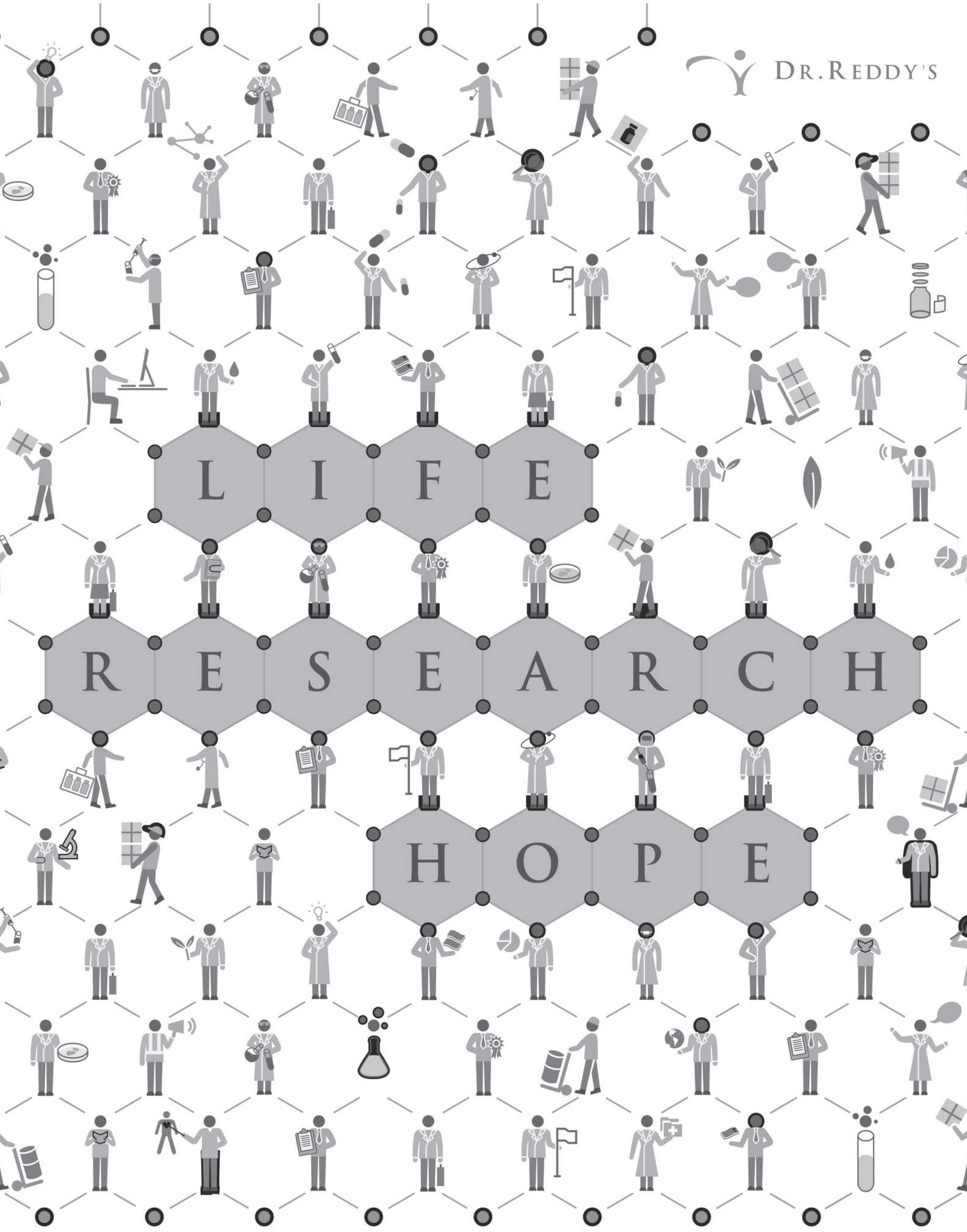

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DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	**31 March 2012**	**31 March 2011**
Profit/ (Loss) for the period after taxation	(723)	(663)
Balance brought forward	(221,969)	(221,306)
Balance carried forward to Balance Sheet	(222,692)	(221,969)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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. **Aurigene Discovery Technologies Inc** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	210,307	210,307
Reserves and surplus	2.2	(223,357)	(221,104)
		(13,050)	**(10,797)**
Non-current liabilities			
Long term borrowings	2.3	12,719	20,068
		12,719	**20,068**
Current liablities			
Other current liabilities	2.4	2,517	1,604
		2,517	**1,604**
TOTAL		**2,186**	**10,875**
ASSETS			
Current assets			
Cash and bank balances	2.5	2,186	10,876
		2,186	**10,875**
TOTAL		**2,186**	**10,875**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Aurigene Discovery Technologies Inc**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Other income	2.6	-	1
Total revenue		**-**	**1**
Expenses			
Other expenses	2.7	723	664
Total expenses		**723**	**664**
Profit before exceptional and extraordinary items and tax		**(723)**	**(663)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(723)**	**(663)**
Extraordinary items		-	-
Profit / (Loss) before tax		**(723)**	**(663)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Profit / (Loss) for the year		**(723)**	**(663)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Aurigene Discovery Technologies Inc**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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) 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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : 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		
4,400,000 equity shares of US$ 1 each (previous year: 4,400,000 equity shares of US$ 1 each) fully paid-up	210,307	210,307
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	210,307	210,307
Total	**210,307**	**210,307**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	4,400,000	210,307	4,400,000	210,307
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**4,400,000**	**210,307**	**4,400,000**	**210,307**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of U.S.$ 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Aurigene Discovery Technologies Limited	4,400,000	100	4,400,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	865	2,813
Movement during the year	(1,530)	(1,948)
	(665)	865
Surplus		
Balance at the beginning of the year	(221,969)	(221,306)
Add: Current year profit	(723)	(663)
Balance carried forward	(222,692)	(221,969)
	(223,357)	**(221,104)**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	12,719	20,068
	12,719	**20,068**
2.4 : Trade Payables		
Payable to holding company, other group companies	2,442	1,604
Other current liabilites	75	-
	2,517	**1,604**
2.5 : Cash and bank balances		
Bank balances in current accounts	2,186	10,876
	2,186	**10,876**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.6 : Other income		
Interest income		
On other deposits	-	1
	-	**1**
2.7 : Other expense		
Legal and professional	73	1
Rates and taxes	-	123
Miscellaneous	650	540
	723	**664**

Note 2: Notes to accounts (Continued)

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

2.8. Related party disclosures

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

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in Other Current Liabilities):		
	Dr. Reddy's Laboratories Inc.	2,442	1,605
ii.	Due to related parties (included in Long term borrowings):		
	Aurigene Discovery Technologies Limited	12,719	11,149
	Dr. Reddy's Laboratories Inc.	–	8,919

2.9. Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.10. 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.

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 : 09 May 2012

for **Aurigene Discovery Technologies Inc**

Satish Reddy
Director

G.V. Prasad
Director

DIRECTORS' REPORT

Your Directors present the 11th Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Income	16,802	12,928
Profit Before Tax	4,859	2,043
Tax Expenses	1,600	(182)
Profit After Tax	3,259	2,225
Proposed Dividend on 8% Cumulative Preference Shares	276	-
Tax on dividend	45	-
Transfer to general reserve	244	-
Net Profit	2,693	2,225
Loss brought forward	(3,402)	(5,627)
Loss Carried Forward to Balance Sheet	(708)	(3,402)

Dividend

Your Directors recommend dividend on 8% Cumulative Redeemable Preference Shares accumulated till the financial year ending 31 March 2012. The total accumulated dividend works out to ₹ 27,641 thousand as apparent on the face of the financial statements.

Subsidiary Companies

The Company has two wholly owned subsidiaries, namely M/s. Aurigene Discovery Technologies Inc. and M/s. Aurigene Discovery Technologies (Malaysia) Sdn Bhd as on 31 March 2012. The documents/statement, pursuant to the provisions of Section 212(1) of the Companies Act, 1956 are attached to the Balance Sheet of the Company.

Share capital

During the year under review, there was no change in the share capital of the Company.

Directors

Mr. John Bondo Hansen retires by rotation at the ensuing Annual General Meeting scheduled on 18 July 2012 and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for your approval at ensuing Annual General Meeting.

Ms. Kim Bill resigned from the Board of Directors of the Company and ceases to a Director of the Company with effect from 16 January 2012. The Board accorded its deep appreciation for the services rendered by her during her term.

The Board of Directors had appointed Mr. Julius John Sheldon Knowles as an Additional Director on the Board of Directors of the Company on 01 May 2012. He will hold this office till the conclusion of the 11th Annual General Meeting of the Company. Requisite notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his appointment. It is proposed to appoint him as a Director of the Company liable to retire by rotation. The resolution for the same has been included in the notice of the 11th Annual General Meeting of the Company.

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 three times during the year: on 02 May 2011, 25 July 2011 and 10 October 2011.

The functions of the Audit Committee are to:

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 11th Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if re-appointed. The Audit Committee and 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 2012-13 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 2011-12 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.

Conservation of energy and technology absorption

The particulars as prescribed under Section 217(1)(e) 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 23 Notes on accounts item no. 'b' to item no. 'e'

Acknowledgement

Your Directors place on record their sincere appreciation for significant contribution made by the employees through their dedication, hard work and commitment. We also acknowledge the support extended to us by the bankers, government agencies and shareholder to the Company during the year.

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 01 May 2012

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.

Employed for full year

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	45	CEO	13,954	B Tech, MBA	22	1st April 2005	General Manager-Corporate Business Development, Dr. Reddy's Laboratories Limited
2	Dr. Murali Ramachandra	51	Vice President - Pre Clinical Biology	10,111	PhD	23	1st April 2005	Senior Principal Scientist, Schering Plough Corporation, USA
3	Dr. Hosahalli Subramanya	49	Vice President - SGDD	9,627	PhD	19	16th October 2002	Asst. Director, CDRI, Lucknow
4	Dr. Chetan Pandit	51	Director - Medicinal Chemistry	6,511	PhD	19	2nd April 2007	Group Leader, Naeja Pharmaceuticals

Employed for part of the year

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	Nagraj Koneripalli	45	CBO	6,410	MBA, Phd	22	14th April 2011	Executive Vice-President, Rallis India
2	Dr. Saumitra Sengupta	55	Vice President - Medicinal Chemistry	1,706	PhD	19	14th March 2005	Reader- Department of Organic Chemistry, Jadhavpur University

Note:

1) None of the employee mentioned above is a relative of any Director or manager of the Company

2) No individual employee is holding equivalent to or more than 2% of the shareholding of the Company

3) The remuneration ceiling for above disclosure has been revised to Rs 60 lacs per annum/ Rs 5 lacs per month vide notification of the Ministry of Corporate Affairs, published in Gazzette of India vide GSR No. GSR 289(E) on March 31, 2011

AUDITORS' REPORT

To

The Members of
Dr. Reddy's Laboratories Limited,
Hyderabad.

