees	As at 31 March 2010 Rupees
Schedule : 1.06		
Current Liabilities & Provisions		
Sundry Creditors for Expenses	82	85
Other current liabilities	191,964	-
TOTAL	192,046	85

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011 Rupees	For the year ended 31 March 2010 Rupees
SCHEDULE 2.01		
Administrative Expenses		
Audit fee	5	3
Other General Expenses	25,702	2,715
TOTAL	25,707	2,718

Schedule 3.00 : Notes to Accounts

1) Significant Accounting Policies

a) Fixed Assets:

Fixed Assets are stated at historical cost less depreciation. Depreciation has been calculated at rates prescribed under straight line method in Schedule XIV of the Companies Act, 1956.

b) Revenue recognition:

All interest income & expenditure are accounted on accrual basis except where stated otherwise

c) Other Notes:

- i. Additional Information pursuant to clause 4C and 4D of part II Schedule VI to the Companies Act, 1956 is not required to be furnished.
- ii. Previous years figures are regrouped wherever necessary.
- iii. Provision of tax is not made in the absence of profits.
- iv. The company is having a related party transaction in the form of an unsecured loan amounting to Rs. 2,703,130 from Dr. Reddy's Laboratories Ltd (Holding Company and its directors) during the year.
- v. In view of unabsorbed depreciation and carry forward of losses under tax laws and in the view of the fact that there is no virtual certainty of sufficient future taxable income, no provision is made has been made for deferred tax.

62) Earnings per share:	2010-11	2009-10
Net profit/ (Loss) for the year	62,972	(2,736)
Shares		
Weighted average number of equity shares outstanding during the year – Basic	50,000	50,000
Weighted average number of equity shares outstanding during the year - Diluted	50,000	50,000
Basic Earnings per share	1,259.44	(54.71)
Diluted Earnings per share	1,259.44	(54.71)

3) Related Party Disclosure

Particulars	As at 31 March 2011	As at 31 March 2010
i. Due to related parties (included in unsecured loans): Dr. Reddy's Laboratories Limited	2,711,666	8,536

DIRECTORS' REPORT

Your Directors present the 7th Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period	46,479	(54)
Balance Brought forward	(985,042)	(984,988)
Balance Carried forward to Balance Sheet	(938,563)	(985,042)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2011.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Auditors

M/s. Deloitte Haskins and Sells, Chartered Accountants have expressed their inability and unwillingness to be re-appointed as Statutory Auditors of the Company for the FY 2011-12. Further, the Company has received consent from M/s. A. Ramachandra Rao and Co., Chartered Accountants to act as Statutory Auditors of the Company for the FY 2011-12. The Board of Directors therefore, recommend the appointment of M/s. A. Ramachandra Rao, Chartered Accountants as Statutory Auditors of the Company for FY 2011-12 for the approval of the Shareholders.

Directors

The Board of Directors had appointed Mr. G.V. Prasad, Mr. Satish Reddy and Mr. Umang Vohra as Additional Directors on the Board of Directors of the Company on October 1, 2010. They will hold their

office till the conclusion of the 7th Annual General Meeting of the Company. Due notices Under Section 257 of the Companies Act, 1956 have been received from the members proposing their appointment. It is proposed to appoint them as Directors of the Company liable to retire by rotation. The resolutions for the same have been included in the notice of the 7th Annual General Meeting of the Company.

During the year under review, Mr. K S Jangbahadur, Mr. Rushank Vora and Mr. T.S. Suresh ceased to be the Directors of the Company. The Board placed a record of their appreciation for the valuable services rendered by them during their tenure of office.

DRL Investments Limited – A Holding Company

During the year under review, the Company became the wholly owned subsidiary of DRL Investments Limited, Hyderabad.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to the company.

Conservation of energy research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

For I-VEN PHARMA CAPITAL LIMITED

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 27 Jun 2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

1. We have audited the attached Balance Sheet of **I-VEN PHARMA CAPITAL LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For Deloitte Haskins and Sells
Chartered Accountants
Registration No. 008072S

V. Balaji
Partner

Membership No. 203685

Place : Bangalore
Date : 27 June, 2011

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. Having regard to the nature of the Company's business/activities/result, clauses of i, ii, iii (b) to (d), (f) and (g), iv, v, vi, viii, xii, xiii, xiv, xvi, xix and xx of paragraphs 4 and 5 of the Companies (Auditor's Report) Order, 2003 are not applicable.
2. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956.
3. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
4. According to the information and explanations given to us in respect of statutory dues:
 - (a) The provisions of the Provident Fund, Investor Education and Protection Fund, Employee State Insurance, Sales Tax, Wealth Tax, Service tax, Customs Duty and Excise Duty are not applicable to the Company. The Company has generally been regular in depositing undisputed statutory dues, relating to Income Tax, Cess and any other statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Income tax, Wealth tax, Custom duty, Excise duty, Cess and other material statutory dues in arrears, as at 31st March, 2011 for a period of more than six months from the date they became payable.
 - (c) As per the information and explanations given to us, the Company has filed an application under Section 154 of the Income Tax Act, 1961 for the rectification of a demand received in the intimation under Section 143(1) of the Income Tax Act, 1961 for the assessment year 2006-07, wherein tax amounting to Rs. 179,446 has been demanded on account of a mistake apparent on record. Other than the above, there are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2011 on account of any dispute.
5. The accumulated losses of the Company have exceeded its net worth as at the end of the financial year. The Company has not incurred cash losses during the year under audit but had incurred cash losses in the immediately preceding financial year.
6. In our opinion, and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to debenture holders.
7. The company has not given any guarantee for loans taken by others from banks or financial institutions.
8. In our opinion and according to information and explanations given to us, and on an overall examination of the Balance sheet, we report that funds raised on a short-term basis have not been used during the year for long term investment.
9. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
10. To the best of our knowledge and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **Deloitte Haskins and Sells**

Chartered Accountants
Registration No. 008072S

V. Balaji

Partner

Membership No. 203685

Place : Bangalore
Date : 27 June, 2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	500	500
Loan funds			
Unsecured loans	2	985,100	985,100
Total		985,600	985,600
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	3	2	4,633
Sundry Debtors (Unsecured, considered good, outstanding for less than 6 months)		147,371	36,748
Loans and advances	4	349	8
		147,722	41,389
Less: Current liabilities and provisions			
Current liabilities	5	100,685	40,831
		100,685	40,831
Net current assets		47,037	558
Profit and Loss account		938,563	985,042
		985,600	985,600
Notes to accounts	7		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **Deloitte Haskins and Sells**
Chartered Accountants

for **I-Ven Pharma Capital Limited**

V Balaji
Partner

G.V. Prasad
Director

Satish Reddy
Director

Place : Bangalore
Date : 27.06.2011

Place : Hyderabad
Date : 27.06.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Revenue Charge Receipt		200,237	146,630
Profit on sale of units of Mutual funds		-	2,900
Interest on Fixed Deposits		7	25
		200,244	149,555
Expenditure			
Operating and other expenses	6	1,450	1,105
Finance charges - Interest on debentures		128,063	148,504
		129,513	149,609
Profit before taxation		70,731	(54)
<i>Less: Provision for tax</i>			
- Current tax		24,252	-
- Deferred tax expense / (benefit)		-	-
		46,479	(54)
Profit for the year		46,479	(54)
Balance in profit and loss account brought forward		(985,042)	(984,988)
Balance in profit and loss account carried forward		(938,563)	(985,042)
Earnings / (Loss) per share (Refer Note 7 of Schedule 7)			
- Basic		929.57	(1.09)
-Diluted		1.34	(1.09)
Number of Equity Shares (Face value per share Rs. 10/-)			
		50,000	50,000

Notes to Accounts 7

The above schedules form an integral part of the accounts.

As per our report attached
for **Deloitte Haskins and Sells**
Chartered Accountants

for **I-Ven Pharma Capital Limited**

V Balaji
Partner

G.V. Prasad
Director

Satish Reddy
Director

Place : Bangalore
Date : 27.06.2011

Place : Hyderabad
Date : 27.06.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
50,000 shares of Rs.10 each	500	500
Issued, Subscribed and paid-up		
50,000 equity shares of Rs.10 each fully paid-up	500	500
(Current Year: All the above shares are held by DRL Investments Limited and its nominees. The ultimate holding company is Dr. Reddy's Laboratories Limited.		
Previous Year: All the above shares are held by IDBI Trusteeship Services Co. Ltd., Trustee of India Advantage Fund - I, and its nominees.)		
Total	500	500
Schedule 2 : Unsecured Loans		
Optionally Convertible Debentures	985,100	985,100
(Amount Repayable within a year - Rs Nil, Previous year - Rs. Nil)		
Total	985,100	985,100
Schedule 3: Cash and Bank Balance		
Balances with Scheduled Banks		
in current accounts	2	433
in deposit accounts	-	4200
Total	2	4,633
Schedule 4: Loans and Advances (Unsecured)		
Interest accrued but not due on bank deposits	-	7
Advance tax (Net of Provision for Tax Rs. 24,252 Previous year Rs. 240)	349	1
Total	349	8
Schedule 5: Current Liabilities		
Sundry creditors	-	-
- Dues to Micro, Small and Medium Enterprises (Refer Note 10 of Schedule 7)		
- Others	121	410
Other Current Liabilities	12,806	6,964
Interest accrued but not due	87,758	33,457
Total	100,685	40,831

Schedule to Profit and Loss Account

All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 6 : Operating Expenses		
Rates and taxes	10	4
Auditors' remuneration	110	110
Legal and professional charges	41	296
Travelling expenses	6	148
Exchange loss, net	1,283	547
Total	1,450	1,105

Schedules to Balance Sheet and Profit and Loss Account

Schedule 7 : Notes to Accounts

Background

The Company was incorporated on March 18, 2005 and is engaged in the business of providing assistance or funding, including payment of any nature to companies engaged in the business of manufacture and sale of pharmaceutical, drugs, pesticides, dyestuffs, chemical products, etc. and earning revenues from the commercialization of such products.

A. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956.

b) Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialize.

c) Revenue Recognition

The right to receive the 'revenue charge receipt' arises on commercialization and sale of the drug products developed through the research fee incurred by the Company. Such revenue charge is recognized as per the terms of the contract.

d) Research and Development Expenses

In accordance with Accounting Standard 26 on Intangible Assets, expenses incurred by the company towards assistance in carrying out research and development are expensed in the year in which these are incurred, unless the technical and commercial feasibility of the product has been established at the time of incurring the expenses.

e) Foreign currency transactions

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Investments

Long-term Investments are carried at cost. Provision for diminution, if any, in the value of long-term investments is made to recognise a decline, which is not temporary. Current investments are carried at cost or net realisable value, whichever is less.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

g) Earnings Per Share

In determining the earning per share, the company considers the net profit after tax. The number of shares used in computing basic earning per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earning per share comprises the weighted average shares considered for deriving basic earning per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless issued at a later date.

h) Income-tax expense

Income tax expense comprises the current tax provision and the net change in the deferred tax asset or liability during the year.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

i) Provisions & Contingencies

A Provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised and are disclosed in the notes to the financial statement.

B. Notes to Accounts

1. The Company has issued 9,851,000 Unsecured Optionally Convertible Debentures (OCDs) of Rs. 100 each, aggregating to Rs. 985.10 Mn. The terms and conditions are as follows:

a) Interest: Interest is payable on the principal amount of OCDs outstanding at the rate to be mutually agreed between the company and the debenture holder, subject to the interest rate being not more than 18% p.a.

Based on the above clause, during the FY 2010-11, the interest rate as negotiated by the company with the debenture holder is 13% on the OCD of Rs. 985.1 Mn. As per the terms of

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

the agreement, interest accrued for the financial year is payable when funds are available with the Company, but not later than May 31 for each year.

- b) Conversion : The debenture holder shall have the right at any time to convert at their option the whole or part of the outstanding amount of the OCDs into fully paid-up equity shares of the Company, at par, in a manner specified in a notice in writing to be given by the debenture holder to the Company.
- c) Redemption: The unconverted portion of the OCDs will be redeemed in one single instalment on 30 June, 2012, or in such number of instalments and/or on such dates as may be agreed to by the debenture holder. At the time of redemption of the OCDs the Company undertakes to pay to the OCD holders a redemption premium of 20% of the outstanding OCDs that are being redeemed or such other rate as may be mutually agreed upon.

2. Auditor's remuneration:

Particulars	(Rs. In Thousands)	
	2010-11	2009-10
Fee for statutory audit	100	100
Service tax on the above	10	10
TOTAL	110	110

3. Earnings in Foreign Exchange:

Particulars	(Rs. In Thousands)	
	2010-11	2009-10
Revenue charge receipt	200,237	146,630

4. Segment Reporting:

The Company's business activity falls within a single primary business segment of providing assistance or funding to companies in certain sectors and hence furnishing of 'Segment Reporting' is not applicable. Further, area of operations cannot be classified based on geographical location. Hence disclosures required under AS 17 – "Segment Reporting" are not made.

5. Cash Flow Statement:

The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements.

6. Related Party Disclosures:

(Rs. In Thousands)

Sl. No.	Name of the related party	Nature of relationship	Nature of transaction	2010-11	2009-10
1	DRL Investments Limited	Significant shareholder and lender having significant influence w.e.f 01 Oct, 2010	Share capital as at Balance Sheet date	500	-
			Debentures outstanding as at Balance Sheet date	985,100	-
			Interest on Debentures	128,063	-
			Interest outstanding as at Balance Sheet date	87,757	-
2	Dr. Reddy's Laboratories Ltd.	Ultimate Holding Company w.e.f 01 Oct, 2010	Revenue charge receipt	200,237	-
			Amount receivable as at Balance Sheet date	147,371	-

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

3	IDBI Trusteeship Services Ltd – Trustee of India Advantage Fund-I.	Significant shareholder and lender having significant influence upto 30 Sep, 2010	Share capital as at Balance Sheet date	-	500
			Debentures outstanding as at Balance Sheet date	-	985,100
			Interest on Debentures	-	148,504
			Interest outstanding as at Balance Sheet date	-	33,456
			Expenses payable	-	148

7. Earnings Per Share has been determined as follows:

Particulars	Rs. In thousands	
	Year ended 31 March 2011	Year ended 31 March 2010
Profit / (Loss) after tax as per the Profit & Loss Account (a)	46,479	(54)
Add: Interest on Optionally Convertible Debentures (net of tax)	85,520	Note 1
Profit attributable to Equity Shareholders on dilution (in thousands) (b)	131,999	Note 1
Weighted Average number of Shares for Basic EPS (c)	50,000	50,000
Add: Effect of Convertible Debentures	98,510,000	Note 1
Weighted Average Number of equity shares for diluted EPS (d)	98,560,000	Note 1
	Rs.	Rs.
Nominal value of equity shares	10.00	10.00
Earnings Per Share in Rs.		
Basic (a) / (c)	929.57	(1.09)
Diluted (b) / (d)	1.34	(1.09)

Note 1 : The Optionally Convertible debentures are anti-dilutive for year ended 31 March 2010.

8. Derivative Instruments

- During the year the company has not entered into any derivative Contract and therefore no disclosure pertaining to the same is applicable for the current period.
- Foreign Currency exposures that have not been hedged by a derivative instrument or otherwise:

Assets	Rs. In thousands			
	For the Year ended 31 March 2011		For the Year ended 31 March 2010	
	Amount INR	Amount in USD	Amount INR	Amount in USD
Receivables from revenue charge distribution	147,371	3,304	36,748	814

- There were no commitments or contingent liabilities as at 31 March 2011 (previous year: Nil)
- The information disclosure with regard to Micro and Small Enterprises is based on information collected by the management based on enquiries made with the creditors which have been relied upon by the auditors.
- Previous year's figures have been regrouped wherever necessary, to conform to current year's presentation.

Cash flow statement for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	2010 - 2011	2009 - 2010
Cash flow from operating activities		
Net profit/(loss) before taxation	70,731	(54)
Adjustments for:		
Interest on Fixed deposits	(7)	(25)
Profit on sale of units of Mutual fund	-	(2,900)
Operating profit before working capital changes	70,724	(2,979)
(Increase)/Decrease in Debtors	(110,623)	1,498
(Increase)/Decrease in Loans and advances	-	-
Increase/(Decrease) in Current liabilities	26,397	(303,616)
Cash from operations	(13,502)	(305,097)
Less: income tax paid	(24,600)	(193)
Net cash from / (used in) operating activities	(38,102)	(305,290)
Cash flows from investing activities		
Purchase of investments	-	(75,600)
Interest on Fixed deposits	14	19
Sale of Investments	-	169,975
Net cash from investing activities	14	94,394
Cash flows from financing activities		
Interest paid	33,457	215,043
Proceeds from issue of shares	-	-
Proceeds from long term borrowings	-	-
Net cash from financing activities	33,457	215,043
Net increase/(decrease) in cash & cash equivalents	(4,631)	4,147
Cash & cash equivalents at the beginning of the year	4,633	486
Cash & cash equivalents at the end of the year	2	4,633

Accounting Policies and Notes to Accounts 7

The above schedules form an integral part of the accounts.

As per our report attached
for **Deloitte Haskins and Sells**
Chartered Accountants

for **I-Ven Pharma Capital Limited**

V Balaji
Partner

G.V. Prasad
Director

Satish Reddy
Director

Place : Bangalore
Date : 27.06.2011

Place : Hyderabad
Date : 27.06.2011

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results:

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(1,390)	(1,436)
Balance Brought forward	(1,436)	-
Balance Carried forward to Balance Sheet	(2,826)	(1,436)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

M V Ramana
Director

Place : Hyderabad
Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Euro Bridge Consulting B.V. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN : 002857S

Place : Hyderabad
Date : 11.05.2011

A. Ramachandra Rao
Partner
Membership No: 9750

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	31,094	30,279
Reserves & Surplus	2	121,773	121,773
		152,867	152,052
Loan funds			
Unsecured loans		4,352	3,675
Bank overdraft		(437)	-
		156,782	155,727
APPLICATION OF FUNDS			
Investments	3	152,052	152,052
Current assets, loans and advances			
Cash and bank balances		71	427
Loans and advances		3,147	3,001
		3,218	3,428
Current liabilities and provisions			
Current liabilities		1,314	1,189
		1,314	1,189
Net current assets		1,904	2,239
Deferred tax assets		-	-
Profit & Loss Account		2,826	1,436
		156,782	155,727

Notes to accounts 4

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **Euro Bridge Consulting BV**

A. Ramachandra Rao

Partner

Membership No.9750

M V Ramana

Director

Place : Hyderabad

Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income		
Other income	-	288
	-	288
Expenditure		
Operating and other expenses	1,390	1,724
	1,390	1,724
Profit / (loss) for the year		
Balance in profit and loss account brought forward	(1,390)	(1,436)
	(1,436)	-
Balance in profit and loss account carried forward	(2,826)	(1,436)

Notes to accounts 4

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Euro Bridge Consulting BV**

A. Ramachandra Rao
Partner
Membership No.9750

M V Ramana
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital 100,000 shares of EUR 10 each	55,863	55,863
Issued, Subscribed and paid-up		
Equity Shares	31,094	30,279
55,500 shares of EUR 10 each (previous year: 54,200 shares)	31,094	30,279
Schedule 2: Reserves & Surplus		
Securities Premium Account	121,773	121,773
	121,773	121,773
Schedule 3: Investments		
Investment in subsidiaries	152,052	152,052
	152,052	152,052

Schedules to the Profit and Loss Account

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 4 : Other income		
Exchange gain, net	-	125
Miscellaneous income	-	163
	-	288
Schedule 5: Operating and other expenses		
Legal and professional charges	229	217
Exchange loss, net	113	-
Bank charges	14	14
Sundry expenses	1,034	1,493
	1,390	1,724

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 4 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

d) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

e) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from sale of products is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

f) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2011.

- 3.** The Company is incorporated under the laws of Netherlands and is a subsidiary of Reddy Antilles NV.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	38,971	175,600
Balance Brought forward	97,533	(78,067)
Balance Carried forward to Balance Sheet	136,504	97,533

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under the review, Mr. Umang Vohra has been appointed as Director of the Company.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Francisco Casillas Lara
Director

Viswanatha R. Bonthu
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audit the attached Balance Sheet of M/s Industrias Quimicas Falcon de Mexico SA de CV as at 31st March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of section 212 of the Company's Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 31st March 2011; and
 - b. In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	593,879	593,879
Reserves & Surplus	2	75,831	18,942
		669,710	612,821
Loan funds			
Unsecured loans	3	1,575,863	1,536,052
		1,575,863	1,536,052
		2,245,573	2,148,873
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	1,505,861	1,466,079
Less: Accumulated depreciation		395,721	292,305
Net block		1,110,140	1,173,774
Capital work-in-progress (including capital advances)		90,299	39,811
		1,200,439	1,213,585
Current assets, loans and advances			
Inventories	5	711,345	765,618
Sundry debtors	6	344,730	273,455
Cash and bank balances	7	139,494	82,089
Loans and advances	8	292,940	106,383
		1,488,509	1,227,545
Current liabilities and provisions			
Current liabilities	9	397,927	256,460
Provisions	10	99,848	60,685
		497,775	317,145
Net current assets		990,734	910,400
Deferred tax assets		54,400	24,888
		2,245,573	2,148,873
Notes to accounts	17		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Industrias Quimicas Falcon De Mexico SA de CV**

A. Ramachandra Rao
Partner
Membership No. 9750

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 11.05.2011

Francisco Casillas Lara
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		2,059,002	2,512,757
Other income	11	324,939	32,230
		2,383,941	2,544,987
Expenditure			
Material costs	12	870,051	909,678
Personnel costs	13	742,520	666,944
Operating and other expenses	14	487,383	493,126
Research and development expenses		7,879	5,638
Finance charges	15	100,438	141,313
Depreciation		95,537	86,861
		2,303,808	2,303,560
Profit before taxation		80,133	241,427
Provision for tax	16		
- Current tax		69,947	96,137
- Deferred tax expense / (benefit)		(28,785)	(30,310)
Profit for the year		38,971	175,600
Balance in profit and loss account brought forward		97,533	(78,067)
Balance in profit and loss account carried forward		136,504	97,533

Notes to accounts 17

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Industrias Quimicas Falcon De Mexico SA de CV**

A. Ramachandra Rao
Partner
Membership No. 9750

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 11.05.2011

Francisco Casillas Lara
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS		
Schedule 1: Share capital		
Authorised capital 127,796,000 Pesos*	593,880	593,879
Issued, Subscribed and paid-up		
Issued capital 127,796,000 Pesos* (Held by Dr.Reddy's Laboratories limited) (Holding Company)	593,879	593,879
	593,879	593,879
* No concept of nature and number of shares in this company		
Schedule 2 : Reserves & Surplus		
Foreign currency translation reserve	(60,673)	(78,591)
Profit and Loss Account	136,504	97,533
	75,831	18,942
Schedule 3: Unsecured Loans		
Borrowings - IU	1,575,863	1,536,052
	1,575,863	1,536,052
Schedule 5: Inventories		
Stores and spares	105,754	96,831
Raw materials	328,300	401,803
Work-in-process	265,847	207,105
Finished goods	11,444	59,879
	711,345	765,618
Schedule 6: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	344,730	273,455
Other debts		
- Considered good	-	-
	344,730	273,455

Schedules to Balance Sheet

Schedule - 3 : Fixed Assets
(All amounts in Indian Rupees thousands, except share data)

	Gross Block					Depreciation					Net Block	
	01.04.2010	Additions	Deletions	Forex	31.03.2011	01.04.2010	For the year	Deletions	Forex	31.03.2011	31.03.2011	31.03.2010
Land	362,246	-	53,239	10,975	319,982	-	-	-	-	-	319,982	362,246
Buildings	153,985	-	999	4,665	157,651	29,634	11,265	219	(2,411)	38,269	119,382	124,351
Plant & Machinery	891,596	41,764	1,100	26,591	958,851	234,957	73,013	1,432	13,709	320,247	638,604	656,639
Computers & Software	13,450	2,664	951	408	15,571	11,120	4,244	906	(974)	13,484	2,087	2,330
Furniture & Fixtures	23,859	6,322	130	1,146	31,197	10,401	2,950	94	(1,125)	12,132	19,065	13,458
Vehicles	20,943	2,150	1,119	635	22,609	6,193	4,065	472	1,803	11,589	11,020	14,750
Total	1,466,079	52,900	57,538	44,420	1,505,861	292,305	95,537	3,123	11,002	395,721	1,110,140	1,173,774
Previous Year	1,222,331	235,399	2,097	10,446	1,466,079	205,218	86,861	1,980	2,206	292,305	1,173,774	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 7: Cash and bank balances		
Cash in hand	190	-
Balances with banks		
On current accounts	139,304	82,089
	139,494	82,089
Schedule 8: Loans and advances (Unsecured)		
Staff loans and advances	278	102
Other advances recoverable in cash or in kind or for value to be received	54	54
Advance tax (net of provision for current taxes)	112,401	(7,673)
Balances with statutory authorities	33,136	25,661
Deposits	-	549
	145,869	18,693
Other Current Assets	147,071	87,690
	292,940	106,383
Schedule 9: Current Liabilities		
Sundry creditors	114,046	88,379
Accrued Expenses	51,710	46,316
Other Liabilities	232,171	121,765
	397,927	256,460
Schedule 10: Provisions		
Provision others	99,848	60,685
	99,848	60,685

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 11: Other income		
Interest on fixed deposits	136	4,539
Profit on sale of fixed assets	273,470	-
Miscellaneous income	51,333	27,691
	324,939	32,230
Schedule 12 : Material costs		
a) Raw materials purchased/ consumed	605,846	238,753
b) Stores, chemicals, spares and packing material consumed	264,205	670,925
TOTAL	870,051	909,678
Schedule 13: Personnel costs		
Salaries, wages and bonus	705,648	645,985
Contribution to provident and other funds	3,832	2,610
Workmen and staff welfare expenses	33,040	18,349
	742,520	666,944
Schedule 14: Operating and other expenses		
Power and fuel	248,458	238,021
Rent	266	-
Rates and taxes	16,746	4,553
Repairs and maintenance		
Buildings	844	897
Plant and machinery	93,362	113,906
Others	41,795	35,093
Insurance	23,474	16,333
Travelling and conveyance	5,743	4,025
Communication	8,874	9,647
Other selling expenses	1,082	258
Printing and stationery	1,020	859
Legal and professional charges	19,061	31,144
Donations	258	375
Loss on sale/retirement of fixed assets, net	1,188	116
Exchange loss/ (gain), net	3,449	25,993
Bank charges	1,016	1,127
Sundry expenses	20,747	10,779
	487,383	493,126

Schedules to Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 15: Finance Charges		
Interest on loans	100,438	141,313
	100,438	141,313
Schedule 16: Provision for tax		
Current taxes	69,947	96,137
Deferred taxes	(28,785)	(30,310)
Total	41,162	65,827

Schedules to Balance Sheet and Profit and Loss Account

Schedule 17 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Electrical/ office equipment	5 to 15
Furniture & fixtures	4 to 8
Computer equipment	3
Vehicles	4 to 5

d) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

The methods of determining cost of various categories of inventories are as follows:

<i>Raw materials</i>	<i>First in first out (FIFO)</i>
<i>Stores and spares</i>	<i>Weighted average method</i>
<i>Work-in-process and finished goods (manufactured)</i>	<i>FIFO and an appropriate share of production overheads</i>
<i>Finished goods (traded)</i>	<i>Cost of purchase</i>

e) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Revenue from the various profit sharing arrangements entered into by the Company is recognised when it is earned and is measurable and when the ultimate collection is reasonably certain.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

i) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

3. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

	(Rs. thousands)	
	As at	As at
	31 March 2011	31 March 2010
Deferred tax assets/ (liabilities)		
Sundry Debtors	12,857	12,480
Other Current assets	22,385	13,372
Other Current Liabilities	40,354	27,128
Inventory	52,666	32,382
Expenses deferred for Tax purposes		
Losses carry forward		14,177
Tax law over depreciation provided in accounts	(73,862)	(74,651)
Deferred tax Asset / (liability), net	54,400	24,888

4. Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

	(Rs. thousands)	
	As at	As at
	31 March 2011	31 March 2010
Estimated amount of contracts remaining to be Executed on capital account and not provided for (net of advances)	4,708	-

5. Related party disclosures

a. The Company has following amounts due from/ to related parties:

	(Rs. thousands)	
	As at	As at
	31 March 2011	31 March 2010
i. Due from related parties (included in Debtors):		
Dr. Reddy's Laboratories Limited	-	5,443
Dr. Reddy's Laboratories Inc.	-	84,013
Dr. Reddy's Laboratories S.A	141,443	84,694
Dr. Reddy's Laboratories (EU) Limited	3,949	983
ii. Due to related parties (included in Creditors):		
Dr. Reddy's Laboratories Limited	28,160	40,939
Dr. Reddy's Laboratories S.A	21,461	-
iii. Due to related parties (included in Borrowings):		
Dr. Reddy's Laboratories Limited	1,464,161	1,423,583
Dr. Reddy's Laboratories Inc.	111,700	112,469

6. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification

7. The Company, incorporated in Mexico, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	4,981	133,410
Balance Brought forward	(487,184)	(620,594)
Balance Carried forward to Balance Sheet	(482,203)	(487,184)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

G V Prasad
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Kunshan Rotam Reddy Pharmaceuticals Co. Ltd as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	790,549	790,549
Reserves and surplus	1a	17,528	8,632
Loan funds			
Secured loans	2	75,127	42,438
TOTAL		883,204	841,619
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	379,191	350,160
Less: Accumulated depreciation		213,002	190,308
Net block		166,189	159,852
Capital work-in-progress (including capital advances)		791	-
		166,980	159,852
Current assets, loans and advances			
Inventories	4	150,569	61,664
Sundry debtors	5	261,002	251,689
Cash and bank balances	6	43,789	21,039
Loans and advances	7	45,235	34,452
		500,595	368,844
Current liabilities and provisions			
Current liabilities	8	275,009	189,747
Net current assets		225,586	179,097
Deferred tax assets		8,435	15,486
Profit & Loss Account		482,203	487,184
TOTAL		883,204	841,619
Notes to accounts	14		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

for **Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**

G V Prasad

Director

Satish Reddy

Director

Profit and Loss Account for the Year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales and service income		818,445	788,319
Other income		5,659	25,270
TOTAL		824,104	813,589
Expenditure			
Material costs	9	225,517	253,212
Personnel costs	10	200,679	162,089
Operating and other expenses	11	353,834	251,585
Research and development expenses		9,814	9,574
Amortisation of long term deposits/Brands/impairments		1,724	408
Finance charges	12	3,500	5,881
Depreciation		16,466	16,277
Total Expenditure		811,534	699,026
Profit/ (Loss) before tax		12,570	114,563
Less: Income Taxes expense / (benefit)	13	7,589	(18,847)
Profit / (loss) after taxation		4,981	133,410
Balance in profit/ (loss) account brought forward		(487,184)	(620,594)
Balance in profit/ (loss) account carried forward		(482,203)	(487,184)
Notes to accounts	14		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**

A. Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital USD 29,990,000 *	1,289,570	1,289,570
Issued Subscribed and paid-up		
Issued capital USD 18,330,110	790,549	790,549
* No concept of nature and number of shares in this company		
TOTAL	790,549	790,549
Schedule 1a : Reserves & Surplus		
Foreign Currency Translation Reserve	17,528	8,632
	17,528	8,632
Schedule 2 : Secured loans		
Cash credit and packing credit	75,127	42,438
TOTAL	75,127	42,438

Note : Loan from the Agricultural Bank of China is secured by way of hypothecation of leasehold land, buildings and equipment.