We have audited the attached balance sheet of **Aurigene Discovery Technologies Limited** ('the Company') as at **31 March 2012** the statement of profit and loss 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 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 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 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, the statement of profit and loss 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, the statement of profit and loss 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 to the extent applicable;

   (v) on the basis of written representations received from the directors as at 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2012 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; and

   (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, 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 2012;

(b) in the case of the statement of profit and loss, 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

Zubin Shekary
Partner
Membership No. 048814

Place : Bangalore
Date : 01 May 2012

Annexure to the Auditors' Report

The Annexure referred to in our report to the members of Aurigene Discovery Technologies Limited ("the Company") for the year ended 31 March 2012. 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) Fixed assets disposed of during the year were not substantial, 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, Customs duty, Cess 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, Wealth tax and Excise duty. We are informed that the provisions of the Employees' State Insurance Act, 1948 ("ESI") are not applicable to the Company. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales-tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

(b) As explained to us, the Company has no dues of Customs duty, Wealth Tax, Sales- tax, Service tax and Cess which have not been deposited with the appropriate authorities on account of any dispute.

According to the information and explanations given to us, the following dues of Income-tax have not been deposited by the Company on account of disputes.

Name of the Statute	Nature of the Dues	Amount (Rs)	Period to which the amount relates	Forum where dispute ispending
Income Tax Act, 1961	Tax demand on disallowance Sec 10B benefit	18,130,977	Assessment year 2008-09	Commissioner of Income Tax, Appeals - I,Bangalore

(x) The Company has accumulated losses amounting to Rs 708 lakhs as at 31 March 2012. 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) The Company did not have any term loans outstanding during the year.

(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 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 Act.

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

Zubin Shekary
Partner
Membership No. 048814

Place : Bangalore
Date : 01 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	10,529	10,529
Reserves and surplus	3	(81)	(3,019)
		10,448	**7,510**
Non-current liabilities			
Other long-term liabilities	4	666	1,247
Long-term provisions	5	239	445
		905	**1,692**
Current liabilities			
Short-term borrowings	6	-	354
Trade payables	7	980	1,172
Other current liabilities	8	392	369
Short-term provisions	9	2,102	855
		3,474	**2,750**
		14,827	**11,952**
ASSETS			
Non-current assets			
Fixed assets	10		
-Tangible assets		6,412	6,415
-Intangible assets		55	101
-Capital work-in-progress		27	132
		6,494	**6,648**
Non-current investments	11	156	12
Deferred tax assets (net)	23(i)	254	360
Long-term loans and advances	12	132	224
		542	**596**
Current assets			
Inventories	13	54	74
Trade receivables	14	2,525	2,190
Cash and bank balances	15	3,935	858
Short-term loans and advances	16	716	1,251
Other current assets	17	561	335
		7,791	**4,708**
		14,827	**11,952**
Significant accounting policies	1		
Notes to accounts	2 to 23		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **B.S.R & Co.**
Chartered Accountants
Firm registration no. 101248W
Zubin Shekary
Partner
Membership No. 048814
Location : Hyderabad
Date :01 May 2012

for **Aurigene Discovery Technologies Limited**

G V Prasad
Director

Satish Reddy
Director

Vandana Bhatia
Company Secretary

GB Ramesh Murthy
Director - Finance & Manager

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Revenue from operations	18	16,696	12,876
Other income	19	106	52
		16,802	**12,928**
Expenses			
Employee benefits expense	20	4,446	4,512
Finance costs	21	87	7
Depreciation and amortization expense	10	1,127	1,409
Other expenses	22	6,283	4,957
		11,943	**10,885**
Profit before tax		**4,859**	**2,043**
Tax expense:			
- current tax/ minimum alternate tax		1,157	337
- minimum alternate tax credit utilisation/ (entitlement)		337	(337)
- deferred tax charge/(credit)		106	(182)
Profit for the period carried to balance sheet		**3,259**	**2,225**
Earnings per share (equity shares, par value of Rs 10 each)			-
Basic (Par value, ₹ 10 each)	23(j)	3.45	2.31
- Diluted (Par value, ₹ 10 each)	23(j)	3.45	2.29
Significant accounting policies	1		
Notes on accounts	2 to 23		

The notes referred to above form an integral part of financial statements.

As per our report attached

for **B.S.R & Co.**
Chartered Accountants
Firm registration no. 101248W

Zubin Shekary
Partner
Membership No. 048814

Location : Hyderabad
Date :01 May 2012

for **Aurigene Discovery Technologies Limited**

G V Prasad
Director

Satish Reddy
Director

Vandana Bhatia
Company Secretary

GB Ramesh Murthy
Director - Finance & Manager

Cash flow Statement

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

		For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flows from operating activities			
Profit before tax		4,859	2,043
Adjustments:			
Depreciation		1,127	1,409
Provision for doubtful debts		-	33
Provision for doubtful advances		-	22
Provision for slow moving inventory		3	15
Provision for employees stock option plan		-	8
Provision for interest on income tax		86	-
Unrealised foreign exchange gain on cash and cash equivalents		(90)	(47)
Profit on sale of fixed assets/ assets discarded		(4)	6
Interest income		(91)	(24)
Interest expense		87	7
Operating cash flows before working capital changes		**5,977**	**3,472**
Increase in trade receivables		(335)	(659)
Decrease in inventories		17	6
Increase in unbilled revenue		(212)	(14)
Decrease/ (Increase) in loans and advances		37	(116)
(Decrease)/ Increase in liabilities and provisions		(735)	2,208
Cash generated from operations		**4,749**	**4,897**
Income-tax paid		(422)	(133)
Net cash provided by operating activities	***a***	**4,327**	**4,764**
Cash flows from investing activities			
Purchase of fixed assets		(1,078)	(1,273)
Proceeds from sale of fixed assets		50	2
Interest received		71	65
Advances refunded by/(given to) subsidiaries		202	(106)
Investment in subsidiary		(144)	-
Investment in fixed deposists having original maturity of more than 3 but less than 12 months		(100)	-
Net cash used in investing activities	***b***	**(999)**	**(1,312)**

Cash flow Statement (Continued)

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

		For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flows from financing activities			
(Repayment)/availment short term borrowings		(265)	243
Repayment of long term borrowings		(89)	(3,921)
Interest paid		(87)	(7)
Net cash provided by financing activities	***c***	***(*441)**	**(3,685)**
Net increase/ (decrease) in cash and cash equivalents	***(a+b+c)***	**2,887**	**(233)**
Cash and cash equivalents at the beginning of the year		858	1,044
Effect of exchange loss on cash and cash equivalents		90	47
Cash and cash equivalents at the end of the year (Refer note 15)		**3,835**	**858**

Note 1**:** The above Cash Flow Statement has been prepared in accordance with the 'Indirect Method' as set out in the Accounting Standard (AS-3) on 'Cash Flow Statements', issued by Companies (Accounting Standard) Rules, 2006

Note 2: Figures in bracket indicate cash outflow.

As per our report attached

for **B.S.R & Co.**
Chartered Accountants
Firm registration no. 101248W

Zubin Shekary
Partner
Membership No. 048814

Location : Hyderabad
Date :01 May 2012

for **Aurigene Discovery Technologies Limited**

G V Prasad
Director

Satish Reddy
Director

Vandana Bhatia
Company Secretary

GB Ramesh Murthy
Director - Finance & Manager

1. Significant accounting policies

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

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

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 Indian Rupees thousand.

b) 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.

c) Inventories

Consumables are valued at cost. Cost comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. Cost is determined on the weighted average method.

Provision for inventories is created for inventories which aged more than 365 days.

d) Revenue recognition

The Company derives its revenue from business contracts with customers to carry out research related work. Revenues are recognized in accordance with arrangements entered into with customers i.e. on amortization of advance fee on the basis of period of contract, 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.

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.

Note 1: Significant accounting policies (Continued)

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

e) 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.

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
Computers	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.

f) 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.

g) 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 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,

Note 1: Significant accounting policies (Continued)

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

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.

h) 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.

i) 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 a defined benefit plan is accrued based on actuarial valuation at each balance sheet date, carried out by an independent actuary.

Long term incentives is rewarding plan for motivating employees who have been loyal to company and contributed to growth of company. It is a defined benefit plan is accrued based on actuarial valuation at each balance sheet date, carried out by an independent actuary.

Leave encashment payable to employees is accrued every month and the payment is made once in every year without carrying forward the liability beyond 12 months.

j) Investments

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

k) 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.

l) 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

Note 1: Significant accounting policies (Continued)

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

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.

m) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). 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, where there is unabsorbed depreciation or carry forward of business losses under taxation laws, deferred tax assets are recognized 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 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.

n) 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.

o) 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.

Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2 : Share capital		
Authorised		
95,000,000 (Previous year : 95,000,000) equity shares of ₹ 10 each	9,500	9,500
45,000,000 (Previous year : 45,000,000) 8% cumulative redeemable preference	4,500	4,500
shares of Rs. 10 each	**14,000**	**14,000**
Issued, subscribed and fully paid up		
90,544,104 (Previous year :90,544,104) equity shares of ₹ 10 each, fully paid up - [Refer note 1]	9,054	9,054
14,750,000 (Previous year : 14,750,000) 8 % cumulative redeemable preference	1,475	1,475
shares of Rs. 10 each, fully paid up. - [Refer note 2]	**10,529**	**10,529**

Note 1

Of the above issued, subscribed and paid up equity shares 90,544,088 (Previous year : 90,544,088) equity shares of ₹ 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 redeemable preference shares 14,750,000 (Previous year : 14,750,000) preference shares of ₹ 10 each fully paid up are held by DRL, the ultimate holding company. These shares were allotted as fully paid-up pursuant to a Business Purchase Agreement without payments being received in cash. Further, these shares are redeemable in 5 years from the date of allotment at par and contain put and call options. Both put and call options are exercisable after 18 months from the date of allotment and on expiry of every 6 months thereafter.

Notes to Accounts (Continued)

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

a. Reconciliation of the number of shares outstanding at the beginning and at the end of the year

	(Number of shares)	
	As at 31 March 2012	**As at 31 March 2011**
Equity shares		
Number of shares at the beginning of the year	90,544,104	90,544,104
Number of shares issued during the year	-	-
Number of shares outstanding at the end of the year	90,544,104	90,544,104
Preference shares		
Number of shares at the beginning of the year	14,750,000	14,750,000
Number of shares issued during the year	-	-
Number of shares outstanding at the end of the year	14,750,000	14,750,000

b. List of persons holding more than 5 percent shares in the Company :

Name of the share holder	**As at 31 March 2012**		**As at 31 March 2011**	
	No. of	**% holding shares held**	**No. of**	**% holding**
Dr. Reddy's Laboratories Limited	90,544,088	100%	90,544,088	100%

c. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	(Number of shares)				
	As at 31 March 2012	**As at 31 March 2011**	**As at 31 March 2010**	**As at 31 March 2009**	**As at 31 March 2008**
14,750,000 (Previous year : 14,750,000) 8 % cumulative redeemable preference shares of Rs. 10 each, fully paid up	14,750,000	14,750,000	14,750,000	-	-
	14,750,000	**14,750,000**	**14,750,000**	**-**	**-**

Notes to Accounts (Continued)

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

	Particulars	As at 31 March 2012	As at 31 March 2011
3.	**Reserves and surplus**		
(i)	**Capital reserves**		
	Opening balance	18	18
	Add: Additions during the year	-	-
	Closing balance	**18**	**18**
(ii)	**Securities premium reserve**		
	Opening balance	288	288
	Add: Additions during the year	-	-
	Closing balance	**288**	**288**
(iii)	**Share options outstanding account**		
	Opening balance	77	77
	Less: Transfer to general reserve on account of cancellation of outstanding ESOPs - Refer note 23(n)	77	-
	Closing balance	**-**	**77**
(iv)	**General Reserve**		
	Opening balance	-	-
	Add: Addition on account of cancellation of ESOPs	77	-
	Add: Compulsory transfer on account of proposed dividend	244	-
	Closing balance	**321**	**-**
(v)	**Surplus/ (deficit) in the statement of profit and loss**		
	Opening balance	(3,402)	(5,627)
	Add: profit for the year	3,259	2,225
	Less: Appropriations		
	Proposed dividend - Refer note 23(a)(iv)	(276)	-
	Tax on dividend	(45)	-
	Transfer to general reserve	(244)	-
	Net deficit in the statement of profit and loss	**(708)**	**(3,402)**
		(81)	**(3,019)**
4	**Other long-term liabilities**		
	Income received in advance	666	1,247
		666	**1,247**

Notes to Accounts (Continued)

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

	Particulars	As at 31 March 2012	As at 31 March 2011
5	**Long-term provisions**		
	Provision for employee benefits*	239	445
		239	**445**
	* Refer note 23(g)		
6	**Short-term borrowing**		
	Secured		
	Working capital facility from bank		
	- Cash credit*	-	265
	Unsecured		
	Loans and advances from related parties **	-	89
		-	**354**
	* Secured against equitable mortgage on unencumbered lab equipments (previous year secured by way of corporate guarantee provided by DRL, the holding company).		
	** The loan is obtained from DRL, the holding company. The loan is interest free and is repayable on demand.		
7	**Trade payables**		
	Trade payables		
	- Dues to micro and small enterprises*	-	-
	- Dues to other creditors	980	1,172
		980	**1,172**
	* Refer note 23(r)		
8	**Other current liabilities**		
	Income received in advance	322	303
	Other payables - statutory liabilities	70	66
		392	**369**
9	**Short-term provisions**		
	Provision for employee benefits.	813	652
	Provision for taxation, net of advance tax Rs 480 lakhs (Previous year Rs 133 lakhs)	882	203
	Provision for interest on income tax	86	-
	Provision for preference dividend *	276	-
	Provision for tax on preference dividend*	45	-
		2,102	**855**
	* Refer note 23(a)(iv)		

Notes to Accounts (continued)

Schedule - 10 : Fixed Assets

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

	Gross Block				Accumulated Depreciation				Net Block	
	As at 1st April 2011	Additions /Adjust -ments	Deletions	As at 31st March 2012	As at 1st April 2011	Depreciation/ amortisation for the year	Deletions	As at 31st March 2012	As at 31st March 2012	As at 31st March 2011
Tangible, owned										
Buildings	2,715	34	-	2,749	618	91	-	709	2,040	2,097
Laboratory equipment	6,126	867	84	6,909	3,278	697	38	3,937	2,972	2,848
Electrical equipment	1,406	56	-	1,462	985	101	-	1,086	376	421
Plant and machinery - others	183	19	-	202	70	23	-	93	109	113
Computers	573	108	-	681	440	89	-	529	152	133
Furniture and fixtures	684	23	-	707	518	45	-	563	144	166
Vehicles	105	-	11	94	44	17	12	49	45	61
Office equipment	228	16	-	244	149	18	-	167	77	79
Tangible, leased										
Land*	497	-	-	497	-	-	-	-	497	497
Total A	**12,517**	**1,123**	**95**	**13,545**	**6,102**	**1,081**	**50**	**7,133**	**6,412**	**6,415**
Intangible assets										
Technical know how	140	-	-	140	39	46	-	85	55	101
Total B	**140**	**-**	**-**	**140**	**39**	**46**	**-**	**85**	**55**	**101**
Capital work-in-progress	**132**	**27**	**132**	**27**	**-**	**-**	**-**	-	**27**	**132**
Total C	**132**	**27**	**132**	**27**	**-**	**-**	**-**	**-**	**27**	**132**
Total D (A + B + C)	**12,789**	**1,150**	**227**	**13,712**	**6,141**	**1,127**	**50**	**7,218**	**6,494**	**6,648**
Previous year	11,420	1,519	150	12,789	4,780	1,409	48	6,141	6,648	

*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. 497 lakhs has been accounted for as leasehold land. Also refer note 24 (a)(ii).

Notes to Accounts (Continued)

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

	Particulars	As at 31 March 2012	As at 31 March 2011
11	**Non-current investments**		
	Other investments		
	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	2,083	2,083
	1,000,000 (Previous year : 100,000) Common stock of Malaysian Ringgits 1 each, fully paid up, of Aurigene Discovery Technologies (Malaysia) Sdn Bhd, Malaysian, subsidiary Company	156	12
	Total	2,239	2,095
	Less : Provision for diminution in value of investments	(2,083)	(2,083)
	Net Investments	**156**	**12**
	Aggregate book value of unquoted investments	2,239	2,095
	Aggregate provision for diminution in value of investments	(2,083)	(2,083)
12	**Long-term loans and advances**		
	Secured, considered good or Unsecured, considered good or doubtful		
	Unsecured , considered good		
	Security deposits	24	24
	Advance tax (net of provision for tax Rs Nil (Previous Year Nil))	106	164
	Capital advances	2	36
		132	**224**
13	**Inventories**		
	Consumables	72	89
	Less: Provison for obsolete and slow moving items	(18)	(15)
		54	**74**
14	**Trade receivables**		
	Unsecured, considered good		
	Debts due for a period exceeding six months	5	4
	Other debts	2,520	2,186
		2,525	2,190
	Doubtful		
	Debts due for a period exceeding six months	-	346
		-	346
	Less: provision for doubtful debts	-	(346)
		2,525	**2,190**

Notes to Accounts (Continued)

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

	Particulars	As at 31 March 2012	As at 31 March 2011
15	**Cash and bank balances**		
	Cash and cash equivalents		
	Cash-in -hand	1	-
	Demand deposits	2,125	200
	Balance with banks		
	With scheduled banks	1,709	658
		3,835	858
	Other bank balances	100	-
		3,935	**858**
16	**Short-term loans and advances**		
	Unsecured , considered good		
	Loans and advances to related parties *	355	557
	Loans and advances to employee	13	18
	Minimum alternate tax credit entitlement	-	337
	Other loans and advances	348	339
	Unsecured ,considered doubtful		
	Loans and advances to related parties **	1,434	1,434
	Less: Provision for doubtful loans and advances ***	(1,434)	(1,434)
		716	**1,251**
	* Loans and advances to related parties considered good		
	Aurigene Discovery Technologies, Malaysia	355	557
	** Loans and advances to related parties considered doubtful		
	Aurigene Discovery Technologies Inc- USA	1,434	1,434
	*** Refer note 23(q)		
	Other loans and advances include:		
	Prepaid expenses	151	109
	Advances to suppliers	80	99
	VAT input	82	107
	Advance sales tax	11	3
	Security deposits	4	10
	Service tax input net of service tax payable Rs 121 lakhs (previous year Rs 53 lakhs)	20	11
		348	**339**
17	**Other current assets**		
	Unbilled revenue	528	316
	Other receivables	13	19
	Interest accrued on fixed deposits	20	-
		561	**335**

Notes to Accounts (Continued)

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

		For the year ended 31 March 2012	For the year ended 31 March 2011
18	**Revenue from operations**		
	Income from services	16,696	12,876
		16,696	**12,876**
19	**Other income**		
	Interest income	91	24
	Net gain on sale of fixed assets	4	-
	Other non-operating income	11	20
	Foreign exchange gain, net	-	8
		106	**52**
20	**Employee benefits expense**		
	Salaries and wages	4,052	4,141
	Contribution to provident and other funds		
	- Provident fund	190	160
	- Superannuation scheme	9	11
	Staff welfare expenses	195	192
	Expense on employee stock option scheme (ESOP)	-	8
		4,446	**4,512**
21	**Finance costs**		
	Interest expense	87	7
		87	**7**

Notes to Accounts (Continued)

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

		For the year ended 31 March 2012	For the year ended 31 March 2011
22	**Other expenses**		
	Laboratory consumables	3,200	2,722
	Power and fuel	443	416
	Rent	180	177
	Repairs and maintenance		
	Buildings	163	84
	Plant and machiney	348	257
	Others	268	242
	Traveling and conveyance	283	253
	Legal and professional charges	213	167
	Business development	113	139
	Communication	45	41
	Membership and subscription	53	87
	Rates and taxes	10	24
	Insurance	40	44
	Bank charges	21	24
	Handling charges	66	31
	Software expenses	118	73
	Recruitment charges	9	25
	Security charges	37	30
	Safety and environmental charges	58	45
	Printing and stationery	17	15
	Loss on sale of fixed assets, (net)	-	6
	Foreign exchange loss, (net)	597	-
	Miscellaneous expenses	1	-
	Provision for doubtful debts	-	33
	Provision for doubtful advances	-	22
		6,283	**4,957**

Notes to Accounts (Continued)

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

23. Notes on accounts

a) Commitments and contingent liabilities

(i) Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2012 was Rs 24 lakhs (Previous year: Rs 113 lakhs).

(ii) As at 31 March 2012 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"). The Management believes that the Company may incur certain cost in this regard, the amount of which cannot be quantified currently.

(iii) 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 2012, the Company has a positive Net Foreign Exchange Earning, as defined in the Foreign Trade Policy 2009-2014.

(iv) Due to accumulated losses, the Company had not paid dividend on 8% cumulative redeemable preference shares till 31 March 2011 and hence the accumulated dividend of Rs 159 lakhs till that date were disclosed under contingent liabilities. The accumulated dividend of Rs 276 lakhs till 31 March 2012 has been proposed by the Board for payment and accordingly have been accounted in these financial statements.