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets		(Rs. thousands)										
		Gross Block					Depreciation					Net Block
Particulars	As at 01.04.2010	Additions	Deletions	Forex	As At 31.03.2011	As at 01.04.2010	For the year	Deletions	Forex	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Buildings	193,074	929	-	6,517	200,520	88,061	9,988	-	3,650	101,699	98,821	105,013
Plant and Machinery	50,927	1,707	-	1,718	54,352	38,574	2,827	-	1,300	42,701	11,651	12,353
Vehicles	5,142	1,097	-	173	6,412	4,296	583	-	143	5,022	1,390	846
Office equipment	19,146	407	-	162	19,715	15,744	828	-	160	16,732	2,983	3,402
Laboratory equipment	31,831	4,761	-	1,073	37,665	29,888	1,186	-	1,009	32,083	5,582	1,943
Electrical Equipment	-	1,954	-	485	2,439	-	92	-	(3,289)	(3,197)	5,636	-
Leasehold Land	41,032	-	-	1,385	42,417	9,599	962	-	1,391	11,952	30,465	31,433
Trade Marks	9,008	6,359	-	304	15,671	4,146	1,724	-	140	6,010	9,661	4,862
TOTAL	350,160	17,214	-	11,817	379,191	190,308	18,190	-	4,504	213,002	166,189	159,852
Previous Year	295,319	7,103	716	48,454	350,160	152,221	16,685	715	22,117	190,308	159,852	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 4 : Inventories		
Stores and spares	2,736	2,221
Raw-materials	84,970	21,812
Work-in-process	9,868	15,414
Finished goods	52,995	22,217
TOTAL	150,569	61,664
Schedule 5 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	276,589	272,363
Less: Provision for doubtful debts	15,587	20,674
TOTAL	261,002	251,689
Schedule 6 : Cash and bank balances		
Cash on hand	106	102
Balance with non-scheduled banks		
On deposit accounts	622	602
On current accounts	43,061	20,335
TOTAL	43,789	21,039
Schedule 7 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	6,930	19,102
Advance tax (net of provision for current taxes)	8,468	-
Other Current Assets	29,837	15,350
TOTAL	45,235	34,452
Schedule 8 : Current Liabilities		
Sundry creditors	185,755	118,828
Other Current Liabilities	89,254	70,919
TOTAL	275,009	189,747

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 9 : Material Cost		
<i>Raw materials consumed :</i>		
Opening Stock of raw materials	21,812	19,626
Add: Purchases	288,675	255,398
Less: Closing stock	84,970	21,812
TOTAL	225,517	253,212
Schedule 10 : Personnel costs		
Salaries, wages and bonus	187,890	149,479
Contribution to provident and other funds	5,041	5,935
Workmen and staff welfare expenses	7,748	6,675
TOTAL	200,679	162,089
Schedule 11 : Operating and other expenses		
Rates and taxes	6,401	3,841
Insurance	782	286
Travelling and conveyance	192,624	125,046
Communication	1,834	2,359
Advertisements	1,226	2,782
Other selling expenses	84,141	37,099
Printing and stationery	267	249
Legal and professional	372	3,223
Bank charges	532	428
Sundry expenses	65,655	76,272
TOTAL	353,834	251,585
Schedule 12: Finance charges		
Interest on term loans	3,500	5,881
TOTAL	3,500	5,881
Schedule 13: Income Taxes		
Deferred taxes	7,589	(18,847)
TOTAL	7,589	(18,847)

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised. The cost of fixed assets also includes the exchange differences arising in respect of foreign currency loans or other liabilities incurred for the purpose of their acquisition or construction.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	
- Factory and administrative buildings	20 to 39
- Ancillary structures	3 to 10
Plant and machinery	3 to 15

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Factory equipment	5 to 15
Other equipment	4 to 15
Office equipment	3 to 8
Vehicles	4 to 5

Leasehold land is being amortised over the period of lease.

d) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

The premium or discount on forward exchange contracts is recognised over the period of the contracts. The premium or discount in respect of forward exchange contracts related to acquisition of fixed assets is adjusted in the carrying amount of the related fixed assets. In respect of other contracts, it is recognised in the profit and loss account.

Contingent liabilities are translated at the closing rate.

g) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer.

Revenue from product sales are stated exclusive of returns, applicable trade discounts and allowances.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

i) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Contingencies and commitment liabilities

	(Rs. thousands)	
	As at	As at
	31 March 2011	31 March 2010
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2,680	-

3. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

4. The Company, incorporated in the People's Republic of China, with Dr. Reddy's Laboratories Limited in which the latter has 51.33% interest.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	287,369	359,444
Balance Brought forward	1,340,790	981,346
Balance Carried forward to Balance Sheet	1,628,159	1,340,790

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Share Capital

During the year under review, 53 shares were allotted to Dr. Reddy's Laboratories Limited, India – Holding Company and hence, the share capital stands enhanced at Rs. 1,327 thousands.

Directors

During the year under the review, Mr. Satish Reddy, Mr. Umang Vohra and CCY Management Limited had been appointed as Directors of the Company w.e.f. 7 July 2010.

Further, Mr. Saumen Chakraborty has resigned from the Board of Directors of the Company w.e.f. 7 July 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Milorad Vujnovic
Director

Satish Reddy
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Lacock Holdings Limited as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the income for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,327	1,287
Reserves & Surplus	2	18,344,399	16,752,272
		18,345,726	16,753,559
Loan funds			
Secured loans	3	-	8,899,107
Unsecured loans	4	12,797,224	5,018,880
		12,797,224	13,917,987
TOTAL		31,142,950	30,671,546
APPLICATION OF FUNDS			
Investments	5	5,868,919	5,868,919
Current assets, loans and advances			
Cash and bank balances	6	12,860	14,258
Loans and advances	7	25,476,733	24,938,162
		25,489,593	24,952,420
Current liabilities and provisions			
Current liabilities	8	215,562	149,793
		215,562	149,793
Net current assets		25,274,031	24,802,627
TOTAL		31,142,950	30,671,546
Notes to accounts	12		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

for **Lacock Holdings Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Milorad Vujnovic
Director

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income	9	706,307	838,068
		706,307	838,068
Expenditure			
Operating and other expenses	10	7,625	5,929
Finance charges	11	348,842	432,741
		356,467	438,670
Profit before taxation		349,840	399,398
Provision for tax			
- Current tax		62,471	39,954
- Deferred tax expense / (benefit)		-	-
Profit for the year		287,369	359,444
Balance in profit and loss account brought forward		1,340,790	981,346
Profit/ (Loss) carried forward		1,628,159	1,340,790

Notes to accounts 12

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO : 002857S

for **Lacock Holdings Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Milorad Vujnovic
Director

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1: Share capital		
Authorised		
50000 shares of EUR 1 each	1,327	1,287
Issued ,Subscribed and paid-up		
16,033 shares of EUR 1.71 each (Previous year 23,028 shares of EUR 1 each) (Held by Dr.Reddy's Laboratories limited) (Holding Company)	1,327	1,287
	1,327	1,287
Schedule 2: Reserves & Surplus		
Share Premium	16,098,637	15,380,800
Foreign Currency Translation Reserve	617,603	30,682
Profit and Loss Account	1,628,159	1,340,790
	18,344,399	16,752,272
Schedule 3 : Secured Loans		
Long term borrowings	-	8,899,107
	-	8,899,107
Schedule 4: Unsecured Loans		
Borrowings - IU	12,797,224	5,018,880
	12,797,224	5,018,880
Schedule 5: Investments		
Investment in subsidiaries - Reddy Holding GmbH	5,868,919	5,868,919
	5,868,919	5,868,919
Schedule 6: Cash and bank balances		
Balances with banks		
- On current accounts	12,642	13,275
Other Current Assets	218	983
	12,860	14,258
Schedule 7: Loans and advances (Unsecured)		
Other advances recoverable in cash or in kind or for value to be received	25,259,590	24,790,948
Advance tax (net of provision for current taxes)	217,143	147,214
	25,476,733	24,938,162
Schedule 8: Current Liabilities		
Income Tax Payable	215,257	145,377
Other Current Liabilities	305	4,416
	215,562	149,793

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 9: Other income		
Interest Income - Others	706,307	821,528
Exchange gain, net	-	16,540
	706,307	838,068
Schedule 10: Operating and other expenses		
Legal and professional charges	1,625	4,005
Exchange loss, net	4,961	-
Bank charges	1,039	1,924
	7,625	5,929
Schedule 11: Finance charges		
Other finance charge	348,842	432,741
	348,842	432,741

Schedules to Balance Sheet and Profit and Loss Account

Schedule 12 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Investments in associates, accounted under the equity method of accounting, are initially recorded at cost, identifying any goodwill / capital reserve at the time of acquisition. The carrying amount of such investments is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee unless there is an agreement to the contrary. The carrying amount of investment in an associate is reduced to recognize a decline, other than temporary, in the value of the investment, such reduction being determined and made for each investment individually.

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

f) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Revenue from the various profit sharing arrangements entered into by the Company is recognised when it is earned and is measurable and when the ultimate collection is reasonably certain.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the group has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

2. Contingencies and commitments

There were no commitments and contingent liabilities as at 31 March 2011.

3. Related party disclosures

The Company has following amounts due from/ to related parties:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due to related parties (included in Borrowings):		
Dr. Reddy's Laboratories Limited	3,686,695	3,640,261
Reddy Holding GmbH	658,235	609,053
Dr. Reddy's Laboratories SA	8,452,294	769,566
ii. Due from related parties (included in Advances):		
Reddy Holding GmbH	24,435,934	24,218,160
Reddy Pharma Italia	-	572,787

4. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in Cyprus, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(7,692)	(327,590)
Balance Brought forward	89,240	416,830
Balance Carried forward to Balance Sheet	81,548	89,240

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad

Date : 11.05.2011

Satish Reddy

Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. OOO Dr. Reddy's Laboratories Limited as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS:			
Shareholders' funds			
Share capital	1	71,843	71,843
Reserves and surplus	2	81,548	89,240
Loan funds			
Unsecured loans	3	9,434	9,148
TOTAL		162,825	170,231
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	47,665	35,801
Less: Accumulated Depreciation		25,769	25,769
Net block		21,896	22,090
Capital work-in-progress (including capital advances)		25	-
		21,921	22,090
Current assets, loans and advances			
Inventories	5	1,161,627	378,979
Sundry debtors	6	3,021,587	2,384,004
Cash and bank balances	7	431,518	112,630
Loans and advances	8	401,566	268,092
Current liabilities and provisions			
Current liabilities	9	5,044,395	3,106,263
Net current assets		(28,097)	37,442
Deferred tax asset		169,001	110,699
TOTAL		162,825	170,231

Notes to accounts

14

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **OOO Dr. Reddy's Laboratories Limited**

A. Ramachandra Rao
Partner
Membership No: 9750
Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		8,885,271	7,109,642
Other income		528,729	278,630
TOTAL		9,414,000	7,388,272
Expenditure			
Material costs	10	8,375,147	7,347,197
Personnel costs	11	155,801	119,205
Operating and other expenses	12	863,328	316,986
Finance charges		814	1,045
Depreciation		12,342	8,801
Total Expenditure		9,407,432	7,793,234
Profit/ (Loss) before tax		6,568	(404,962)
Less: Income tax expense/ (benefit)	13	14,260	(77,372)
Profit / (Loss) after taxation		(7,692)	(327,590)
Balance in profit and loss account brought forward		89,240	416,830
Balance in profit/ (loss) account carried forward		81,548	89,240
Notes to accounts	14		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **OOO Dr. Reddy's Laboratories Limited**

A. Ramachandra Rao
Partner
Membership No: 9750
Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : SHARE CAPITAL		
Authorised capital		
46,294,632 equity shares of RUB 1 each	71,843	71,843
Subscribed and paid-up		
46,294,632 equity shares of RUB 1 each (Held by Dr. Reddy's Laboratories Limited(Holding Company))	71,843	71,843
TOTAL	71,843	71,843
Schedule 2 : Reserves & Surplus		
Previous year profit/(loss) brought forward	89,240	416,830
Current year profit/(loss) carried forward	(7,692)	(327,590)
	81,548	89,240
Schedule 3 : Unsecured loans		
Borrowings - IU	9,434	9,148
	9,434	9,148
Schedule 5 : Inventories		
Finished goods	1,161,627	378,979
TOTAL	1,161,627	378,979
Schedule 6 : Sundry debtors (Unsecured)		
- Considered good	3,021,587	2,384,004
Considered doubtful	147,126	42,391
	3,168,713	2,426,395
Less: Provision for doubtful debts	147,126	42,391
TOTAL	3,021,587	2,384,004
Schedule 7 : Cash and bank balances		
Cash on hand	266	200
Balance with non-scheduled banks		
- On current accounts	431,252	112,430
TOTAL	431,518	112,630

Schedules to Balance Sheet (Contd.)

Schedule 4 : FIXED ASSETS

(All amounts in Indian Rupees thousands, except share data)

Description	Gross Block					Depreciation				Net Block	
	As at 01.04.2010	Additions	Deletions/ Adjustments	As at 31.3.2011	As at 1.4.2010	For the Year	Deletions/ adjustments	Forex	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Buildings	30	-	-	30	-	-	-	-	-	30	30
Plant and Machinery	1,850	83	99	1,834	1,230	260	105	-	1,385	449	620
Furniture, fixtures & office equipment	467	-	-	467	399	17	-	-	416	51	69
Vehicles	8,814	10,616	-	19,430	3,230	3,897	-	1	7,128	12,302	5,584
Computer equipment	24,639	1,443	179	25,903	8,851	8,168	187	7	16,839	9,064	15,788
Total	35,801	12,142	278	47,665	13,711	12,342	292	8	25,769	21,896	22,090
Previous Year	26,456	11,645	2,300	35,801	6,954	8,801	1,981	(64)	13,711	22,090	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 8 : Loans and advances		
(Unsecured)		
<i>Considered good</i>		
Staff loans and advances	1,267	186
Other advances recoverable in cash or in kind or for value to be received	51,614	55,142
Advance tax (net of provision for current taxes)	76,124	-
Balances with statutory authorities	195,785	133,568
Other Current Assets	76,776	79,196
TOTAL	401,566	268,092
Schedule 9 : Current Liabilities		
Sundry creditors	4,413,002	2,822,219
Other Current Liabilities	631,393	284,044
TOTAL	5,044,395	3,106,263

Schedules to the Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 10 : Material costs		
a) Opening Stock of Finished Goods	378,979	388,120
Closing Stock of Finished goods	1,161,627	378,979
Net (increase)/ decrease	(782,648)	9,141
b) Purchase of traded goods	9,157,795	7,338,056
TOTAL	8,375,147	7,347,197
Schedule 11 : Personnel costs		
Salaries, wages and bonus	133,226	103,233
Contribution to provident and other funds	18,233	14,116
Workmen and staff welfare expenses	4,342	1,856
TOTAL	155,801	119,205
Schedule 12 : Operating and other expenses		
Rent	44,198	42,234
Rates and taxes	14	219
Insurance	5,316	3,659
Travelling and conveyance	14,146	5,463
Communication	3,369	3,874
Advertisements	493,820	141,038
Other selling expenses	167,191	84,388
Printing and stationery	1,173	1,031
Bad debts written-off	102,543	2,308
Auditors' remuneration	4,494	3,472
Legal and professional	15,885	11,265
Bank charges	9,124	10,009
Sundry expenses	2,055	8,026
Total	863,328	316,986
Schedule 13: Provision for taxation		
Current taxes	69,461	28,777
Deferred taxes	(55,201)	(106,149)
Total	14,260	(77,372)

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 14 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded) Cost of purchase

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	Years
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2011 (previous year Nil).