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

Particulars	For the year ended 31 March 2012		For the year ended 31 March 2011	
	Value	% of total consumption	Value	% of total consumption
Lab consumables (excluding job work)				
Imported	981	31%	593	22%
Indigenous	2,199	69%	2,129	78%
Total	**3,200**	**100%**	**2,722**	**100%**
Spare parts (included in repairs and maintenance)				
Imported	21	13%	11	11%
Indigenous	139	87%	93	89%
Total	**160**	**100%**	**104**	**100%**

Notes to Accounts (Continued)

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

	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
c)	**CIF value of imports**		
	Laboratory consumables	981	593
	Capital goods	487	583
	Spare parts	21	11
	Total	**1,489**	**1,187**
d)	**Expenditure in foreign currency**		
	Travelling and conveyance	62	40
	Legal and professional charges	79	82
	Others	185	169
	Total	**326**	**291**
e)	**Earnings in foreign currency**		
	Income from operations	15,643	11,678
f)	**Auditors' remuneration**		
	Statutory audit	7	7
	Out of pocket expenses	-	-
	Total	**7**	**7**

* Excludes applicable service tax.

g) Disclosure in respect of employee benefits under Accounting Standard (AS) – 15 (Revised) "Employee Benefits" prescribed by the Companies (Accounting Standards) Rules, 2006.

Gratuity plan

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

Reconciliation of the defined benefit obligations

Change in defined benefit obligation		
Opening defined benefit obligation	252	211
Current service cost	56	46
Interest cost	24	19
Actuarial losses / (gain)	(20)	(11)
Benefits paid	(34)	(13)
Closing defined benefit obligation	**278**	**252**

Notes to Accounts (Continued)

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

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Gratuity cost for the period		
Current service cost	56	46
Interest on Defined Benefit Obligation	24	19
Net actuarial losses / (gains) recognized in year	(20)	(11)
Total, included in "Salaries and wages"	**60**	**54**
Gratuity break-up		
Non current portion	239	236
Current portion	39	16
Total	**278**	**252**
Assumptions at the valuation date		
Discount rate	8.6% p.a.	7.95% p.a.
Salary escalation rate	8% p.a.	8% p.a
Average attrition rate	14.89%	10.67%

Salary escalation rate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Discount rate

The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

Average attrition rate

The attrition rate is computed on the average of current year and previous year attrition rate of employees resigning at various age groups.

Experience adjustments

Particulars	Year ended				
	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Defined benefit obligation	278	252	212	60	31
Plan assets	-	-	-	-	-
Surplus / (deficit)	(278)	(252)	(212)	(60)	(31)
Experience adjustment on plan liabilities	(2)	2	18	3	-
Experience adjustment on plan assets	-	-	-	-	-

Notes to Accounts (Continued)

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

Long term incentives

Long term incentive is a rewarding plan for motivating employees who have been loyal to the Company and contributed to the growth of the Company. It is a defined benefit plan and is accrued based on actuarial valuation at each balance sheet date, carried out by an independent actuary. Given below are the key assumptions and the actuarial liability accounted in the books:

	Year ended 31 March 2012	Year ended 31 March 2011
Discount rate	8.6% p.a.	7.95% p.a.
Increase in incentive amount	0.0%	0.0%
Long term incentive liability in lakhs	209	401
Non current portion in lakhs	-	209
Current portion in lakhs	209	192

h) **Operating leases**

The Company has certain premises under cancelable operating lease agreements. The total rental expense under cancelable operating leases is Rs 180 Lakhs (Previous year: Rs 177 Lakhs).

i) **Deferred taxes**

Components of deferred tax assets and liabilities and are:

Particulars	As at 31 March 2012	As at 31 March 2011
Deferred tax asset		
Provision for gratuity	91	82
Provision for doubtful debts	-	112
Provision for long term incentives	68	130
Fixed assets	63	31
Others	32	5
Deferred tax asset/ (liability), net	**254**	**360**

Notes to Accounts (Continued)

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

j) **Earnings per share (EPS)**

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Calculation of weighted average number of equity shares of ₹ 10 each		
Number of shares at the beginning of the year	90,544,104	90,544,104
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	90,544,104
Net profit after tax	3,259	2,225
Less: Preference dividend (including dividend distribution tax thereon)	137	138
Net profit after tax attributable to equity share holders	3,122	2,087
Basic earnings per share (Rs)	3.45	2.31
Number of potentially dilutive shares under options	-	828,895
Weighted average number of equity shares outstanding during the year – Diluted	90,544,104	91,372,999
Diluted earnings per share (Rs)	3.45	2.29

k) **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 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.

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

Particulars	31 March 2012	31 March 2011
Aurigene Discovery Technologies Inc., USA-		
-Amount due	1,434	1,434
-Maximum outstanding	1,434	1,465
Aurigene Discovery Technologies (Malaysia) Sdn Bhd		
-Amount due	355	558
-Maximum outstanding	593	558

m) **Related party disclosures**

i. Parties where control exists;

- Aurigene Discovery Technologies Inc., U.S.A - Subsidiary Company
- Aurigene Discovery Techhnologies (M) Sdn Bhd, Malaysia - Subsidiary Company
- Dr. Reddy's Laboratories Ltd., Hyderabad -Ultimate Holding Company

Notes to Accounts (Continued)

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

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. Particulars of related party transactions

The following is a summary of significant related party transactions:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Repayment of loan		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	89	3,500
Advances to		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	36	106
Advances repayment by		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	238	-
Revenue from operations		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	1,020	1,149
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	1150	-
Fixed assets purchased		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	30	-
Fixed assets sold		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	48	-
Lab consumables		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	71	-
Power and fuel		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	224	214
Lease rent paid		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	167	167
Repairs and maintenance		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	36	40
Membership and subscription		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	42	20

Notes to Accounts (Continued)

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

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Other expenses		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	30	12
Expenses re-charged		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	30	91
Business promotion expense		
Creative Business Sarl	35	63
Professional fee		
Konticon APS	39	34
Remuneration to key management personnel		
Mr. C S N Murthy, Whole time Director*	8	108

* Till 02 May 2011.

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

Particulars	As at 31 March 2012	As at 31 March 2011
Due to related parties (included in unsecured loans)		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	-	89
Due to related parties (included in current liabilities)		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	410	665
Due from related parties (included in sundry debtor)		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	63	133
Institute of Life Science		33
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	260	
Due from related parties (included in loans and advances)		
Aurigene Discovery Technologies Inc., U.S.A – Subsidiary Company	1,434	1,434
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	355	558
Dr. Reddy Laboratories Limited – Ultimate Holding Company	58	73

Notes to Accounts (Continued)

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

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Investments		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	2,083	2,083
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	156	12
Provision for doubtful advances		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	1,434	1,434
Provision for permanent diminution in value of investment		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	2,083	2,083
Provision for doubtful debts		
Institute of Life Science	-	33

n) **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 Extra-ordinary general meeting held on 30 January 2003 and originally the scheme was intended to remain in force till 31 July 2012. However, during the year, due to liquidity issues, the employees of the Company have surrendered their stock options under the above scheme. These options were granted on various dates between 1 April 2004 to 2 January 2008 and subsequently vested between 31 March 2007 to 31 January 2011.

During the year ended 31 December 2012, the Company cancelled 1,009,090 stock options which were fully vested and outstanding under the plan, upon surrender by the employees. Accordingly, no stock options were outstanding under the plan as at 31 March 2012.

	Year ended 31 March 2012	Year ended 31 March 2011
Stock options at the beginning	1,009,090	1,012,331
Forfeited due to resignation of employees	-	3,241
Cancelled during the year	1,009,090	-
Stock options outstanding at the end	-	1,009,090
Exercisable at the end of the year	-	1,009,090

o) 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 diminution in the value. Accordingly, the Company had provided for its entire investment in its subsidiary towards diminution, being other than temporary.

Notes to Accounts (Continued)

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

p) 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 ₹ 1,123 lakhs) 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.

q) The Company has advanced money in the form of share application money amounting to USD 0.67 million (equivalent to Rs 310 lakhs) 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 310 lakhs of share application money.

r) The management has a 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 2012 has been made in the financial statements based on information received and available 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.

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
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		

Notes to Accounts (Continued)

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

when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

s) The Company has taken hedging instruments to hedge the foreign currency exposure on account of receivables denominated in USD. The open forward covers as of 31 March 2012 is USD 10,050,000 (previous year: Nil) and the company has recognized loss of ₹ 89 lakhs (previous year Nil) on the above mentioned open forward covers as per Accounting Standard 11(Revised) – "The Effects of Changes in Foreign Exchange Rates" in the books. Given below is the summary of open forward covers as at 31 March 2012:

In US Dollars	As at 31 March 2012	As at 31 March 2011
Not later than one month	1,000,000	Nil
Later than one month and not later than three months	2,750,000	Nil
Later than three months and not later than six months	3,300,000	Nil
Later than six months and not later than one year	3,000,000	Nil
Total	**10,050,000**	**Nil**

Foreign currency denominated sundry debtors, advance from customers, advances to suppliers/capital advances and sundry creditors as at 31 March 2012 are as under:

Sundry debtors	2,439	2,369
Advance from customers	988	1,469
Advances to suppliers/capital advances	8	29
Sundry creditors	99	85

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 2012	Year ended 31 March 2011
Sundry debtors	USD	4,794,073	4,488,979
	Euro	34,526	572,754
	CHF	-	9,211
Advance from customers	USD	1,940,620	3,293,246
Advances to creditors/CWIP	USD	10,401	51,336
	CHF	-	1,238
	USD	3,440	-
	Euro	-	9,250

Notes to Accounts (Continued)

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

Particulars	Currency	Year ended 31 March 2012	Year ended 31 March 2011
Sundry creditors	USD	97,540	114,163
	GBP	2,390	4,300
	CAD	2,966	-
	CHF	-	11,140
	Euro	67,647	41,116

t) 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.

As per our report of even date attached

for **B.S.R & Co.**
Chartered Accountants
Firm registration no. 101248W

Zubin Shekary
Partner
Membership No. 048814

Location : Hyderabad
Date :01 May 2012

for **Aurigene Discovery Technologies Limited**

G V Prasad
Director

Satish Reddy
Director

Vandana Bhatia
Company Secretary

GB Ramesh Murthy
Director - Finance & Manager

Statement pursuant to Section 212 of the Companies Act, 1956

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

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 2012	Material changes between the end of the last financial year and 31 March 2012
		Equity Shares	Preference Shares	Equity Holding %	Preference Holding %	a) Dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2012	b) Not dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2012	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		
Aurigene Discovery Technologies Inc.	31.03.2012	4,400,000	-	100	-	Nil	(7.23)	Nil	(6.63)	Nil	Nil
Aurigene Discovery Technologies (Malaysia) Sdn Bhd	31.03.2012	100,000	-	100	-	Nil	141.87	Nil	(147.71)	Nil	Nil

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	**31 March 2012**	**31 March 2011**
Profit/ (Loss) for the period after taxation	14,187	(14,771)
Balance brought forward	(35,018)	(20,247)
Balance carried forward to Balance Sheet	(20,831)	(35,018)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Palanivel Sathasivam
Director