3. Related Party Disclosure

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due to related parties (included in Borrowings): OOO Reddy Biomed Limited	9,434	9,148
ii) Due to related parties (included in Creditors): Dr. Reddy's Laboratories Limited Dr. Reddy's Laboratories SA	1,572,521 2,837,343	1,259,851 1,558,490
iii) Due to related parties (included in Advances): OOO DRS LLC	111,716	35,198

4. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

5. Deferred taxation

Deferred tax liability, net included in the balance sheet comprises the following:

	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
Deferred tax assets		
Sundry debtors	29,427	11,969
Other Current Assets	18,284	2,012
Inventories	9,680	6,477
Current liabilities	113,179	90,241
Excess of depreciation allowable under Income Tax law over depreciation provided In books	(1,569)	-
Deferred tax asset, net	169,001	110,699

6. An authorised signatory has authenticated the financial statements along with a director, as the local laws do not require the appointment of more than one director.

7. The Company, incorporated in Russia, is a 100% subsidiary of Dr. Reddy's Laboratories Limited as on date by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	(6,246)	(10,160)
Balance Brought forward	(9,794)	366
Balance Carried forward to Balance Sheet	(16,040)	(9,794)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

M V Ramana
Director

Place : Hyderabad
Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. OOO DRS LLC as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

Place : Hyderabad
Date : 11.05.2011

A. Ramachandra Rao
Partner
Membership No: 9750

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	29,520	29,520
Reserves & Surplus	2	106,614	112,738
Loan funds			
Unsecured loans	3	71,213	65,297
TOTAL		207,347	207,555
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	223,697	223,695
<i>Less: Accumulated depreciation</i>		723	367
Net block		222,974	223,328
Capital work-in-progress (including capital advances)		6,815	6,815
		229,789	230,143
Current assets, loans and advances			
Cash and bank balances	5	1,154	764
Loans and advances	6	16,000	15,057
		17,154	15,821
Current liabilities and provisions			
Current liabilities	7	39,596	38,409
		39,596	38,409
Net current assets		(22,442)	(22,588)
TOTAL		207,347	207,555
Notes to accounts	9		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **OOO DRS LLC**

A. Ramachandra Rao
Partner
Membership No: 9750

M V Ramana
Director

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income		-	-
<hr/>			
Expenditure			
Operating and other expenses	8	5,888	9,649
Depreciation		358	367
		6,246	10,016
<hr/>			
Profit before taxation		(6,246)	(10,016)
Provision for tax			
- Current tax		-	144
- Deferred tax expense / (benefit)		-	-
Profit/ (loss) for the year		(6,246)	(10,160)
Balance in profit and loss account brought forward		(9,794)	366
Balance in profit and loss account carried forward		(16,040)	(9,794)

Notes to accounts

9

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **OOO DRS LLC**

A. Ramachandra Rao
Partner
Membership No: 9750

M V Ramana
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital *	29,520	29,520
* No concept of Share Capital in this Company		
Issued, Subscribed and paid-up		
Issued, Subscribed and paid-up capital *	29,520	29,520
* No concept of Share Capital in this Company		
	29,520	29,520
Schedule 2 : Reserves & Surplus		
Profit and Loss A/c	(16,040)	(9,794)
Securities Premium	122,654	122,532
	106,614	112,738
Schedule 3: Unsecured Loans		
Borrowings - IU	71,213	65,297
	71,213	65,297
Schedule 5: Cash and Bank Balances		
Balances with Scheduled Banks	1,154	764
	1,154	764
Schedule 6: Loans & Advances		
Advances - others	15,499	14,693
Balances with Statutory Authorities	501	364
Other Current Assets	-	-
	16,000	15,057
Schedule 7: Current Liabilities		
Other Current Liabilities	39,596	38,409
	39,596	38,409

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets
(All amounts in Indian Rupees thousands, except share data)

	Gross Block				Depreciation				Net Block		
	01.04.2010	Additions	Deletions	Forex	31.03.2011	01.4.2010	For the year	Deletions	Forex	31.03.2011	31.03.2010
	Land	219,849	-	-	-	219,851	-	-	-	-	219,851
Buildings	3,846	-	-	-	3,846	367	358	-	(2)	3,123	3,479
Total	223,695	-	-	-	223,697	367	358	-	(2)	222,974	223,328
Previous Year	223,697	-	-	(2)	223,695	367	-	-	-	223,328	

Schedules to the Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 8: Operating and Other Expenses		
Interest Expenses	2,780	3,857
Rent expense	-	14
Legal and Professional Fees	596	1,859
Rates and Taxes	1,455	1,009
Audit Fees	-	63
General Expenses	1,057	2,847
	5,888	9,649

Schedules to Balance Sheet and Profit and Loss Account

Schedule 9 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("the ICAI") to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

e) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

Schedule to Balance Sheet and Profit and Loss Account (Contd.)

2. Related party Transactions:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due to related parties (included in Borrowings):		
OOO Dr. Reddy's laboratories	42,341	35,198
Reddy Antilles NV	28,872	30,098

3. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2011 (previous year: Rs. Nil).

4. The Company, incorporated under the laws of Russia, is a 100% subsidiary of Eurobridge Consulting B.V.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	901	36,616
Balance Brought forward	22,013	(14,603)
Balance Carried forward to Balance Sheet	22,914	22,013

Directors Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. OOO JV Reddy Biomed Limited as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub – section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	4,509	4,509
Reserves and Surplus	1a	22,914	22,013
TOTAL		27,423	26,522
APPLICATION OF FUNDS			
Fixed assets			
Gross block	2	19	19
Less: Accumulated depreciation		19	19
Net block		-	-
Current assets, loans and advances			
Cash and bank balances	3	17,970	17,455
Loans and advances		9,453	9,144
		27,423	26,599
Current liabilities and provisions			
Current liabilities	5	-	77
		-	77
Net current assets		27,423	26,522
TOTAL		27,423	26,522
Notes to accounts	10		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **OOOJV Reddy Biomed Limited**

A. Ramachandra Rao
Partner
Membership No: 9750

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income	6	1,763	37,550
TOTAL		1,763	37,550
Expenditure			
Personnel costs	7	209	670
Operating and other expenses	8	646	159
Depreciation		3	7
Total Expenditure		858	836
Profit/ (Loss) before tax		905	36,714
Less: Income tax	9	4	98
Profit after taxation		901	36,616
Balance in profit and loss account brought forward		22,013	(14,603)
Balance in profit/ (loss) account carried forward		22,914	22,013
Notes to accounts	10		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **OOOJV Reddy Biomed Limited**

A. Ramachandra Rao
Partner
Mebership No: 9750

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
500,000 equity shares of RUB 1 each (previous year : 500,000 equity shares of RUB 1 each)	4,509	4,509
Subscribed and paid-up		
500,000 equity shares of RUB 1 each (previous year : 500,000 equity shares of RUB 1 each) (Held by Dr. Reddy's Laboratories Limited,(Holding Company))	4,509	4,509
TOTAL	4,509	4,509
Schedule 1a : Reserves and Surplus		
Profit & loss A/c balance brought forward	22,013	(14,603)
Add: Profit/ (Loss) for the year	901	36,616
TOTAL	22,914	22,013

Schedules to Balance Sheet (Contd.)

Schedule - 2 : Fixed Assets
(All amounts in Indian Rupees thousands, except share data)

Particulars	Gross Block			Depreciation					Net Block		
	As at 01-04-2010	Additions	Sale/ Adjust- ments	As at 31-03-2011	Acc Dep 01-04-2010	Deprn. for the year	Sale/ Adjust- ments	Forex	Acc Dep 31-03-2011	As at 31-03-2011	As at 31-03-2010
Plant & Machinery	15	-	-	15	15	3	-	(3)	15	-	-
Furnitures and Fixtures	4	-	-	4	4	-	-	-	4	-	-
TOTAL	19	-	-	19	19	3	-	(3)	19	-	-
Previous Year	834	5	820	19	834	7	810	(12)	-	-	-

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 3 : Cash and bank balances		
Cash on hand	3	3
Balance with non-scheduled banks		
On current accounts	17,705	17,197
Balance with Statutory Authorities	24	23
Other Current Assets	238	232
TOTAL	17,970	17,455
Schedule 4 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	9,447	9,144
Advance tax (net of provision for current taxes)	6	-
TOTAL	9,453	9,144
Schedule 5 : Current Liabilities		
Sundry creditors	-	-
Others - Current Liabilities	-	77
TOTAL	-	77

Schedules to Profit and Loss Account

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 6 : Other income		
Interest income	814	1045
Exchange gain (net)	930	4,302
Miscellaneous income	19	32,203
TOTAL	1,763	37,550
Schedule 7 : Personnel costs		
Salaries, wages and bonus	209	670
Workmen and staff welfare expenses	-	-
TOTAL	209	670
Schedule 8 : Operating and other expenses		
Rates and taxes	101	4
Communication	52	51
Auditors' remuneration	22	15
Legal and professional	13	-
Bank charges	39	81
Sundry expenses	419	8
TOTAL	646	159
Schedule 9 : Provision for taxation		
Current taxes	4	98
Deferred taxes	-	-
TOTAL	4	98

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 10 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

g) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2011 (previous year Nil).

3. An authorised signatory has authenticated the financial statements along with a director, as the local laws do not require the appointment of more than one director.

4. Related Party Disclosures:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due to related parties (Included in creditors) Dr. Reddy's Laboratories Limited	-	-
ii. Due from related parties (Included in Advances) OOO Dr. Reddy's Laboratories Limited	9,434	9148

5. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

- 6.** The Company, incorporated in Russia, is a 100% subsidiary of Dr. Reddy's Laboratories Limited as on date by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(811,825)	(852,468)
Balance Brought forward	(1,149,052)	(296,584)
Balance Carried forward to Balance Sheet	(1,960,877)	(1,149,052)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

Place : Hyderabad
Date : 11.05.2011

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Promius Pharma LLC at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	122,692	122,692
Reserves & Surplus	2	106,472	70,590
		229,164	193,282
Loan funds			
Unsecured loans	3	35,324	1,178,675
		35,324	1,178,675
TOTAL		264,488	1,371,957
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	2,093,755	117,078
Less: Accumulated depreciation		190,426	43,227
Net block		1,903,329	73,851
Capital work-in-progress (including capital advances)		-	-
		1,903,329	73,851
Current assets, loans and advances			
Inventories	5	46,327	64,743
Sundry debtors	6	101,816	37,038
Loans and advances	7	101,641	263,030
		249,784	364,811
Current liabilities and provisions			
Current liabilities	8	3,849,502	215,757
		3,849,502	215,757
Net current assets		(3,599,718)	149,054
Profit & Loss Account		1,960,877	1,149,052
TOTAL		264,488	1,371,957
Notes to accounts	13		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramchandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No. 9750

Place : Hyderabad

Date : 11.05.2011

for **Promius Pharma LLC**

Satish Reddy

Director

G.V. Prasad

Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		522,568	520,708
Other income	9	27	2,460
		522,595	523,168
Expenditure			
Material costs	10	137,434	116,602
Personnel costs	11	406,127	474,471
Operating and other expenses	12	692,590	701,891
Research and development expenses		34,421	54,216
Amortisation of intangibles		58,678	23,322
Finance charges		155	-
Depreciation		5,015	5,134
		1,334,420	1,375,636
Profit before taxation		(811,825)	(852,468)
Provision for tax			
- Current tax		-	-
- Deferred tax expense / (benefit)		-	-
Profit for the year		(811,825)	(852,468)
Balance in profit and loss account brought forward		(1,149,052)	(296,584)
Balance in profit and loss account carried forward		(1,960,877)	(1,149,052)

Notes to accounts

13

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramchandra Rao & Co.**

for **Promius Pharma LLC**

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Satish Reddy

G.V. Prasad

Partner

Director

Director

Membership No. 9750

Place : Hyderabad

Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share Capital		
Authorised		
Authorised Capital USD 2,760,000*	122,692	122,692
Issued, subscribed and paid-up		
Issued Capital USD 2,760,000*	122,692	122,692
TOTAL	122,692	122,692
* No concept of nature & number of shares in this company		
Schedule 2: Reserves & Surplus		
Securities premium account	464	464
Foreign Currency Transaction Reserve	106,008	70,126
	106,472	70,590
Schedule 3 : Unsecured Loans		
Borrowings - Others	35,319	14,698
Borrowing IU	5	1,163,977
	35,324	1,178,675
Schedule 5: Inventories		
Raw materials	27,559	24,111
Finished goods	18,768	40,632
	46,327	64,743
Schedule 6: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	28,795	25,239
Considered doubtful	-	542
	28,795	25,781
<i>Less: Provision for doubtful debts</i>	-	542
<i>Other Current assets</i>	73,021	11,799
	101,816	37,038

Schedules to Balance Sheet (Contd.)

Schedule - 4 : FIXED ASSETS (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block				Depreciation/Amortisation				Net Block			
	As at 1.4.2010	Additions	Deletions/ Adjustments	Forex	As at 31.03.2011	As at 01.04.2010	For the year	Deletions/ Adjustments	Forex	As at 31.3.2011	As at 31.3.2010	
Intangibles	101,180	1,977,373	-	(687)	2,077,866	35,786	58,678	(83,907)	(243)	178,128	1,899,738	65,394
Computers	15,736	100	-	(108)	15,728	7,415	4,995	-	(157)	12,253	3,475	8,321
Electrical/Office equipment	162	-	-	(1)	161	26	20	-	(1)	45	116	136
Total	117,078	1,977,473	-	(796)	2,093,755	43,227	63,693	(83,907)	(401)	190,426	1,903,329	73,851
Previous Year	132,187	59	-	(15,168)	117,078	18,310	28,456	-	(3,539)	43,227	73,851	

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 7 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	101,641	263,030
	101,641	263,030
Schedule 8: Current Liabilities		
Sundry creditors	18,104	268
Sundry creditors for Expenses	24,611	23,800
Other Liabilities	3,806,787	191,689
	3,849,502	215,757

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 9 : Other income		
Interest on fixed deposits	-	1,754
Exchange gain, net	27	-
Miscellaneous income	-	706
	27	2,460
Schedule 10: Material Costs		
Raw materials purchased/ consumed	13,660	61,257
Purchase of traded goods	123,774	55,345
TOTAL	137,434	116,602
Schedule 11: Personnel costs		
Salaries, wages and bonus	383,745	428,165
Contribution to provident and other funds	17,986	41,391
Workmen and staff welfare expenses	4,396	4,915
	406,127	474,471
Schedule 12: Operating and other expenses		
Rent	14,271	21,557
Rates and taxes	875	604
Insurance	3,682	4,195
Travelling and conveyance	63,827	51,752
Communication	11,625	10,844
Other selling expenses	283,035	349,007
Printing and stationery	2,240	1,518
Legal and professional charges	91,655	61,209
Donations	22	222
Bad debts written-off	(354)	490
Bank charges	32	50
Sundry expenses	221,680	200,351
Forex loss/(gain),net	-	92
	692,590	701,891

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 13 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

h) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

i) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

3. Related party Transactions:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due to related parties (included in Advances):		
Dr. Reddy's Laboratories Limited	62,081	136,476
ii) Due from related parties (included in Borrowings and other liabilities):		
Dr. Reddy's Laboratories Inc.	1,803,730	1,163,977

4. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2011 (previous year Nil).

5. The Company incorporated in the United States of America, is a 100% subsidiary of Dr. Reddy's Laboratories Inc., which is a subsidiary of Dr. Reddy's Laboratories SA.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	583	(4,651)
Balance Brought forward	-	-
Balance Carried forward to Balance Sheet	583	(4,651)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit/loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Dr. K. Anji Reddy
Director

Place : Hyderabad
Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Antilles N.V. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. RAMACHANDRA RAO & CO.**

Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	17,969	17,969
Reserves and surplus	2	174,372	173,789
Loan funds			
Unsecured loans	3	242,727	258,472
TOTAL		435,068	450,230
APPLICATION OF FUNDS			
Investments			
	4	359,579	357,700
Current assets, loans and advances			
Cash and bank balances	5	339	3,227
Loans and advances	6	90,279	89,826
Current liabilities and provisions			
Current liabilities	7	15,129	523
Net current assets		75,489	92,530
TOTAL		435,068	450,230
Notes to accounts	10		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Reddy Antilles N.V.**

A. Ramachandra Rao
Partner
Membership No: 9750

Dr. K. Anji Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income	8	1,342	23,331
TOTAL		1,342	23,331
Expenditure			
Operating and other expenses	9	759	27,982
Total Expenditure		759	27,982
Profit/ (Loss)before tax		583	(4,651)
Income tax		-	-
Profit after taxation		583	(4,651)
Notes to accounts	10		

The schedules referred to above are integral part of the Profit and Loss Account.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Reddy Antilles N.V.**

A. Ramachandra Rao
Partner
Membership No: 9750

Dr. K. Anji Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
1,000,000 equity shares of USD 1 each (previous year: 1,000,000 equity shares of USD 1 each)	35,938	35,938
Issued, Subscribed and paid-up		
500,000 equity shares of USD 1 each (previous year: 500,000 equity shares of USD 1 each) (Held by Dr. Reddy's Laboratories Limited)	17,969	17,969
TOTAL	17,969	17,969
Schedule 2 : Reserves and surplus		
General reserve:		
Balance at the beginning of the year	173,789	178,440
Profit / (loss) for the year	583	(4,651)
TOTAL	174,372	173,789
Schedule 3 : Unsecured Loan		
Borrowings - IU	242,727	258,472
TOTAL	242,727	258,472
Schedule 4 : Investments		
Investment in subsidiaries	359,579	357,700
TOTAL	359,579	357,700
Schedule 5: Cash and bank balances		
Balance with non-scheduled banks On current account	339	3,227
TOTAL	339	3,227

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 6 : Loans and advances		
(Unsecured)		
<i>Considered good</i>		
Advances - IU	49,776	50,982
Other advances recoverable in cash or in kind or for value to be received	39,912	38,134
Prepaid Expenses	60	59
Other current assets	531	651
TOTAL	90,279	89,826
Schedule 7 : Current Liabilities		
Sundry creditors	66	-
Other Current Liabilities	14,775	159
Accrued Expenses	288	364
TOTAL	15,129	523

Schedules to the Profit and Loss Account

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 8 : Other income		
Interest income	-	-
Miscellaneous income	1,342	23,331
TOTAL	1,342	23,331
Schedule 9 : Operating and other expenses		
Sundry expenses	95	27,274
Legal and professional	664	708
TOTAL	759	27,982

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 10 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit

and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

f) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2011 (previous year Nil).

3. Related Party Disclosures

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due from related parties(Advances)		
Reddy Netherlands B.V	20,934	20883
OOO DRS LLC	28,872	30,098
ii. Due to related parties (Borrowings)		
Dr. Reddy's Laboratories SA	11,208	11,282
Dr. Reddy's Laboratories Ltd.	231,519	247,190

4. An authorised signatory has authenticated the financial statements along with a director, as the local laws do not require the appointment of more than one director.

5. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

6. The Company, incorporated in Antilles (Netherlands), is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(3)	9,552
Balance Brought forward	(2,017)	(11,569)
Balance Carried forward to Balance Sheet	(2,020)	(2,017)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Dr. K. Anji Reddy
Director

G V Prasad
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Cheminor S.A. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. RAMACHANDRA RAO & CO.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS:			
Shareholders' funds			
Share capital	1	1,958	1,958
Loan Funds			
Unsecured loans	2	5,273	5,029
		7,231	6,987
APPLICATION OF FUNDS			
Current assets, loans and advances			
Sundry debtors	3	20,835	19,871
Cash and bank balances	4	27	26
Loans and advances	5	2,097	2,000
		22,959	21,897
Current liabilities and provisions			
Current liabilities	6	17,748	16,927
		17,748	16,927
Net current assets		5,211	4,970
Profit and Loss Account		2,020	2,017
		7,231	6,987
Notes to accounts	9		

The schedules referred to above are integral part of the Balance Sheet.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

for **Reddy Cheminor SA**

Dr. K. Anji Reddy
Director

G V Prasad
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income	7	-	9,552
Total		-	9,552
Expenditure			
Operating and other expenses	8	3	-
Total Expenditure		3	-
Profit/ (Loss)before tax		(3)	9,552
Less : Income tax		-	-
Profit after taxation		(3)	9,552
Balance in profit and loss account brought forward		(2,017)	(11,569)
Balance in profit and loss account carried forward		(2,020)	(2,017)
Notes to accounts	9		

The schedules referred to above are integral part of the Profit and Loss Account.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

for **Reddy Cheminor SA**

Dr. K. Anji Reddy
Director

G V Prasad
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 :		
Authorised		
2,500 equity shares of EUR 16 each (previous year: 2,500 equity shares of EUR 16 each)	1,958	1,958
Issued, Subscribed and paid-up		
2,500 equity shares of EUR 16 each (previous year: 2,500 equity shares of EUR 16 each) (Held by Dr.Reddy's Laboratories Limited)	1,958	1,958
TOTAL	1,958	1,958
Schedule 2 : Unsecured loans		
Borrowings - Others	5,273	5,029
TOTAL	5,273	5,029
Schedule 3 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months Considered good	-	-
Other Current Assets	20,835	19,871
TOTAL	20,835	19,871
Schedule 4 : Cash and bank balances		
Cash on hand	27	26
TOTAL	27	26
Schedule 5 : Loans and advances (Unsecured)		
Other advances recoverable in cash or in kind or for value to be received	2,097	2,000
TOTAL	2,097	2,000
Schedule 6 : Current Liabilities		
Sundry creditors	17,356	16,553
Others Current Liabilities	392	374
TOTAL	17,748	16,927

Schedules to the Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 7 : Other income		
Miscellaneous income	-	9,552
TOTAL	-	9,552
Schedule 8 : Operating and other expenses		
Exchange loss (net)	3	-
Sundry expenses	-	-
TOTAL	3	-

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 9: Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of consolidated financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated exclusive of returns, applicable trade discounts and allowances.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

f) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There are no commitments or contingent liabilities as at 31st March 2011 (previous year Nil).

3. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

4. The Company, incorporated in France, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period after taxation	(825,423)	(665,570)
Balance Brought forward	(6,060,717)	(5,395,147)
Balance Carried forward to Balance Sheet	(6,886,140)	(6,060,717)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

G V Prasad
Director

Michael Ewers
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Holding GmbH as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS:			
Shareholders' funds			
Share capital	1	1,350	1,350
Reserves & surplus	2	6,467,308	9,819,089
		6,468,658	9,820,439
Loan funds			
Secured loans	3	248,791	244,772
Unsecured loans	4	25,277,714	25,028,825
		25,526,505	25,273,597
		31,995,163	35,094,036
APPLICATION OF FUNDS			
Investments	5	26,067,424	26,067,424
Current assets, loans and advances			
Inventories		-	-
Sundry debtors	6	22,992	21,921
Cash and bank balances	7	14,605	26,536
Loans and advances	8	2,517,606	3,057,560
		2,555,203	3,106,017
Current liabilities and provisions			
Current liabilities	9	3,913,277	568,829
		3,913,277	568,829
Net current assets		(1,358,074)	2,537,188
Deferred tax assets		399,673	428,707
Profit & Loss Account		6,886,140	6,060,717
		31,995,163	35,094,036
Notes to accounts	15		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

for **Reddy Holding GmbH**

G V Prasad

Director

Michael Ewers

Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		862	39,765
Other income	10	372,835	494,239
		373,697	534,004
Expenditure			
Material costs		934	19,162
Personnel costs	11	172,672	318,878
Operating and other expenses	12	205,163	248,619
Finance charges	13	721,587	839,306
		1,100,356	1,425,965
Profit before taxation		(726,659)	(891,961)
Provision for tax	14		
- Current tax		47,807	(519)
- Deferred tax expense/ (benefit)		50,957	(225,872)
Profit for the year		(825,423)	(665,570)
Balance in profit and loss account brought forward		(6,060,717)	(5,395,147)
Balance carried forward		(6,886,140)	(6,060,717)

Notes to accounts

15

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A. Ramachandra Rao & Co.

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

for Reddy Holding GmbH

G V Prasad

Director

Michael Ewers

Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
Authorised capital 25,000 EUR	1,350	1,350
Issued, Subscribed and paid-up		
Issued capital 25,000 EUR	1,350	1,350
Schedule2: Reserves & Surplus		
Share Premium	5,954,706	5,954,516
Foreign Currency Translation Reserve	512,602	3,864,573
	6,467,308	9,819,089
Schedule 3: Secured Loans		
<i>Loans from banks</i>		
Term loan from bank	248,791	244,772
	248,791	244,772
Schedule 4: Unsecured Loans		
Borrowings - IU	25,277,231	25,028,714
Borrowings from others	483	111
	25,277,714	25,028,825
Schedule 5: Investments		
(Long term at cost)		
Investment in subsidiary	26,067,424	26,067,424
	26,067,424	26,067,424

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 6: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	22,992	21,921
	22,992	21,921
Schedule 7: Cash and bank balances		
Balances with non-scheduled banks		
On current accounts	14,605	26,536
	14,605	26,536
Schedule 8: Loans and advances (Unsecured)		
Other advances recoverable in cash or in kind or for value to be received	658,362	609,344
Advance tax (net of provision for current taxes)	1,938	9,181
Deposits	420	-
Other Current assets	1,856,886	2,439,035
	2,517,606	3,057,560
Schedule 9: Current Liabilities		
Other Current Liabilities	3,439,366	162,274
Income tax payable	473,911	406,555
	3,913,277	568,829

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 10: Other income		
Interest on fixed deposits	19,713	21,804
Exchange gain, net	-	1,718
Miscellaneous income	353,122	470,717
	372,835	494,239
Schedule 11: Personnel costs		
Salaries, wages and bonus	125,751	231,429
Contribution to provident and other funds	15,218	29,792
Workmen and staff welfare expenses	31,703	57,657
	172,672	318,878
Schedule 12: Operating and other expenses		
Rates and taxes	4,722	4,104
Repairs and maintenance	4,684	6,921
Travelling and conveyance	3,833	8,640
Communication	11,010	24,840
Advertisements	5,039	5,967
Other selling expenses	10,141	19,635
Printing and stationery	1,380	2,078
Legal and professional charges (including Auditors' remuneration)	35,204	29,919
Donations	-	738
Bad debts written-off	62	1,178
Exchange loss, net	13	-
Bank charges	134	2
Sundry expenses	128,941	144,597
	205,163	248,619

Schedules to Profit and Loss Account (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 13: Finance charges		
Interest on loans	721,587	839,306
	721,587	839,306
Schedule 14: Provision for tax		
Current taxes	47,807	(519)
Deferred taxes	50,957	(225,872)
	98,764	(226,391)

Schedules to Balance Sheet and Profit and Loss Account

Schedule 15 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

d) Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

e) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products. Revenue from sale of products is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

g) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

h) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2011.

3. Deferred taxation

	(Rs. in thousands)	
	As at	As at
	31 March 2011	31 March 2010
Deferred tax asset/ (liability)		
Other Current assets	170,473	186,365
Loss carry forward	306,872	379,242
Sundry Debtors	43,732	(12,484)
Current Liabilities	22,677	17,274
Inventory	(3,614)	(100)
Depreciation	(140,466)	(141,590)
Deferred tax assets, net	399,674	428,707

4. Related party disclosures

a. The Company has following amounts due from/ to related parties:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due to related parties (included in unsecured loans)		
Dr. Reddy's Laboratories SA	884,949	845,188
Lacock Holdings Limited	24,435,929	24,218,156
ii Due from related parties (Included in Advances)		
Lacock Holdings Limited	658,877	609,053

5. The Company, incorporated in Germany, is a 100% Subsidiary of Lacock Holdings Limited.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	(2,708)	(10,882)
Balance Brought forward	(22,779)	(11,897)
Balance Carried forward to Balance Sheet	(25,487)	(22,779)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Dr. K Anji Reddy
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Netherlands B.V. as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A. Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1,820	754
Loan funds			
Unsecured loans	2	24,865	24,548
TOTAL		26,685	25,302
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	3	669	1,152
Sundry debtors	4	1,277	-
Loans and advances	5	-	1,371
Current liabilities and provisions			
Current liabilities	6	748	-
Net current assets		1,198	2,523
Profit & Loss Account		25,487	22,779
TOTAL		26,685	25,302
Notes to accounts	8		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for A Ramchandra Rao & Co.
Chartered Accountants
ICAI FRN : 002857S

for Reddy Netherlands BV

A Ramachandra Rao
Partner
Membership No: 9750

Dr. K Anji Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Interest income		23	-
Other income		-	52
Total		23	52
Expenditure			
Operating and other expenses	7	2,731	10,934
Total Expenditure		2,731	10,934
Profit/ (Loss) before tax		(2,708)	(10,882)
Income tax expense/ (benefit)		-	-
Profit after taxation		(2,708)	(10,882)
Balance in profit/ (loss) account brought forward		(22,779)	(11,897)
Balance in profit / (loss) account carried forward		(25,487)	(22,779)

Notes to accounts

8

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for A Ramchandra Rao & Co.
Chartered Accountants
ICAI FRN : 002857S

for Reddy Netherlands BV

A Ramachandra Rao
Partner
Membership No: 9750

Dr. K Anji Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
1,820 equity shares of EUR 50 each	3,770	3,770
	3,770	3,770
Issued, Subscribed and paid-up		
704 equity shares of EUR 50 each (previous year 364 shares) (Held by Reddy Antilles N.V (Holding Company))	1,820	754
	1,820	754
TOTAL	1,820	754
Schedule 2 : Unsecured loans		
Other borrowings - Group companies	24,865	24,548
	24,865	24,548
TOTAL	24,865	24,548
Schedule 3 : Cash and Bank Balances		
Cash on hand	-	-
Balance with Scheduled banks On current accounts	669	1,152
	669	1,152
TOTAL	669	1,152
Schedule 4 : Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months Considered good	1277	-
	1277	-
TOTAL	1277	-
Schedule 5 : Loans and advances (Unsecured)		
Other advances recoverable in cash or in kind or for value to be received	-	1,371
	-	1,371
TOTAL	-	1,371
Schedule 6 : Current Liabilities		
Scrrued Expenses	-	-
Other Current Liabilities	748	-
	748	-
TOTAL	748	-

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 7 : Operating and other expenses		
Bank charges	-	26
Exchange loss (net)	2,710	-
Sundry expenses	21	10,908
TOTAL	2,731	10,934

Schedule to Balance Sheet and Profit and Loss Account (Contd.)