CSN Murthy
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 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 Statement of Profit and Loss 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 2012** and

   b. In the case of the Statement of Profit and Loss, of the Profit 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	15,604	1,239
Reserves and surplus	2.2	(20,829)	(35,018)
		(5,225)	**(33,779)**
Non-current liabilities			
Long term borrowings	2.3	33,470	55,751
		33,470	**55,751**
Current liablities			
Trade payables	2.4	25,998	-
Other current liabilities		6,869	605
		32,867	**605**
TOTAL		**61,112**	**22,577**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	20,979	19,922
Capital work-in-progress		245	-
Long term loans and advances	2.6	1,008	821
		22,232	**20,743**
Current assets			
Cash and bank balances	2.7	38,262	1,772
Short term loans and advances	2.8	618	63
		38,880	**1,835**
TOTAL		**61,112**	**22,577**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 002857S
A. Ramachandra Rao
Partner
Membership No. 9750

for **Aurigene Discovery Technologies Malaysia SDN BHD**

Palanivel Sathasivam
Director

C S N Murthy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Service income		152,937	-
Revenue from operations		**152,937**	**-**
Other income	2.9	3,114	3
Total revenue		**156,051**	**3**
Expenses			
Cost of material consumed (including packing material consumed)		6,350	3
Employee benefits expense	2.11	7,016	5,900
Depreciation and amortization expense	2.5	4,287	3,943
Other expenses	2.10	124,211	4,929
Total expenses		**141,864**	**14,774**
Profit before exceptional and extraordinary items and tax		**14,187**	**(14,771)**
Exceptional items		-	-
Profit before extraordinary items and tax		**14,187**	**(14,771)**
Extraordinary Items		-	-
Profit / (Loss) before tax		**14,187**	**(14,771)**
Tax expense		-	-
Profit / (Loss) for the year		**14,187**	**(14,771)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 002857S
A. Ramachandra Rao
Partner
Membership No. 9750

for **Aurigene Discovery Technologies Malaysia SDN BHD**

Palanivel Sathasivam
Director

C S N Murthy
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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
Laboratory equipment	4 to 10
Furniture, fixtures and office equipment (other than computer equipment)	3 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..

Note 1: Significant accounting policies (Continued)

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

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) Service income

Service income is recognised as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Interest income

Interest from interest on deposits, loans and interest bearing securities is recognised on time proportion method.

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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital 1,000,000 shares of MYR 1 each (previous year 100,000)	15,604	1,239
Issued		
Issued capital 1,000,000 shares of MYR 1 each (previous year 100,000)	15,604	1,239
Subscribed and paid-up		
Subscribed and paid-up capital 1,000,000 shares of MYR 1 each (previous year 100,000)	15,604	1,239
Total	**15,604**	**1,239**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	100,000	1,239	100,000	1,239
Add: Share issued during the year	900,000	14,365	-	-
Number of shares outstanding at the end of the year	**1,000,000**	**15,604**	**100,000**	**1,239**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of MYR 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Aurigene Discovery Technologies Limited	1,000,000	100	100,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	-	-
Movement during the year	2	-
	2	-
Surplus		
Balance at the beginning of the year	(35,018)	(20,247)
Add: Current year profit	14,187	(14,771)
Balance carried forward	(20,831)	(35,018)
	(20,829)	**(35,018)**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	33,470	55,751
	33,470	**55,751**
2.4 : Trade Payables		
Payable to holding company, other group companies	25,998	-
	25,998	**-**
2.5 : Other Current liabilities		
Other current liabilities	6,869	605
	6,869	**605**

Note 2 : Notes to Accounts (Continued)

2.5 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	01.04.2011	Additions	Deletions	Forex	31.03.2012	01.04.2011	For the Year	Deletions	Forex	31.03.2012	31.03.2012	31.03.2011
Electrical Equipment	377	-	-	-	377	118	53	-	-	171	206	259
Laboratory equipment	23,140	5,095	-	-	28,235	4,334	3,274	-	-	7,608	20,627	18,806
Office equipment	5,103	249	-	-	5,352	4,246	960	-	-	5,206	146	857
Total Tangible Assets	**28,620**	**5,344**	**-**	**-**	**33,964**	**8,698**	**4,287**	**-**	**-**	**12,985**	**20,979**	**19,922**
Previous Year	28,620	-	8	-	28,612	4,747	3,943	-	-	8,690	19,922	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.6 : Short term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	1,008	821
	1,008	821
Less: Provision for doubtful loans and advances	-	-
	1,008	**821**
2.7 : Cash and bank balances		
Bank balances		
In current accounts	38,262	1,772
	38,262	**1,772**
2.8 : Short term loans and advances		
(Unsecured)		
Considered good		
Advances to material suppliers	429	-
Prepaid expenses	22	36
Other Advances	167	27
	618	63
Less: Provision for doubtful loans and advances	-	-
	618	**63**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.9 : Other income		
Interest income		
On other deposits	12	3
Foreign exchange gain, net	3,102	-
	3,114	**3**
2.10 : Other expense		
Consumption of stores and spare parts	111,583	226
Legal and professional	7,587	45
Rates and taxes	42	7
Repairs and maintenance		
Others	183	294
Power and fuel	289	256
Travelling and conveyance	596	100
Foreign exchange loss, net	-	857
Communication	529	401
Rent	2,718	2,420
Printing and stationery	167	70
Insurance	30	11
Bank charges	40	35
Miscellaneous	447	207
	124,211	**4,929**
2.11 : Employee benefits expense		
Salaries, wages and bonus	6,147	5,128
Contribution to provident and other funds	776	684
Staff welfare expenses	93	88
	7,016	**5,900**

Note 2 : Notes to Accounts (Continued)

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

2.12: Related party disclosures

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in Long term Borrowings):		
	Aurigene Discovery Technologies Inc	-	55,751
	Aurigene Discovery Technologies Ltd	33,470	-
ii.	Due from related parties (included in Trade payables)		
	Aurigene Discovery Technologies Ltd	25,998	-

2.13: Comparative figures

On applicability of revised Schedule VI from current year, the has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.14: The Company, incorportated in Malaysia, is a 100% subsidary of Aurigene Discovery Technologies Ltd., which is a 100% subsidiary of Dr. Reddy's Laboratories Ltd., by virtue of its 100% shareholding.

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 002857S
A. Ramachandra Rao
Partner
Membership No. 9750

for **Aurigene Discovery Technologies Malaysia SDN BHD**

Palanivel Sathasivam
Director

C S N Murthy
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(108)	(8,620)
Balance brought forward	(47,191)	(38,571)
Balance carried forward to Balance Sheet	(47,299)	(47,191)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Ewers Michael
Director

Place : Hyderabad
Date : 09 May 2012

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 **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012 and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,350	1,350
Reserves and surplus	2.2	(49)	(47,825)
		1,301	**(46,475)**
Non-current liabilities			
Long Term Borrowings	2.3	-	47,723
		-	**47,723**
TOTAL		**1,301**	**1,248**
ASSETS			
Current assets			
Cash and bank balances	2.4	1,219	1,246
Short-term loans and advances	2.5	82	2
		1,301	**1,248**
TOTAL		**1,301**	**1,248**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Beta Healthcare Solutions GmbH**

Ewers Michael
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Other Income	2.6	10	2
Total Revenue		**10**	**2**
Expenses			
Other expenses	2.7	118	8,622
Total expenses		**118**	**8,622**
Profit before exceptional and extraordinary items and tax		**(108)**	**(8,620)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(108)**	**(8,620)**
Extraordinary Items		-	-
Profit before tax		**(108)**	**(8,620)**
Tax expense		-	-
Profit/ (Loss) for the year		**(108)**	**(8,620)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Beta Healthcare Solutions GmbH**

Ewers Michael
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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) 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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital of 25,000 EUR*	1,350	1,350
Issued		
Issued capital of 25,000 EUR*	1,350	1,350
Subscribed and paid-up		
Subscribed and paid-up capital of 25,000 EUR*	1,350	1,350
* No concept of nature and number of shares in this company		
Total	**1,350**	**1,350**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	(634)	1,546
Movement during the year	47,884	(2,180)
	47,250	(634)
Surplus		
Balance at the beginning of the year	(47,191)	(38,571)
Add: Current year profit	(108)	(8,620)
Balance carried forward	(47,299)	(47,191)
	(49)	**(47,825)**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	-	47,723
	-	**47,723**
2.4 : Cash and Bank balances		
Bank balances		
In current accounts	1,219	1,246
	1,219	**1,246**
2.5 : Short term loans and advances		
Considered good		
Advance tax	-	2
Other Advances	82	-
	82	2
Less: Provision for doubtful loans and advances	-	-
	82	**2**

Note 2 : Notes to Accounts (Continued)

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

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
2.6 : Other income		
Interest on others	10	2
	10	**2**
2.7 : Other expense		
Legal and professional	4	-
Rates and taxes	11	217
Printing and stationery	-	9
Insurance	92	-
Bank charges	11	11
Miscellaneous	-	8,385
	118	**8,622**

2.8 : Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31st March 2012 (previous year: Nil).

2.9 : Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.10: The Company, incorporated in Germany, is a 100% subsidiary of Reddy Holding GmbH.

As per our report attached

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

for **Beta Healthcare Solutions GmbH**

Chartered Accountants
ICAI FRN No. 002857S

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Ewers Michael
Director

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(1)	1
Balance brought forward	1	-
Balance carried forward to Balance Sheet	-	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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place: Hyderabad
Date: 09 May 2012

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 for Soziaimedizinische Forschung and Entwicklung GmbH** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,401	5,401
Reserves and surplus	2.2	1,386	938
		6,787	**6,339**
Non-current liabilities			
Other long term liabilities	2.3	-	7,063
		-	**7,063**
Current liablities			
Trade payables	2.4	1,549	957
Other current liabilities	2.3	2,359	7,932
		3,908	**8,889**
TOTAL		**10,695**	**22,292**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	1,196	2,506
Intangible assets		1,085	2,194
Long term loans and advances	2.6	1,349	1,259
		3,630	**5,959**
Current assets			
Trade receivables	2.7	78	3
Cash and bank balances	2.8	6,987	16,229
Short term loans and advances	2.9	-	93
Other current assets	2.10	-	7
		7,065	**16,332**
TOTAL		**10,695**	**22,292**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Beta Institute GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Mahato Sujit Kumar
Director

Erhardt Horst
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Other operating revenue	2.11	34,423	156,978
Revenue from Operations		**34,423**	**156,978**
Other Income	2.12	66	303
Total Revenue		**34,489**	**157,281**
Expenses			
Employee benefits expense	2.13	17,274	75,805
Finance costs	2.14	88	-
Depreciation and amortization expense	2.6	1,874	2,245
Other expenses	2.15	15,254	79,230
Total expenses		**34,490**	**157,280**
Profit before exceptional and extraordinary items and tax		**(1)**	**1**
Exceptional items		-	-
Profit before extraordinary items and tax		**(1)**	**1**
Extraordinary Items		-	-
Profit before tax		**(1)**	**1**
Tax expense		-	-
Profit/ (Loss) for the year		**(1)**	**1**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Beta Institute GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Mahato Sujit Kumar
Director

Erhardt Horst
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
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

Note 1: Significant accounting policies (Continued)

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

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) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital 100,000 EUR*	5,401	5,401
Issued		
Issued capital of 100,000 EUR*	5,401	5,401
Subscribed and paid-up		
Subscribed and paid-up capital of 100,000 EUR*	5,401	5,401
Total	**5,401**	**5,401**
* No concept of nature and number of shares in this company		
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	937	(12,813)
Additions / deductions during the year (See Note a below)	449	13,750
	1,386	**937**
Profit and loss account		
Balance in profit and loss account brought forward	1	-
Add: Current Year Profit	(1)	1
Balance Carried Forward	**-**	**1**
	1,386	**938**
2.3 : Other liabilities		
A) Other long term liabilities		
Deferred revenue income	-	7,063
	-	**7,063**
B) Other current liabilities		
Accrued expenses	-	4,542
Other current liabilities	2,359	3,390
	2,359	**7,932**
2.4 : Trade Payables		
Trade Payables		
Others	1,549	957
	1,549	**957**

Note 2 : Notes to Accounts (Continued)

2.5 : Fixed assets

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

	Gross Block					Depreciation					Net Block	
	01.04.11	Additions	Deletions	Forex	31.03.2012	01.04.11	For the Year	Deletions	Forex	31.03.2012	31.03.2012	31.03.2011
Computers	11,316	-	2,325	423	9,414	11,089	-	2,181	102	9,010	404	227
Furniture and fixtures	11,486	-	2,533	416	9,369	9,206	646	1,367	92	8,577	792	2,280
Total Tangible Assets (A)	**22,802**	**-**	**4,858**	**839**	**18,783**	**20,295**	**646**	**3,548**	**194**	**17,587**	**1,196**	**2,507**
Patents, trademarks and designs	5,108	-	-	361	5,469	2,913	1,228	-	243	4,384	1,085	2,195
Total Intangible Assets (B)	**5,108**	**-**	**-**	**361**	**5,469**	**2,913**	**1,228**	**-**	**243**	**4,384**	**1,085**	**2,195**
Total (A+B)	**27,910**	**-**	**4,858**	**1,200**	**24,252**	**23,208**	**1,874**	**3,548**	**437**	**21,971**	**2,281**	**4,702**
Previous year	36,771	-	10,650	1,789	27,910	30,113	2,246	10,375	1,224	23,208	4,702	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.6 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	1,349	1,259
	1,349	**1,259**
2.7: Trade Receivables		
(Unsecured)		
Other debts		
Considered good	78	3
Less: Provision for doubtful debts	-	-
	78	**3**
2.8 : Cash and bank balances		
Bank balances		
In current accounts	6,987	16,229
	6,987	**16,229**
2.9 : Short term loans and advances		
(Unsecured)		
Considered good		
Advance tax	-	93
Less: Provision for doubtful loans and advances	-	93
	-	-
	-	93
2.10 : Other current assets		
Other current assets	-	7
	-	**7**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.11 : Other operating revenue		
Miscellaneous income	34,423	156,978
	34,423	**156,978**
2.12 : Other income		
Interest others	66	304
	66	**304**
2.13 : Employee benefits expense		
Salaries, wages and bonus	13,702	52,731
Contribution to provident and other funds	3,149	8,587
Staff welfare expenses	423	14,487
	17,274	**75,805**
2.14 : Finance costs		
Other borrowing costs	88	-
	88	**-**
2.15 : Other expense		
Legal and professional	3,188	22,370
Rates and taxes	217	483
Other selling expenses	236	3,373
Travelling and conveyance	68	2,345
Communication	457	1,325
Rent	26	1,016
Donations	-	3
Printing and stationery	86	536
Bank charges	16	17
Loss on sale of fixed assets, net	125	42
Advertisement	449	161
Miscellaneous	10,386	47,559
	15,254	**79,230**

Note 2 : Notes to Accounts (Continued)

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

2.16 : Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2012 (previous year: Nil).

2.17 : Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.18 : The Company, incorporated in Germany, is a 100% subsidiary of Reddy Holding GmbH.

As per our report attached

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

for **Beta Institute GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

Mahato Sujit Kumar
Director

Erhardt Horst
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(7,498)	3,843
Balance brought forward	(1,213)	(5,056)
Balance carried forward to Balance Sheet	(8,711)	(1,213)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	598	552
Reserves and surplus	2.2	(3,076)	28,236
		(2,478)	**28,788**
Current liablities			
Trade payables	2.3	11,338	10,678
Other current liabilities	2.4	47,885	21,554
Short-term provisions	2.5	1,238	1,342
		60,461	**33,574**
TOTAL		**57,983**	**62,362**
ASSETS			
Non-current assets			
Fixed assets			
Tangible Assets	2.6	2,908	2,891
Intangible Assets	2.6	19,028	21,464
Long-term loans and advances	2.7	1,246	21,067
		23,182	**45,422**
Current assets			
Inventories	2.8	12,031	11,072
Trade receivables	2.9	6,827	3,968
Cash and cash equivalents	2.10	15,389	1,479
Short-term loans and advances	2.11	194	258
Other current assets	2.12	360	163
		34,801	**16,940**
TOTAL		**57,983**	**62,362**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Betapharm Arzneimittel GmbH**

Ewers Michael
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		51,849	53,252
Less: Excise Duty		-	-
Sales, net		51,849	53,252
Other operating revenue	2.13	1,955	2,780
Revenue from Operations		**53,804**	**56,032**
Other Income	2.14	2,165	-
Total Revenue		**55,969**	**56,032**
Expenses			
Cost of material consumed		44,165	34,848
Conversion charges		342	328
Employee benefits expense	2.15	5,486	3,398
Finance costs	2.16	376	290
Depreciation and amortization expense	2.6	2,956	3,674
Other expenses	2.17	10,142	9,651
Total expenses		**63,468**	**52,189**
Profit before exceptional and extraordinary items and tax		**(7,498)**	**3,843**
Exceptional items		-	-
Profit before extraordinary items and tax		**(7,498)**	**3,843**
Extraordinary Items		-	-
Profit before tax		**(7,498)**	**3,843**
Tax expense		-	-
Profit/ (Loss) for the year		**(7,498)**	**3,843**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Betapharm Arzneimittel GmbH**

Ewers Michael
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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
Buildings	
Factory and administrative buildings	20 to 50
Ancillary structures	3 to 15
Plant and machinery	3 to 15
Laboratory equipment	4 to 10
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
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

Note 1: Significant Accounting Policies (Continued)

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

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, trademarks, etc. (including marketing/ distribution rights)	3 to 16

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Note 1: Significant Accounting Policies (Continued)

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

i) Leases

The lease arrangement is classified as either a finance lease or an operating lease, at the inception of the lease, based on the substance of the lease arrangement.

Finance leases

A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 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) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital of 1,022,584 EUR*	598	552
Issued, Subscribed and Paid up		
Issued capital of 1,022,584 EUR*	598	552
Subscribed and paid-up		
Subscribed and paid-up capital of 1,022,584 EUR*	598	552
* No concept of nature and number of shares in this company		
Total	**598**	**552**
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	(44,407)	(67,140)
Additions / deductions during the year	(23,814)	22,733
	(68,221)	**(44,407)**
Securities premium reserve		
Balance at the beginning of the year	73,856	73,856
Additions / deductions during the year	-	-
	73,856	**73,856**
Profit and loss account		
Balance in profit and loss account brought forward	(1,213)	(5,056)
Add: Current Year Profit	(7,498)	3,843
Balance Carried Forward	**(8,711)**	**(1,213)**
	(3,076)	**28,236**
2.3 : Trade Payables		
Payable to holding company, other group companies	5,684	6,430
Trade Payables		
Others	5,654	4,248
	11,338	**10,678**

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.4 : Other liabilities		
Accrued expenses	47,885	21,554
Other current liabilities	-	-
	47,885	**21,554**
2.5 : Short term provisions		
Allowance for sales returns	1,238	1,342
	1,238	**1,342**

Note 2 : Notes to Accounts (continued)

2.6 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 1 April 2011	Additions	Deductions/ Adjustments	Forex	As at 31 March 12	As at 1 April 11	For the year	Deductions/ Adjustments	Forex	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Land - freehold	878	-	-	62	940	-	-	-	-	-	940	878
Buildings	2,424	4	-	171	2,599	817	108	-	46	971	1,628	1,607
Computers	578	10	-	49	637	441	56	-	40	537	100	137
Plant & Machinery	432	17	-	30	479	412	19	-	28	459	20	20
Furniture and fixtures	677		8	56	725	428	114	67	30	505	220	249
Vehicles	4	-	-	-	4	4	-	-	-	4	-	1
Total Tangible Assets (A)	**4,993**	**31**	**8**	**368**	**5,384**	**2,102**	**297**	**67**	**144**	**2,476**	**2,908**	**2,892**
Patents, trademarks and designs	89,358	303	369	6,323	95,615	67,894	2,659	126	6,160	76,587	19,028	21,463
Total Intangible Assets (B)	**89,358**	**303**	**369**	**6,323**	**95,615**	**67,894**	**2,659**	**126**	**6,160**	**76,587**	**19,028**	**21,463**
Total	**94,352**	**334**	**377**	**6,691**	**101,000**	**69,996**	**2,956**	**193**	**6,304**	**79,063**	**21,936**	**24,355**
Previous year	90,825	70	945	4,402	94,352	63,889	3,693	1,051	3,466	69,996	24,355	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	1,246	21,067
	1,246	**21,067**
2.8 : Inventories		
(Valued on weighted average basis)		
Raw materials	30	86
Goods-in-transit	-	-
Less: Provison for obsolete and slow moving	-	-
Net	**30**	**86**
Work-in-process	11	50
Less: Provison for obsolete and slow moving	-	-
Net	**11**	**50**
Stock-in-trade (in respect of goods acquired for trading)	13,683	12,133
Less: Provison for obsolete and slow moving	(1,695)	(1,202)
Net	**11,989**	**10,930**
Packing materials	1	5
Less: Provison for obsolete and slow moving	-	-
Net	**1**	**5**
	12,031	**11,072**
2.9: Trade Receivables		
(Unsecured)		
Other debts		
Considered good	6,829	4,301
Less: Provision for doubtful debts	(2)	(333)
	6,827	**3,968**
2.10 : Cash and bank balances		
Bank balances		
In current accounts	15,389	1,479
	15,389	**1,479**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.11 : Short term loans and advances		
Considered good		
Advance tax	-	21
Prepaid expenses	194	237
	194	258
Less: Provision for doubtful loans and advances	-	-
	194	**258**
2.12 : Other current assets		
Other current assets	360	163
	360	**163**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.13 : Other operating revenue		
Miscellaneous income	1,955	2,780
	1,955	**2,780**
2.14 : Other income		
Interest on others	2,165	-
	2,165	**-**
2.15 : Employee benefits expense		
Salaries, wages and bonus	4,885	2,863
Contribution to provident and other funds	404	378
Staff welfare expenses	197	157
	5,486	**3,398**
2.16 : Finance costs		
Interest expense inter unit	373	273
Other borrowing costs	3	17
	376	**290**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.17 : Other expense		
Consumption of Stores and spare parts	25	-
Legal and professional	588	538
Carriage outward	1,452	1,354
Rates and taxes	1,465	765
Other selling expenses	604	488
Travelling and conveyance	52	62
Foreign exchange loss, net	5	7
Communication	35	39
Rent	241	246
Donations	-	2
Printing and stationery	11	12
Insurance	218	241
Bank charges	16	15
Loss on sale of fixed assets, net	105	14
Advertisement	1,254	674
Miscellaneous	4,071	5,194
	10,142	**9,651**

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 : 09 May 2012

for **Betapharm Arzneimittel GmbH**

Ewers Michael
Director

DIRECTORS' REPORT

Your Directors present the 22nd Annual Report of the Company for the year ended 31 March 2012

Financial Highlights

	(₹ in thousands)	
Particulars	**31 March 2012**	**31 March 2011**
Profit / (Loss) for the period	(11)	(1)
Balance Brought forward	(126)	(125)
Balance Carried forward to Balance Sheet	(137)	(126)

Operations

The Company did not have any operation during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2012.