Schedule 8 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

d) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

f) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31 March 2011 (previous year Nil).

3. Related party Disclosures:

Particulars	(Rs. in thousands)	
	As at	As At
	31 March 2011	31 March 2010
i. Due to related parties (included in Borrowings)		
Reddy Antilles N.V	20,974	20,871
Dr. Reddy's Laboratories SA	3,882	3,677

4. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

- 5.** The Company, incorporated in the Netherlands, is a 100% Subsidiary of Reddy Antilles N.V. Reddy Antilles N.V. is incorporated in Netherlands, is a 100% Subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	71,649	(164,035)
Balance Brought forward	(700,868)	(536,833)
Balance Carried forward to Balance Sheet	(629,219)	(700,868)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Directors

During the year under review, Mr. M.V. Narasimham has been appointed as Director wef 30 April 2010.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Sameer Natu
Director

M.V. Narasimham
Director

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Pharma Iberia SA as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	321,090	321,090
Reserves & Surplus	2	27,246	39,960
		348,336	361,050
Loan funds			
Unsecured loans	3	348,640	332,524
		348,640	332,524
		696,976	693,574
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	20,765	20,765
Less: Accumulated depreciation		20,765	20,765
Net block		-	-
Current assets, loans and advances			
Inventories	5	-	2
Sundry debtors	6	52,399	14,797
Cash and bank balances	7	52,016	11,490
Loans and advances	8	3,510	8,735
		107,925	35,024
Current liabilities and provisions			
Current liabilities	9	16,922	38,685
Deferred Revenue Income		23,246	3,633
		40,168	42,318
Net current assets		67,757	(7,294)
Profit & Loss Account		629,219	700,868
		696,976	693,574

Notes to accounts 15

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO 002857S

for **Reddy Pharma Iberia SA**

A. Ramachandra Rao
Partner
Membership No. 9750

Sameer Natu
Director

Place : Hyderabad
Date : 11.05.2011

M.V. Narasimham
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

Particulars	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Sales		152,654	55,741
Other income	10	64	18
		152,718	55,759
Expenditure			
Material costs	11	39,127	97,469
Personnel costs	12	1,102	61,859
Operating and other expenses	13	36,346	54,847
Amortisation of intangibles		-	3,610
Finance charges	14	4,494	-
Depreciation		-	2,009
		81,069	219,794
Profit/ (loss) for the year		71,649	(164,035)
Balance in profit and loss account brought forward		(700,868)	(536,833)
Balance in profit and loss account carried forward		(629,219)	(700,868)

Notes to accounts

15

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO 002857S

for **Reddy Pharma Iberia SA**

A. Ramachandra Rao
Partner
Membership No. 9750

Sameer Natu
Director

Place : Hyderabad
Date : 11.05.2011

M.V. Narasimham
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

Particulars	As at 31 March 2011	As at 31 March 2010
Schedule 1: Share capital		
Authorised		
5,566,000 shares of EUR 1 each	321,090	321,090
Issued, Subscribed and paid-up		
5,566,000 shares of EUR 1 each	321,090	321,090
	321,090	321,090
Schedule 2: Reserves & Surplus		
Securities premium account	41	41
Foreign Currency Translation Reserve	27,205	39,919
Total	27,246	39,960
Schedule 3: Unsecured Loans		
Borrowings - IU	348,640	332,524
	348,640	332,524
Schedule 5 : Inventories		
Finished goods	-	2
	-	2
Schedule 6: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	52,399	14,225
Other Current assets	-	572
	52,399	14,797
Schedule 7: Cash and bank balances		
Cash in hand	-	15
On current accounts	52,016	11,475
	52,016	11,490
Schedule 8: Loans and advances (Unsecured)		
Advances recoverable in cash or in kind or for value to be received	2,542	7,812
Deposits	968	923
	3,510	8,735
Schedule 9: Current Liabilities		
Sundry creditors	3,124	12,816
Other Current Liabilities	13,239	24,406
TDS Payable	559	1,463
	16,922	38,685

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

Schedule - 2 : Fixed Assets	Gross Block				Depreciation				Net Block			
	Gross Block 1-04-2010	Additions	Deletions	Forex	Gross Block 31-03-2011	Acc Dep 01-04-2010	Dep. for the year	Dele- tions	Forex	Acc Dep 31-03-2011	Net Block 31.03.2011	Net Block 31.03.2010
	Intangibles	20,765	-	-	-	20,765	20,765	-	-	-	20,765	-
Total	20,765	-	-	-	20,765	20,765	-	-	-	20,765	-	-
Previous Year	23,823	-	3,889	831	20,765	21,804	5,619	4,445	(2,213)	20,765	-	-

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Particulars	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 10: Other income		
Exchange gain, net	-	18
Miscellaneous income	64	-
	64	18
Schedule 11 : Material costs		
Opening stock of Finished goods	407	408
Closing stock of Finished goods	-	1
Net (increase)/ decrease	407	407
Raw materials purchased	38,720	97,062
TOTAL	39,127	97,469
Schedule 12: Personnel costs		
Salaries, wages and bonus	1,102	61,859
	1,102	61,859
Schedule 13: Operating and other expenses		
Power and fuel	1	8
Rent	1,436	2,296
Rates and taxes	2	6
Repairs and maintenance		
Buildings	61	36
Plant and machinery	-	-
Insurance	15	91
Travelling and conveyance	512	4,170
Communication	323	1,047
Other selling expenses	30,186	34,250
Legal and professional charges	3,209	3,965
Bank charges	187	271
Vehicle Expense	(258)	
Provision for doubtful debts	458	
Sundry expenses	214	8,707
	36,346	54,847
Schedule 14: Finance charges		
Interest on loans	4,494	-
	4,494	-

Schedules to Balance Sheet and Profit and Loss Account

Schedule 15 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings:	
- Factory and administrative buildings	20 to 39
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office machinery & equipment	4 to 8
Computer equipment	3
Vehicles	4 to 5

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangible	5-10

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	First in first out (FIFO)
Stores and spares	Weighted average method
Work-in-process and finished goods (manufactured)	FIFO and an appropriate share of production overheads
Finished goods (traded)	Cost of purchase

f) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

g) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

h) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales are stated exclusive of returns, applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed.

i) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

j) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as on 31 March 2011 (previous year Nil).

3. Related Party Disclosure

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due to related parties (included in unsecured loans):		
Dr. Reddys Laboratories SA, Switzerland	348,604	332,489
Dr. Reddy's Laboratories (UK) Limited	36	36
ii. Due to related parties (included in Creditors):		
Dr.Reddy's Laboratories Limited	-	11,274

4. The Company, incorporated in Iberia, Spain is a 100% Subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Pharma Italia SPA as at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income	9	24,489	19,841
		24,489	19,841
Expenditure			
Personnel costs	10	17,333	28,182
Operating and other expenses	11	17,817	4,549
Depreciation		599	855
		35,749	33,586
Profit/ (loss) for the year		(11,260)	(13,745)
Balance in profit and loss account brought forward		(71,446)	(57,701)
Balance in profit and loss account carried forward		(82,706)	(71,446)

Notes to accounts

12

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No: 9750

Place : Hyderabad

Date : 11.05.2011

for **Reddy Pharma Italia S.P.A**

G.V. Prasad

Director

Satish Reddy

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets
(All amounts in Indian Rupees thousands, except share data)

	Gross Block				Depreciation				Net Block	
	As at 01.04.2010	Additions	Deductions	Forex	As at 31.03.2011	For the Year	Deductions	Forex	As at 31.03.2011	As at 31.03.2010
Land - freehold	1,291	512	-	63	1,866	209	-	169	906	709
Furniture and fixtures	710	1,086	1,523	34	307	390	31	(381)	-	381
Total	2,001	1,598	1,523	97	2,173	599	31	(212)	906	1,090
Previous year	823	1,594	416	-	2,001	855	360	56	1,090	

Schedules to Balance Sheet and Profit and Loss Account

Schedule 12 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of the Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with the Section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office furniture & fittings	4 to 8
Office machinery & equipment	4 to 8
Computer equipment	3

Tenants improvements is being amortised over the primary period of the lease.

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing

iii.	Due from related parties (included in Advances):		
	Dr. Reddy's SRL	592,510	362,715
iv.	Due from related parties (included in Debtors):		
	Dr. Reddy's SRL	72,168	78,207

4. The Company, incorporated in Italy, is a 100% subsidiary of Lacock Holdings Limited. Lacock Holding Limited, incorporated Cyprus, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% share holding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	-	(87,809)
Balance Brought forward	(50,393)	37,416
Balance Carried forward to Balance Sheet	(50,393)	(50,393)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad

Date : 11.05.2011

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy Pharmaceuticals Hong Kong Limited at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	58,021	58,021
TOTAL		58,021	58,021
APPLICATION OF FUNDS			
Current assets, loans and advances			
Cash and bank balances	2	2,118	2,133
Loans and advances	3	7,692	7,693
Current liabilities and provisions			
Current liabilities	4	2,182	2,198
Net current assets		7,628	7,628
Profit and Loss Account			
TOTAL		58,021	58,021

Notes to accounts 7

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Reddy Pharmaceuticals Hong Kong Ltd.**

A. Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Expenditure			
Material Costs	5	-	96
Operating and other expenses	6	-	87,713
Total Expenditure		-	87,809
Profit (loss) before tax		-	(87,809)
Income tax expense/ (benefit)		-	-
Profit after taxation		-	(87,809)
Balance in profit/ (loss) account brought forward		(50,393)	37,416
Balance in profit/ (loss) account carried forward		(50,393)	(50,393)
Notes to accounts	7		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Reddy Pharmaceuticals Hong Kong Ltd.**

A. Ramachandra Rao
Partner
Membership No: 9750

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
12,000,000 (previous year: 12,000,000) equity shares of HK\$ 1 each	59,893	59,893
Issued, Subscribed and paid-up		
11,625,000 (previous year: 11,625,000) equity shares of HK\$ 1 each (Held by Dr.Reddy's Laboratories Limited,(Holding Company))	58,021	58,021
TOTAL	58,021	58,021
Schedule 2 : Cash and bank balances		
Balance with non-scheduled banks - On current account	2,118	2,133
TOTAL	2,118	2,133
Schedule 3 : Loans and advances (Unsecured)		
<i>Considered good</i>		
Other advances recoverable in cash or in kind or for value to be received	7,692	7,693
	7,692	7,693
Schedule 4 : Current Liabilities		
Sundry creditors	2,166	2,181
Other Current Liabilities	16	17
TOTAL	2,182	2,198

Schedules to the Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

Schedule	For the year ending 31 March 2011	For the year ending 31 March 2010
Schedule 5 : Material costs		
Opening stock of Finished goods	-	96
Closing stock of Finished goods	-	-
Net (increase)/ decrease	-	96
Schedule 6 : Operating and other expenses		
Forex loss/ (gain), net	-	9,398
Other General Expenses	-	78,315
TOTAL	-	87,713

Schedules to Balance Sheet and Profit and Loss Account

Schedule 7 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded)	Cost of purchase
Goods in transit	At actual cost

d) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

f) Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from export sales is recognised on shipment of products.

Revenue from product sales is stated exclusive of returns, applicable trade discounts and allowances.

g) Income-tax expense

Income tax expense comprises current tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

h) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31 March 2011 (previous year Nil).

3. Related Party Disclosures:

Particulars	(Rs. in thousands)	
	As at	As at
	31 March 2011	31 March 2010
i. Due to related parties(Advances)		
Reddy Antilles N.V	-	-

4. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in Hong Kong, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2010	31 March 2009
Profit/ (Loss) for the period after taxation	18,183	(89,410)
Balance Brought forward	(102,628)	(13,218)
Balance Carried forward to Balance Sheet	(84,445)	(102,628)

Directors Responsibility statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 11.05.2011

Dr. K Anji Reddy
Director

G V Prasad
Director

AUDITORS' REPORT

To
The Board of Directors of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Reddy US Therapeutics at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN NO: 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	954	954
Reserves and surplus	2	92,957	93,163
		93,911	94,117
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	-	-
<i>Less: Accumulated depreciation</i>		-	-
Net block		-	-
Current assets, loans and advances			
Sundry debtors	4	21,728	21,877
Cash and bank balances	5	1,354	1,346
Loans and advances	6	2,024	2,038
Current liabilities and provisions			
Current liabilities	7	15,640	33,772
Net current assets		9,466	(8,511)
Profit & Loss Account		84,445	102,628
Notes to accounts	11	93,911	94,117

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN NO: 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for **Reddy US Therapeutics Inc**

Dr. K. Anji Reddy
Director

G.V. Prasad
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ending 31 March 2011	For the year ending 31 March 2010
Income			
Other income	8	22,570	88,246
Total		22,570	88,246
Expenditure			
Personnel costs	9	-	9,846
Operating and other expenses		4,387	78,796
Research and development expenses		-	59,926
Depreciation		-	2,342
Total Expenditure		4,387	150,910
Profit/ (Loss)before tax		18,183	(62,664)
Income tax expense / (benefit)		-	26,746
Profit after taxation		18,183	(89,410)
Balance in profit/ (loss) account brought forward		(102,628)	(13,218)
Balance in profit/ (loss) account carried forward		(84,445)	(102,628)

Notes to accounts 11

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramchandra Rao & Co.**
Chartered Accountants
ICAI FRN NO: 002857S

for **Reddy US Therapeutics Inc**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K. Anji Reddy
Director

Place : Hyderabad
Date : 11.05.2011

G.V. Prasad
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
10,000,000 equity shares of USD 0.0001 each (previous year: 10,000,000 equity shares of US\$ 0.0001 each)	1,003	1,003
Issued, Subscribed and paid-up		
9,791,500 equity shares of USD 0.0001 each (previous year: 9,791,500 equity shares of USD 0.0001 each)	954	954
TOTAL	954	954
Schedule 2 : Reserves and Surplus		
Securities premium account:	92,698	92,698
Foreign Currency Translation Reserve	259	465
TOTAL	92,957	93,163
Schedule 4 : Sundry debtors		
Debts outstanding for a period exceeding six months		
Considered good	21,728	21,877
Other Current Assets	-	-
TOTAL	21,728	21,877
Schedule 5 : Cash and bank balances		
Balance with non-scheduled banks on current account	1354	1,346
TOTAL	1,354	1,346
Schedule 6 : Loans and advances (Unsecured)		
Deposits	2,024	2,038
TOTAL	2,024	2,038
Schedule 7 : Current Liabilities		
Sundry creditors	55	16
Accrued Expenses	11,768	27,069
Others Current Liabilities	3,817	6,687
TOTAL	15,640	33,772

Schedules to Balance Sheet (Contd.)