Share capital

During the year under review, there was no change in the share capital of the Company.

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 2011-12 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 on-going concern basis.

Directors

Mr. Umang Vohra, retires by rotation at the ensuing Annual General Meeting scheduled on 17 July 2012 and being eligible seeks re-appointment. Your Directors recommends his re-appointment for your approval at the ensuing AGM.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 22nd Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommend re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2012-13 for shareholder's approval.

Compliance Certificate

Pursuant to the provisions of Section 383A of the Companies Act, 1956, a certificate issued by a Company 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 Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo 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 of Directors

Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
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 2012** and the Statement of Profit & Loss 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 Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the Balance Sheet and Statement of Profit and Loss 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, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 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 2012; and
      (ii) in the case of the Statement of Profit and Loss, 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 : 09 May 2012

ANNEXURE TO THE AUDITORS' REPORT

(Of even date referred to in Para (1) of our 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 2012. We report as required under paragraph 4 that:

i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) All the fixed assets have not been physically verified by the Management during the year but there is a regular program of verification which in our opinion, is reasonable having regard to the size of the company and nature of it's assets and to the best of our knowledge no material discrepancies were noticed on such verification.

c) In our opinion, the Company has not disposed off any substantial part of fixed assets during the year and the going concern status of the Company is not affected.

ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii) (a) to (c) are not applicable to the company

iii. Based on the information and explanations provided to us, the company has not granted or taken any loans, secured or unsecured to or from the companies, firms, or other parties covered in the register to be maintained under section 301 of the Companies Act, 1956 during the year. Accordingly, the Sub-clauses (b) to (d) of Clause 4(iii) of the order 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 its business for the purchase of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control;

v. a. In our opinion, and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered

b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time;

vi. Based on the information provided to us, the Company has not accepted any Deposits from the public during the year and hence, in our opinion, the Clause 4(vi) is not applicable to the company for the year;

vii. In our opinion, the company has an adequate internal audit system commensurate with its size and nature of its business;

viii. In our opinion, based on the information provided to us, that the Central Government has not prescribed any accounts and records, which are required to be maintained under section 209(1)(d) of the Act;

ix. a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Provident Fund, Sales tax, Cess, Service tax, Income tax, Customs duty and any other statutory dues with the appropriate authorities. We have been informed that the provisions of Employees State Insurance, Wealth tax and Excise duty are not applicable to the company;

b) According to the information and explanations given to us, there are no dues of Income Tax, Cess, Sales Tax, Service tax and Customs duty to be deposited on account of any dispute.

c) Further, since the Central Government has till date not prescribed the amount of Cess payable under Section 441A of the Companies Act 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

x. In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year;

xi. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the Clause 4(xi) is not applicable to the company for the year;

xii. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities and hence clause 4(xii) is not applicable to the Company;

xiii. In our opinion, the Company is not a Chit fund or Nidhi / Mutual Benefit Fund / Society and hence clause 4(xiii) is not applicable to the Company;

xiv. Based on the information given to us, the Company has not dealt or traded in shares, securities, debentures or other investments during the year and hence clause 4(xiv) is not applicable to the Company;

xv. Based on the information provided to us, the Company has not given guarantee for loans taken by others from Banks or Financial Institutions and hence clause 4(xv) is not applicable to the Company;

xvi. Based on the information provided to us, the company has not obtained any term loans during the year and hence Clause 4(xvi) of the order is not applicable to the company;

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 specifically for long term investments;

xviii. Based on the information provided and explanations offered to us, during the year, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained u/s 301 of the Companies Act,1956;

xix. According to information and explanations provided to us, the Company has neither issued debentures nor created any securities or charge in respect of debentures

xx. The Company has not raised any money by way of Public Issue during the year and hence clause 4(xx) is not applicable to the Company;

xxi. In our opinion and according to the information provided and explanations offered to us, no fraud on or by the Company has been noticed or reported during the course of our audit;

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

A. Ramachandra Rao
Partner
Membership No. 9750

Place : Hyderabad
Date : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	2.1	1,346	1,346
Reserves and surplus	2.2	(137)	(126)
TOTAL		**1,209**	**1,220**
Other current liabilities	2.3	20	9
		20	**9**
TOTAL		**1,229**	**1,229**
ASSETS			
Non-current assets			
Fixed assets			
Tangible Assets	2.4	1,209	1,209
		1,209	**1,209**
Current assets			
Trade receivables	2.5	7	7
Cash and bank balances	2.6	13	13
		20	**20**
TOTAL		**1,229**	**1,229**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Cheminor Investments Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income		-	-
		-	-
Expenses			
Other expenses	2.7	11	1
Total expenses		**11**	**1**
Loss before exceptional and extraordinary items and tax		**(11)**	**(1)**
Exceptional items		-	-
Loss before extraordinary items and tax		**(11)**	**(1)**
Extraordinary Items		-	-
Loss before tax		**(11)**	**(1)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the period		**(11)**	**(1)**
Earnings per share			
Basic - Par value ₹ 10 per share	2.8	(0.082)	(0.007)
Diluted - Par value ₹ 10 per share		(0.082)	(0.007)
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Cheminor Investments Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Cash Flow Statement

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

Particulars		For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flow from operating activities			
Lossbefore taxation		(11)	(1)
Operating profit before working capital changes		(11)	(1)
Increase in Loans and advances		-	(7)
Increase in Other Current Liabilities		11	8
Cash generated from Operations	-	-	
Less: income tax paid		-	-
Net cash provided by operating activities		**-**	**-**
Cash flows From/(Used In) investing activities		-	-
Cash flows From/(Used In) financing activites		**-**	**-**
Net increase/(decrease) in cash & bank balances		**-**	**-**
Cash & bank balances at the beginning of the year		13	13
Cash & bank balances at the end of the year		**13**	**13**

As per our report attached

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

for **Cheminor Investments Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant Accounting Policies

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

a) Basis of preparation

The financial statements have been prepared and presented in accordance with 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 Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956. The financial statements are rounded off to the nearest thousands.

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 Thousands, 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are carried at the cost of acquisition or construction 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. 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.

Land is not depreciated. Depreciation on other fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the companies Act, 1956 or based on the useful life of the assets as estimated by Management whichever is higher. 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 ₹ 5,000 are depreciated in full in the year of acquisition.

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

Note 1: Significant Accounting Policies (Continued)

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

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 are 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 balance sheet date has 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) 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. The dilutive potential equity shares are deemed converted as of the beginning of the period, 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.

f) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

g) Investments

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist.

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 investment.

h) Revenue recognition

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Service income is recognised as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Note 2: Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
150,000 equity shares of ₹ 10/- each	1,500	1,500
200, 12% Cumulative Redeemable Preference shares of ₹ 100/- each	20	20
Issued, Subscribed and paid- up		
134,513 (previous year 134,513) Equity Shares of ₹10/- each	1,345	1,345
8, 12% Cumulative Redeemable Preference Shares of ₹ 100/- each	1	1
	1,346	**1,346**

(a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period

Equity Shares

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning of the period	134,513	1,345	134,513	1,345
Issued during the period	-	-	-	-
Outstanding at the end of the period	**134,513**	**1,345**	**134,513**	**1,345**

Preference Shares

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning of the period	8	1	8	1
Issued during the period	-	-	-	-
Outstanding at the end of the period	**8**	**1**	**8**	**1**

Note 2: Notes to Accounts (Continued)

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

(b) Terms/rights attached to shares

The company has two class of shares consisting of equity shares having a par value of ₹ 10/- per share and 12% cumulative reedemable preference shares having a par value of ₹ 100/- per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity Shares -				
Dr Reddy's laboratories Ltd	134,508	100	134,508	100
Preference Shares				
G V Prasad	4	50	4	50
K Anji Reddy	2	25	2	25
K Deepti Reddy	2	25	2	25

	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance in profit and loss account brought forward	(126)	(125)
Add: Transfer from General Reserve	-	-
	(126)	(125)
Add: Current Year Profit	(11)	(1)
Balance Carried Forward	**(137)**	**(126)**
2.3 : Other Current liabilities		
Payable to subsidiary companies, step down subsidiaries, joint ventures and associates	7	7
Outstanding Liabilities	13	2
	20	**9**

Note 2: Notes to Accounts (Continued)

2.4 : Fixed assets

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

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 1 April 2011	Additions	Deletions	As at 31 March 2012	As at 1 April 2011	For the year	Deletions	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible Assets										
Land - freehold	1,209	-	-	1,209	-	-	-	-	1,209	1,209
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture, fixtures	-	-	-	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
Total Tangible Assets	1,209	-	-	1,209	-	-	-	-	1,209	1,209
Previous year	1,209	-	-	1,209	-	-	-	-	1,209	

Note 2: Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.5 : Trade Receivables		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	7	7
	7	7
Less: Provision for doubtful debts	-	-
	7	**7**
2.6: Cash and bank balances		
Cash on hand	-	-
Bank balances		
In current accounts	13	13
	13	**13**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.7 : Other expenses		
Auditors' remuneration		
Audit fees	11	1
Out of pocket expenses	-	-
	11	**1**
2.8 : Earnings per share		
Loss for the year	(11)	(1)
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	(0.082)	(0.007)
Diluted Earnings per share	(0.082)	(0.007)

Note 2: Notes to Accounts (Continued)

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

2.9 : Comparitive Figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to confirm to this years classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

As per our report attached

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

for **Cheminor Investments Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	**31 March 2012**	**31 March 2011**
Profit/ (Loss) for the period after taxation	(169,906)	(134,561)
Balance brought forward	(1,044,290)	(909,729)
Balance carried forward to Balance Sheet	(1,214,195)	(1,044,290)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