Schedule - 3 : Fixed Assets (All amounts in Indian Rupees thousands, except share data)

	Gross Block				Depreciation				Net Block	
	As At 01.04.10	Addi- tions	Deletions	Forex	As at 31.03.11	Addi- tions	Deletions	Forex	As at 31.03.11	As at 31.03.10
Lease Hold Improvements	-	-	-	-	-	-	-	-	-	-
Plant and Machinery	-	-	-	-	-	-	-	-	-	-
Electrical equipment	-	-	-	-	-	-	-	-	-	-
Furnitures and Fixtures	-	-	-	-	-	-	-	-	-	-
Computers	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-
Previous year	93,351	-	82,640	(10,711)	-	2,342	68,927	(11,275)	-	-

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 8 : Other income		
Interest income on fixed deposits	23	3
Miscellaneous income	22,547	88,243
TOTAL	22,570	88,246
Schedule 9 : Personnel costs		
Salaries, wages and bonus	-	9,288
Workmen and staff welfare expenses	-	558
TOTAL	-	9,846
Schedule 10 : Operating and other expenses		
Repairs and maintenance		
Plant and machinery	766	-
Others	45	17
Rates and taxes	46	9,227
Insurance	-	324
Communication	113	34
Printing and stationery	-	-
Lab Expenses	26	12,316
Legal and professional	736	14,192
Bank charges	-	109
Sundry expenses	2,655	1,330
Rent expenses	-	41,247
TOTAL	4,387	78,796

Note : Legal and professional charges include auditor's remuneration paid to the foreign auditor for the purpose of audit as per local laws

Schedules to Balance Sheet and Profit and Loss account

Schedule 11 : Notes to Accounts

1. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5, 000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Furniture and fixtures & Office Equipment	4 to 8

d) Research and development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on research and development having alternative uses is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

Schedules to Balance Sheet and Profit and Loss account

e) Retirement benefits

Contributions payable employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Revenue recognition

Revenue received by way of contributions for research is recognised over the period for which the contribution has been received.

h) Income-tax expense

Income tax expense comprises current tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

i) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31 March 2011 (previous year Nil).

3. Related Party Disclosures:

Particulars	(Rs. thousands)	
	As at 31 March 2011	As at 31 March 2010
i. Due to related parties (Included in Creditors)		
Dr. Reddy's Laboratories Inc.	-	34
Aurigene Discovery Technologies Limited	46	46
ii. Due from related parties (Included in Debtors)		
Dr. Reddy's Laboratories Limited	21,728	21,877

3. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

4. The Company, incorporated in the United States of America, is a 100% Subsidiary of Reddy Antilles NV. Reddy Antilles NV is incorporated in Netherlands, is a 100% Subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2011

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit/ (Loss) for the period after taxation	(1,006)	(1,036)
Balance Brought forward	(238,498)	(237,462)
Balance Carried forward to Balance Sheet	(239,504)	(238,498)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Trigenesis Therapeutics Inc. at 31 March 2011 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and are prepared to comply with the requirements of Section 212 of the Companies Act, 1956. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of account as required by the local laws of the country in which the company is incorporated have been kept by the company so far as appears from our examination of these books;
- iii. The Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, to the extent applicable, 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 2011; and
 - b. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	9	9
Reserves and surplus	2	258,102	258,102
Loan funds			
Unsecured loans	3	189	192
Total		258,300	258,303
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	228,319	228,319
Less: Accumulated depreciation		209,538	208,539
Net block		18,781	19,779
Current assets, loans and advances			
Cash and bank balances		15	26
Current liabilities and provisions			
		-	-
Net current assets		15	26
Profit & Loss Account		239,504	238,498
Total		258,300	258,303
Notes to accounts	6		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for **Trigenesis Therapeutics Inc.**

Satish Reddy
Director

G V Prasad
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income		12	25
Total		12	25
Expenditure			
Operating and other expenses	5	9	21
Depreciation & Amortisation		1,009	1,040
Total Expenditure		1,018	1,061
Profit/ (Loss) before tax		(1,006)	(1,036)
Less: Income tax		-	-
Profit after taxation		(1,006)	(1,036)
Balance in profit/ (loss) account brought forward		(238,498)	(237,462)
Balance in profit/ (loss) account carried forward		(239,504)	(238,498)

Notes to accounts 6

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 11.05.2011

for **Trigenesis Therapeutics Inc.**

Satish Reddy
Director

G V Prasad
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
1000 equity shares of \$1.01 each	45,673	45,673
Subscribed and paid-up		
206 equity shares of \$1.01 each (Held by Dr. Reddy's Laboratories Ltd., Holding company)	9	9
TOTAL	9	9
Schedule 2 : Reserves & Surplus		
Share Premium	258,102	258,102
	258,102	258,102
Schedule 3 : Unsecured Loan		
Borrowings - IU	189	192
	189	192

Schedules to Balance Sheet (Contd.)

Schedule - 4 : Fixed Assets

(All amounts in Indian Rupees thousands, except share data)

	Gross Block			Depreciation/Amortisation				Net Block			
	01.04.2010	Additions	Sale	31.03.2011	01.04.2010	For the year	Sale	Forex	31.03.2011	31.03.2010	
INTANGIBLES	228,319	-	-	228,319	208,539	1,009	-	(10)	209,538	18,781	19,779
TOTAL	228,319	-	-	228,319	208,539	1,009	-	(10)	209,538	18,781	19,779
Previous Year	228,319	-	-	228,319	207,504	1,040	-	(5)	208,539	19,779	

Schedule to Profit and Loss Account

All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 5 : Operating and other expenses		
Exchange loss, net	-	21
Bank charges	9	-
	9	21

Schedules to Balance Sheet and Profit and Loss Account

Schedule 6 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act, 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

d) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangibles	6-10

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

g) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31st March 2011 (previous year Nil).

3. Related Party Transactions:

Particulars	(Rs. in thousands)	
	As at 31 March 2011	As at 31 March 2010
i) Due from related parties (included in Borrowings):		
Dr. Reddy's Laboratories Inc.	189	190

4. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year's classification.

5. The Company, incorporated in the United States of America, is a 100% subsidiary of Dr. Reddy's Laboratories Ltd.

DIRECTORS' REPORT

Your Directors present the 11th Annual Report of the Company for the year ended 31 March 2011.

Financial Results

Particulars	(In Thousands)	
	31 March 2011	31 March 2010
Profit / (Loss) for the period	(15)	(237)
Balance Brought forward	(14,142)	((13,905)
Balance Carried forward to Balance Sheet	(14,157)	(14,142)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2011.

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of net loss of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts ongoing concern basis.

Auditors

The Statutory Auditors of the Company M/s. Satyanarayana & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommend reappointment of M/s. Satyanarayana & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2011-12 for shareholder's approval.

Directors

Dr. K. Anji Reddy, retires by rotation at the ensuing 11th Annual General Meeting and is eligible for re-appointment subject to the approval of members in the ensuing 11th Annual General Meeting of the Company.

Dr. Reddy's Laboratories Limited – A Holding Company

During the year under review, the Company became the wholly owned subsidiary of Dr. Reddy's Laboratories Limited, Hyderabad.

Compliance Certificate

Pursuant to the provisions of Section 383A of the Companies Act, 1956, a certificate issued by a secretary in whole time practice with regard to compliance with the provisions of the Companies Act, 1956 is enclosed as Annexure – I.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to your company.

Conservation of energy, research and developments, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 with regard to conservation of energy and technology absorption are not applicable to your company.

Acknowledgements

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the company during the year.

For Idea2 Enterprises (India) Private Limited

Satish Reddy
Director

G. V. Prasad
Director

Place : Hyderabad
Date : 11.05.2011

AUDITORS' REPORT

To

The Shareholders of
IDEA2ENTERPRISES (INDIA) PRIVATE LIMITED
Hyderabad.

01. We have audited the attached Balance Sheet of **IDEA 2 ENTERPRISES (INDIA) PVT.LTD** as at 31 March 2011 and the attached Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
02. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
03. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
04. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as required by Law have been kept by the company so far as appears from our examination of such books.
 - c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account.
 - d) In our opinion, the profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred in Section 211(3C) of the Companies Act, 1956 to the extent applicable.
 - e) On the basis of written representations received from the directors, as on 31 March 2011, and taken on record by the Board of Directors. We report that none of the directors is disqualified as on 31 March, 2011 from being appointed as on directors in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956.
05. In our opinion and to the best of our information and according to the explanations furnished to us the accounts read in conjunction with the notes thereon give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (1) in the case of Balance Sheet of the state of affairs of the Company as at 31 March, 2011; and
 - (2) in the case of Profit and Loss Account of the Loss for the year ended on that date.

For **SATYANARAYANA & CO**
Chartered Accountants
Registration No. 0036805

Place : Hyderabad
Date : 11.05.2011

(G. VENKATARATNAM)
Partner
Membership No. 19455

ANNEXURE TO AUDITORS' REPORT

Reg:- Idea2Enterprises (India) Private Limited referred to in paragraph 3 of our report of even date.

- I
 - a. The Company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. All fixed assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were identified on such verification
 - c. There was no disposal of fixed assets during the year.
- II
 - a. Not applicable as the Company has no inventory.
 - b. Not applicable.
 - c. Not applicable.
- III The Company has not taken or given any loans from/to parties covered in the register maintained under section 301 of the Companies Act, 1956.
- IV In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- V
 - a. According to the information and explanations provided by the management, there was no transactions that need to be entered into the register maintained under section 301.
 - b. Not Applicable.
- VI The Company has not accepted any deposits from the public.
- VII In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- VIII Maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 is not prescribed by the Central Government.
- IX
 - a. Not applicable as the Company has not carried out commercial operations.
 - b. Not applicable
 - c. Not applicable
- X The company did not carry out any business activity up to the current year and hence this clause is not applicable in the case of this company.
- XI The company has not taken any loans from banks/financial institutions.
- XII According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

ANNEXURE TO AUDITORS' REPORT (Contd.)

- XIII In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- XIV In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) order 2003, are not applicable to the Company.
- XV According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from bank or financial institutions.
- XVI The Company has not taken any term loans from banks/financial institutions.
- XVII The Company has not raised funds on short term basis.
- XVIII The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956
- XIX The Company has not issued debentures during the year.
- XX The Company had not raised money by public issues during the year
- XXI Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **SATYANARAYANA & CO**
Chartered Accountants
Registration No. 0036805

Place : Hyderabad
Date : 11.05.2011

(G. VENKATARATNAM)
Partner
Membership No. 19455

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011	As at 31 March 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	23,778	23778
Reserves and surplus	2	1,436,964	-
		1,460,742	23,778
APPLICATION OF FUNDS			
Fixed assets (Land)		1,449,942	9376
Current assets, loans and advances			
Cash and bank balances	3	270	274
Loans and advances	4	1	8
		271	282
Current liabilities and provisions			
Current liabilities	5	3,628	22
		3,628	22
Net current assets		(3,357)	260
Profit and Loss Account		14,157	14142
		1,460,742	23,778
Notes to accounts	7		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **Satyanarayana & Co.**
Chartered Accountants
Firm Registration No: 0036805

for **Idea2Enterprises (India) Pvt. Limited.**

G. Venkataratnam
Partner
Membership No. 19455

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Profit and Loss Account for the year ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
Income			
Other income		13	42
Total		13	42
Expenditure			
Operating and other expenses	6	24	266
Total Expenditure		24	266
Profit /(Loss) before tax		(11)	(224)
Less: Income tax		4	13
Profit after taxation		(15)	(237)
Balance in profit and loss account brought forward		(14,142)	(13,905)
Balance in profit and loss account carried forward		(14,157)	(14,142)

Notes to accounts 7

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **Satyanarayana & Co.**
Chartered Accountants
Firm Registration No: 0036805

for **Idea2Enterprises (India) Pvt. Limited.**

G. Venkataratnam
Partner
Membership No. 19455

G V Prasad
Director

Place : Hyderabad
Date : 11.05.2011

Satish Reddy
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011	As at 31 March 2010
Schedule 1 : Share capital		
Authorised		
2,500,000 equity shares of Rs.10 each	25,000	25,000
Subscribed and paid-up		
2,377,826 Equity shares of Rs.10 each fully paid-up	23,778	23,778
TOTAL	23,778	23,778
Schedule 2 : Reserves & Surplus		
Security Premium	1,436,964	-
	1,436,964	-
Schedule 3 : Cash and bank balances		
Cash on hand	-	10
Balance with scheduled banks		
On current accounts	105	264
On deposit accounts	165	-
TOTAL	270	274
Schedule 4 : Loans and advances (Unsecured)		
Prepaid expense	-	4
TDS Receivable on Term Deposit	1	4
TOTAL	1	8
Schedule 5 : Current Liabilities		
Income tax payable	13	13
Audit fee payable	15	6
Others Current Liabilities	3,600	3
TOTAL	3,628	22

Schedule to Profit and Loss Account

All amounts in Indian Rupees thousands, except share data)

	For the year ended 31 March 2011	For the year ended 31 March 2010
Schedule 6 : Operating and other expenses		
Professional charges	-	150
Auditors' remuneration	10	6
Filing fee	5	66
Other general expenses	9	44
	24	266

Schedules to Balance Sheet and Profit and Loss Account

Schedule 6 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

d) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

e) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Schedules to Balance Sheet and Profit and Loss Account (Contd.)

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

f) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2011.

3. Related Party Transactions:

Particulars	(Rs. in thousands)
	As at 31 March 2011
i) Due from related parties (included in Borrowings): Dr. Reddy's Laboratories Ltd.	3,600

4. The Company incorporated in India, is a 100% subsidiary of Dr. Reddy's Laboratories Ltd. by virtue of 100% shareholding.

5. Managing Director's Remuneration :

Salary : Nil
Perquisites/Allowances : Nil

6. Dues to Micro, Small and Medium Enterprises : Nil

7. Previous year's figures have been regrouped wherever necessary to facilitate comparison.

8. The Company did not carry out any commercial operations during the year.

9. Additional information pursuant to Paragraph 3, 4 and 4C of Part-II of Schedule-VI to the Companies Act, 1956 N.A.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the period ended 31 March 2011.

Financial Highlights

(Rs. In Thousands)

Particulars

31 March 2011

Profit / (Loss) for the period	(241)
Balance carried forward	-
Balance Carried Forward to Balance Sheet	(241)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board

Prashant Khandelwal
General Manager

Akhilesh Gupta
Finance Manager

Place : Hyderabad

Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Venezuela, C.A. as at 31 March, 2011 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Ministry of Finance (Department of Company Affairs, New Delhi dated 12.06.03) in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2011; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	4,700
Reserves and surplus	2	-
Loan funds		
Unsecured loans	3	56
		4,756
APPLICATION OF FUNDS		
Current assets, loans and advances		
Cash and bank balances	4	4,515
Loans and advances	5	-
		4,515
Current liabilities and provisions		
Current liabilities	6	-
Net current assets		4,515
Profit and Loss Account		241
		4,756
Notes to accounts	8	

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Venezuela, C.A.**

A. Ramachandra Rao
Partner
Membership No.9750

Prashant Khandelwal
General Manager

Akhilesh Gupta
Finance Manager

Place : Hyderabad
Date : 11.05.2011

Profit & Loss Account for the period ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011
Income		
Other income		-
Total		-
Expenditure		
Goodwill Amortization - Purchase		-
Operating and other expenses	7	241
Total Expenditure		241
Profit /(Loss)before tax		(241)
Less: Income tax		(241)
Balance in profit and loss account brought forward		-
Balance in profit and loss account carried forward		(241)
Notes to accounts	8	

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Venezuela, C.A.**

A. Ramachandra Rao
Partner
Membership No.9750

Prashant Khandelwal
General Manager

Akhilesh Gupta
Finance Manager

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

**As at
31 March 2011**

Schedule : 1

Share capital

Authorised

Equity Shares

1,000 shares of VEB 430 each

4,700

Issued, Subscribed and paid-up

Equity Shares

1,000 shares of VEB 430 each

4,700

Total

4,700

Schedule 2 : Reserves & Surplus

Security Premium

-

TOTAL

-

Schedule 3 : Unsecured loans

Borrowings others

56

TOTAL

56

Schedule 4 : Cash and bank balances

Cash on hand

-

Balance with scheduled banks

On current accounts

4,515

TOTAL

4,515

Schedule 5 : Loans and advances

(Unsecured)

Advance tax (net of provision for current taxes)

-

Other Current Assets

TOTAL

-

Schedule 6 : Current Liabilities

Sundry creditors

-

Others Current Liabilities

-

TOTAL

-

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

**For the year ended
31 March 2011**

Schedule 7: Operating and other expenses

Interest Expense	-
Exchange loss (net)	241
Sundry expenses	-
Total	241

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 8 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded) Cost of purchase

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31st March 2011 .

3. Related Party Disclosures:

Particulars	As at 31 March 2011
i. Dues from related Parties (included in Advances) Dr. Reddy's Laboratories Ltd.	NIL

4. Comparative figures

Since the company incorporated in the current year, previous year figures are not available.

5. The Company incorporated in the Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories SA, Switzerland by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the period ended 31 March 2011.

Financial Highlights

(Rs. In Thousands)

Particulars

31 March 2011

Profit / (Loss) for the period	5,887
Balance carried forward	-
Balance Carried Forward to Balance Sheet	5,887

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board of Directors

Satish Reddy
Director

M.V. Narasimham
Director

Place : Hyderabad

Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Pharma SEZ Limited as at 31 March, 2011 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Ministry of Finance (Department of Company Affairs, New Delhi dated 12.06.03) in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2011; and
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	23,743
Reserves & Surplus	2	5,887
		29,630
Loan funds		
Unsecured loans	3	20,102
		49,732
APPLICATION OF FUNDS		
Fixed assets		
Gross block	4	23,515
Less: Accumulated depreciation		4,538
Net block		18,977
Current Assets & Liabilities		
Sundry debtors	5	21,112
Cash and bank balances	6	10,404
Loans and advances	7	12,902
		44,418
Current liabilities and provisions		
Current liabilities	8	13,663
		13,663
Net current assets		
		30,755
		49,732
Notes to accounts	12	

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Laboratories Romania SRL**

A. Ramachandra Rao
Partner
Membership No.9750

Satish Reddy
Director

M.V. Narasimham
Director

Place : Hyderabad
Date : 11.05.2011

Profit & Loss Account for the period ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011
Income		
Other income	9	122,615
		122,615
Expenditure		
Personnel costs	10	45,303
Operating and other expenses	11	63,651
Depreciation		5,437
		114,391
Profit before taxation		8,224
Provision for tax		2,337
		5,887
Profit for the year		5,887
Balance in profit and loss account brought forward		-
Balance in profit and loss account carried forward		5,887
Notes to accounts	12	

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Laboratories Romania SRL**

A. Ramachandra Rao
Partner
Membership No.9750

Satish Reddy
Director

M.V. Narasimham
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011
Schedule : 1	
Share capital	
Authorised	
Equity Shares	23,743
1,70,000 shares of RON 10 each	
Issued, Subscribed and paid-up	
Equity Shares	23,743
1,70,000 shares of RON 10 each	
Total	23,743
Schedule 2: Reserves & Surplus	
Foreign currency translation reserve	-
Profit and Loss Account	5887
	5,887
Schedule 3: Unsecured Loans	
Borrowing IU	20,102
	20,102
Schedule 5: Sundry debtors (Unsecured)	
Debts outstanding for a period exceeding six months	
- Considered good	21,112
	21,112
Schedule 6: Cash and bank balances	
Cash in hand	-
Balances with banks	
On current accounts	10,404
	10,404
Schedule 7: Loans and advances (Unsecured)	
<i>Considered good</i>	
Staff loans and advances	825
Balances with statutory authorities	9,225
Deposits	1,020
Other Current Assets	1,832
	12,902
Schedule 8: Current Liabilities	
Sundry creditors	5,755
Accrued Expences	4,006
Other Liabilities	3,902
	13,663

Schedules to Balance Sheet (Contd.)

Schedule 4: FIXED ASSETS (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block					Depreciation				Net Block	
	As at 01.04.2010	Additions	Deletions	Forex	As at 31-3-2011	As at 31-3-2010	For the year	Deletions	Forex	As at 31-3-2011	As at 31-3-2010
Lease hold improvements	-	959	-	-	959	-	122	-	(7)	115	844
Computers & Software	-	514	-	-	514	-	70	-	(3)	67	447
Furniture & Fixtures	-	714	-	-	714	-	19	-	(1)	18	696
Vehicles	-	21,264	-	-	21,264	-	5,226	-	(888)	4,338	16,926
Office equipment	-	64	-	-	64	-	-	-	-	64	-
TOTAL	-	23,515	-	-	23,515	-	5,437	-	(899)	4,538	18,977
Previous Year	-	-	-	-	-	-	-	-	-	-	-

Schedules to Balance Sheet (Contd.)

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011
Schedule : 1	
Share capital	
Authorised	
Equity Shares	23,743
1,70,000 shares of RON 10 each	
Issued, Subscribed and paid-up	
Equity Shares	23,743
1,70,000 shares of RON 10 each	
Total	23,743
Schedule 2: Reserves & Surplus	
Foreign currency translation reserve	-
Profit and Loss Account	5887
	5,887
Schedule 3: Unsecured Loans	
Borrowing IU	20,102
	20,102
Schedule 5: Sundry debtors (Unsecured)	
Debts outstanding for a period exceeding six months	
- Considered good	21,112
	21,112
Schedule 6: Cash and bank balances	
Cash in hand	-
Balances with banks	
On current accounts	10,404
	10,404
Schedule 7: Loans and advances (Unsecured)	
<i>Considered good</i>	
Staff loans and advances	825
Balances with statutory authorities	9,225
Deposits	1,020
Other Current Assets	1,832
	12,902
Schedule 8: Current Liabilities	
Sundry creditors	5,755
Accrued Expences	4,006
Other Liabilities	3,902
	13,663

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

**For the year ended
31 March 2011**

Schedule 9: Other income

Profit on sale of fixed assets	51
Exchange gain, net	840
Miscellaneous income	121,724
	<u>122,615</u>

Schedule 10: Personnel costs

Salaries, wages and bonus	42,909
Workmen and staff welfare expenses	2,394
	<u>45,303</u>

Schedule 11: Operating and other expenses

Rent	3,787
Insurance	140
Travelling and conveyance	4,562
Communication	1,217
Advertisements	462
Other selling expenses	32,645
Printing and stationery	147
Legal and professional charges	3,386
Bank charges	165
Sundry expenses	17,140
	<u>63,651</u>

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 12 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded) Cost of purchase

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31st March 2011

3. Related Party Disclosures:

Particulars	As at 31 March 2011
i. Dues from related Parties (included in Advances) Dr. Reddy's Laboratories Ltd.	-
ii. Due to related parties (included in borrowings) Dr.Reddy's Laboratories S.A	20,102
iii Due from related parties (included in Debtors) Dr. Reddy's Laboratories Ltd.	21,112
iii Due to related parties (included in Creditors) Dr. Reddy's Laboratories Ltd.	-

4. Comparative figures

Since the company incorporated in the current year, previous year figures are not available.

5. The Company incorporated in the Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories SA, Switzerland by virtue of 100% shareholding.

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the period ended 31 March 2011.

Financial Highlights

(Rs. In Thousands)

Particulars

31 March 2011

Profit / (Loss) for the period	(31,814)
Balance carried forward	-
Balance Carried Forward to Balance Sheet	(31,814)

Directors Responsibility statement

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-2011 and of net profit of the company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on an ongoing concern basis.

Conservation of energy, research and developments, technology absorption, foreign exchange earning and outgo

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of board of Directors) Rule, 1988 are not applicable to your company.

Acknowledgements

Your directors wish to express their gratitude to all concerns for the co-operation to the company during the year.

For and on behalf of the board of Directors

GV Prasad
Director

Satish Reddy
Director

Place : Hyderabad

Date : 11.05.2011

AUDITORS' REPORT

To

The Board of Directors of

Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached Balance Sheet of M/s. Dr. Reddy's Laboratories Tennessee, LLC as at 31 March, 2011 and the Profit & Loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2004 issued by the Ministry of Finance (Department of Company Affairs, New Delhi dated 12.06.03) in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
 - (c) the Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, along with the notes annexed hereto, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31 March 2011; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A. Ramachandra Rao
Partner
Membership No: 9750

Place : Hyderabad
Date : 11.05.2011

Balance Sheet as at 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	As at 31 March 2011
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	1	1,119,585
Reserves and surplus	2	(4,351)
		1,115,234
APPLICATION OF FUNDS		
Fixed assets		
Gross block	3	881,833
Less: Accumulated depreciation		642
Net block		881,191
Capital Work in Progress		10,067
		891,258
Current assets, loans and advances		
Inventories	4	167,693
Cash and bank balances	5	79,799
Loans and advances	6	131,531
Current liabilities and provisions		
Current liabilities	7	186,861
Net current assets		192,162
Profit and Loss Account		31,814
		1,115,234
Notes to accounts	10	

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Laboratories Tennessee, LLC**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Profit & Loss Account for the period ended 31 March 2011

(All amounts in Indian Rupees thousands, except share data)

	Schedule	For the year ended 31 March 2011
Income		
Other income		-
Total		-
Expenditure		
Material costs		245
Personnal Costs	8	1,839
Operating and other expenses	9	29,082
Amortization		314
Depreciation		334
Total Expenditure		31,814
Profit /(Loss)before tax		(31,814)
Less: Income tax		-
Profit after taxation		(31,814)
Balance in profit and loss account brought forward		-
Balance in profit and loss account carried forward		(31,814)
Notes to accounts	10	

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **Dr. Reddy's Laboratories Tennessee, LLC**

A. Ramachandra Rao
Partner
Membership No.9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 11.05.2011

Schedules to Balance Sheet

(All amounts in Indian Rupees thousands, except share data)

	As at 31 March 2011
Schedule : 1	
Share capital	
Authorised	
Authorised Share Capital	1,119,585
USD 25,000,000*	
Issued, Subscribed and paid-up	
Issued Share Capital	1,119,585
USD 25,000,000*	
Total	1,119,585
*No concept of nature & number of shares in the Company	
Schedule 2: Reserves & Surplus	
Foreign currency translation reserve	(4,351)
	(4,351)
Schedule 4 : Inventories	
Raw Material	17,931
Work in Progress	60
Stores and spares	3,876
Finished goods	145,826
TOTAL	167,693
Schedule 5: Cash and bank balances	
Cash on hand	-
Balance with scheduled banks	
On current accounts	79,799
TOTAL	79,799
Schedule 6 : Loans and advances	
(Unsecured)	
Advance tax (net of provision for current taxes)	-
Other Current Assets	131,531
TOTAL	131,531
Schedule 7 : Current Liabilities	
Sundry creditors	22,066
Others Current Liabilities	111,817
Accrued Expenses	52,978
TOTAL	186,861

Schedules to Balance Sheet (Contd.)

Schedule 3: FIXED ASSETS (All amounts in Indian Rupees thousands, except share data)

Description	Gross Block						Depreciation				Net Block	
	As at 01.04.2010	Acqui- sitions	Additions	Deletions	Forex	As at 31-3-2011	As at 01.04.2010	For the year	Deletions	Forex	As at 31-3-2011	As at 31-3-2011
Land	-	49,250	-	-	-	49,250	-	-	-	-	-	49,250
Building (Factory & Administrative)	-	373,508	-	-	-	373,508	-	117	-	(1)	116	373,392
Ancillary Structures	-	10,638	-	-	-	10,638	-	8	-	-	8	10,630
Plant & Machinery	-	144,293	-	-	-	144,293	-	150	-	(1)	149	144,144
Electrical Equipment	-	575	-	-	-	575	-	2	-	-	2	573
Lab Equipment	-	5,180	-	-	-	5,180	-	11	-	-	11	5,169
Office Equipment	-	2,621	-	-	-	2,621	-	8	-	-	8	2,613
Furniture & Fixtures	-	2,403	-	-	-	2,403	-	8	-	-	8	2,395
Computers	-	9,292	-	-	-	9,292	-	29	-	(1)	28	9,264
Canteen Equipment	-	396	-	-	-	396	-	1	-	-	1	395
Intangible	-	283,677	-	-	-	283,677	-	314	-	(3)	311	283,366
TOTAL	-	881,833	-	-	-	881,833	-	648	-	(6)	642	881,191
Previous year	-	-	-	-	-	-	-	-	-	-	-	-

Schedules to Profit and Loss Account

(All amounts in Indian Rupees thousands, except share data)

**For the year ended
31 March 2011**

Schedule 8: Personnel costs

Salaries, Wages and Bonus	1,772
Workmen and staff welfare expenses	67
Total	1,839

Schedule 9: Operating and other expenses

Power and Fuel Expenses	349
Repairs and Maintenance Expenses - P&M	13
Repairs and Maintenance Expenses - Others	77
Insurance Expense	181
Communication Expenses	1,181
Travel Expenses	45
Other General Expense	5,638
Legal and Professional Fees	20,118
Rates and Taxes	157
Lab Expenses-Others	1,323
Total	29,082

SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule 10 : Notes to Accounts

1 Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956, and guidelines issued by Securities and Exchange Board of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Finished goods (traded) Cost of purchase

d) Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of the fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress. Pre-operative expenses directly attributable to fixed assets pending capitalisation are included under capital work-in-progress.

Depreciation on fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Individual assets costing less than Rs.5,000 are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Computer equipment	3
Buildings	30
Electrical equipment	5 to 15
Furniture and fixtures, Office equipments	4 to 8
Patents, trade marks and designs	6 to 10
Vehicles	4 to 5

e) Retirement benefits

Contributions payable to employee pension and social security schemes, which are defined contribution schemes, are charged to the profit and loss account.

f) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year-end rates. The resultant exchange differences are recognised in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisations of such assets. Deferred tax assets are reviewed as at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at the balance sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities, and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

h) Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

2. Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31st March 2011.

3. Related Party Disclosures:

Particulars	As at 31 March 2011
i. Dues from related Parties (included in Advances) Dr. Reddy's Laboratories Inc.	-
ii. Due to related parties (included in borrowings and other liabilities) Dr. Reddy's Laboratories Inc	111,817
iii. Due from related parties (included in Debtors) Dr. Reddy's Laboratories Ltd.	-
iii. Due to related parties (included in Creditors) Dr. Reddy's Laboratories Inc	-

4. Comparative figures

Since the company incorporated in the current year, previous year figures are not available.

- 5.** The Company incorporated in USA, is a 100% subsidiary of Dr. Reddy's Laboratories Inc. by virtue of 100% shareholding.