G.V. Prasad
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 **Chirotech Technology Limited** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	66,734	66,734
Reserves and surplus	2.2	(526,477)	(311,070)
		(459,743)	**(244,336)**
Non-current liabilities			
Long term borrowings	2.3	19	17
Deferred tax liabilities, net		4,641	-
Other long term liabilities	2.4	-	62,821
Long term provisions		-	-
		4,660	**62,838**
Current liablities			
Trade payables	2.5	700,751	452,603
Other current liabilities	2.4	257,533	81,604
		958,284	**534,207**
TOTAL		**503,202**	**352,709**
Non current assets			
Fixed assets			
Tangible assets	2.6	58,621	34,471
Intangible assets	2.6	1,879	2,070
Capital work-in-progress		26,784	494
Long term loans and advances	2.7	321	315
Deferred tax assets, net		11,632	5,349
		99,237	**42,699**
Current assets			
Inventories	2.8	9,996	13,100
Trade receivables	2.9	262,849	137,537
Cash and bank balances	2.10	45,260	69,412
Short term loans and advances	2.11	83,074	89,868
Other current assets	2.12	2,786	93
		403,965	**310,010**
TOTAL		**503,202**	**352,709**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

Satish Reddy
Director

G.V. Prasad
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales		733,871	401,870
Service income		95,093	65,600
Other operating revenue	2.13	1,290	13,122
Revenue from operations		**830,254**	**480,592**
Other income	2.14	928	32
Total revenue		**831,182**	**480,624**
Expenses			
Cost of material consumed (including packing material consumed)		485,071	239,743
Purchase of stock-in-trade (traded goods)		78,722	40,498
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.15	219	32
Conversion charges		11,173	26,799
Employee benefits expense	2.16	209,266	158,316
Depreciation and amortization expense	2.6	17,251	7,376
Other expenses	2.17	200,288	141,336
Total expenses		**1,001,990**	**614,100**
Profit before exceptional and extraordinary items and tax		**(170,808)**	**(133,477)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(170,808)**	**(133,477)**
Extraordinary Items		-	-
Profit before tax		**(170,808)**	**(133,477)**
Tax expense			
Current tax		-	-
Deferred tax		(902)	1,084
Profit/ (Loss) for the year		**(169,906)**	**(134,561)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of the Companies Act, 1956.

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:

Buildings	
Factory and administrative buildings	20 to 50
Ancillary structures	3 to 15
Plant and machinery	3 to 15
Laboratory equipment	4 to 10
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3

Note 1: Significant accounting policies (Continued)

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

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, trademarks, etc. (including marketing/ distribution rights)	3 to 16

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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

Service Income

Revenue from services rendered, which primarily relate to contract research, is recognized in the statement of profit and loss as the underlying services are performed. Upfront non-refundable

Note 1: Significant accounting policies (Continued)

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

payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

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) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such 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 statement of profit and loss. 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 depreciated historical cost.

l) 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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
108,298,978 shares of 0.10 each in GBP	67,055	67,055
Issued		
107,780,577 shares of 0.10 each in GBP	66,734	66,734
Subscribed and paid-up		
107,780,577 shares of 0.10 each in GBP	66,734	66,734
Total	**66,734**	**66,734**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	107,780,577	66,734	107,780,577	66,734
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**107,780,577**	**66,734**	**107,780,577**	**66,734**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of GBP 0.10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories (EU) Limited	107,780,577	100	107,780,577	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	(7,219)	607
Movement during the year	(45,501)	(7,826)
	(52,720)	(7,219)
Securities premium reserve		
Balance at the beginning of the year	740,439	740,439
Additions / deductions during the year	-	-
	(740,439)	(740,439)
Surplus		
Balance at the beginning of the year	(1,044,290)	(909,729)
Add: Current year profit	(169,906)	(134,561)
Balance carried forward	(1,214,196)	(1,044,290)
	(526,477)	**(311,070)**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	19	17
	19	**17**
2.4 : Trade Payables		
A) Other liabilities - Non current	-	62,821
	-	**62,821**
B) **Other current liabilities**		
Current maturities of finance lease obligations		
Due to capital creditors	12,248	6,360
Payable to holding company, other group companies	683	395
Accrued expenses	122,859	48,263
Salary and Bonus payable	34,099	13,164
Due to statutory authorities	11,101	8,711
Other current liabilities	76,543	4,711
	257,533	**81,604**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.5 : Trade Payables		
Trade payables		
Others	14,353	19,243
Payable to holding company, other group companies	686,398	433,360
	700,751	**452,603**

Note 2 : Notes to Accounts (Continued)

2.6 : Fixed assets

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

	Gross Block					Depreciation					Net Block	
	01.04.11	Additions	Deletions	Forex	31.03.2012	01.04.11	For the Year	Deletions	Forex	31.03.2012	31.03.2012	31.03.2011
Buildings	-	14,936	-	-	14,936	-	3,111	-	540	2,571	12,365	-
Plant & Machinery	46,773	-	-	8,700	55,473	17,704	6,331	-	4,779	28,814	26,659	29,069
Laboratory equipment	-	8,018	-	-	8,018	-	2,381	-	413	2,794	5,224	-
Computers & Software	6,852	810	-	886	8,548	4,383	1,601	-	955	6,939	1,609	2,469
Furniture & Fixtures	1,436	13,412	-	366	15,214	331	3,340	-	644	4,315	10,899	1,105
Office equipment	1,911	-	-	14	1,925	57	-	-	3	60	1,865	1,854
Total Tangible Assets (A)	**56,972**	**37,176**	**-**	**9,966**	**104,114**	**22,475**	**16,764**	**-**	**7,334**	**45,493**	**58,621**	**34,497**
Patents and Trademarks	2,949	300	-	22	3,271	905	487	-	-	1,392	1,879	2,044
Total Intangible Assets (B)	**2,949**	**300**	**-**	**22**	**3,271**	**905**	**487**	**-**	**-**	**1,392**	**1,879**	**2,044**
Total Assets (A+B)	**59,921**	**74,652**	-	**9,988**	**107,385**	**23,380**	**17,251**	**-**	**7,334**	**46,885**	**60,500**	**36,541**
Previous year	42,295	14,724	-	2,902	59,921	14,582	7,376	-	1,422	23,380	36,541	27,713

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	321	282
Loans to holding company wholly owned subsidiary companies step down subsidiary companies, joint venture and associates	-	33
	321	**315**
Less: Provision for doubtful loans and advances	-	-
	321	**315**
2.8 : Inventories		
(Valued on weighted average basis)		
Raw materials	10,999	13,222
Goods-in-transit	-	-
Less: Provison for obsolete and slow moving	(2,847)	(2,185)
Net	**8,152**	**11,038**
Finished goods	2,510	2,212
Less: Provison for obsolete and slow moving	(666)	(150)
Net	**1,844**	**2,062**
	9,996	**13,100**
2.9: Trade Receivables		
(Unsecured)		
Receivables from holding company, wholly owned subsidiary companies, step down subsidiary companies, joint venture and associates	124,207	33,359
Other debts		
Considered good	138,642	104,178
	262,849	137,537
Less: Provision for doubtful debts	-	-
	262,849	**137,537**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.10 : Cash and bank balances		
Cash on hand	105	13
Bank balances		
In current accounts	45,155	69,399
	45,260	**69,412**
2.11 : Short term loans and advances		
(Unsecured)		
Considered good		
Advances to material suppliers	-	1,868
Staff loans and advances	238	150
Advance tax	17,494	3,260
Balances with statutory/ government authorities	37,397	30,726
Prepaid expenses	27,945	14,457
Other Advances	-	39,407
	83,074	**89,868**
Less : Provision for doubtful loans and advances	-	-
	83,074	**89,868**
2.12 : Other current assets		
Considered good		
Advaces to holding company, wholly owned subsidiary companies, step down subsidiary companies, joint venture and associates	2,786	93
	2,786	**93**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.13 : Other operating revenue		
Miscellaneous income	1,290	13,122
	1,290	**13,122**
2.14 : Other income		
Interest income		
On other deposits	928	32
	928	**32**
2.15 : Changes in inventories of finished goods, work in progress and stock in trade		
Net (increase) / decrease in stock		
Opening		
Finished goods	2,062	2,094
Closing		
Finished goods	1,844	2,062
Net (increase)	**219**	**32**
2.16 : Employee benefits expense		
Salaries, wages and bonus	202,089	149,099
Staff welfare expenses	7,177	9,217
	209,266	**158,316**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.17 : Other expense		
Consumption of stores and spare parts	25,691	14,934
Legal and professional	14,364	27,661
Carriage outward	1,429	1,120
Rates and taxes	23,503	4,379
Other selling expenses	2,916	3,202
Repairs and maintenance		
Buildings	1,444	1,161
Plant and machinery	10,354	5,900
Others	22,909	2,106
Power and fuel	13,820	5,629
Travelling and conveyance	11,431	8,378
Foreign exchange loss	1,207	9,572
Communication	3,288	1,771
Rent	53,035	38,471
Donations	69	16
Printing and stationery	1,714	1,668
Insurance	1,240	586
Bank charges	269	370
Miscellaneous	11,606	14,413
	200,288	**141,336**

Note 2 : Notes to Accounts (continued)

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

2.18: Deferred taxation

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

	As at 31 March 2012	As at 31 March 2011
Deferred tax Assets		
Other current assets	11,632	9,996
	11,632	**9,996**
Deferred tax liability		
Fixed assets	(4,641)	(4,647)
	(4,641)	**(4,647)**
Diferred tax Asset, Net	**6,991**	**5,349**

2.19: Related Party Transactions :

		As at 31 March 2012	As at 31 March 2011
i)	Due from related parties (included in Trade Receivables):		
	Dr. Reddy's Laboratories Limited	103,078	33,359
	Dr. Reddy's Laboratories (EU) Limited	21,129	-
ii)	Due to related parties (included in Trade Payables):		
	Dr. Reddy's Laboratories Limited	22,322	16,934
	Dr. Reddy's Laboratories (EU) Limited	664,076	416,426
iii)	Due to related parties (included in Borrowings and Other liabilities):		
	Dr. Reddy's Laboratories Inc.	-	17
	Dr. Reddy's Laboratories Limited	702	395
iv)	Due from related parties (included in Other Current Assets):		
	Dr. Reddy's Laboratories Limited	2,778	93
	Dr. Reddy's Laboratories Inc.	8	-

Note 2 : Notes to Accounts (continued)

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

2.20 : Commitments and contingent liabilities

The commitments / contingent liabilities as at 31 March 2012 were - ₹ 1,286. (Previous year Nil)

2.21 : Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of 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

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12.

(₹ in Thousands)

Particulars	**31 March 2012**
Profit/ (Loss) for the period after taxation	(195,425)
Balance brought forward	-
Balance carried forward to Balance Sheet	(195,425)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

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, New York Inc** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	2.1	23
Reserves and surplus	2.2	55,518
		55,541
Non-current liabilities		
Long term borrowings	2.3	309,027
		309,027
Current liablities		
Trade payables	2.5	3,427
Other current liabilities	2.4	400,990
Short term provisions	2.6	90
		404,507
TOTAL		**769,075**
ASSETS		
Non current assets		
Fixed assets		
Tangible assets	2.7	116,211
Intangible assets	2.7	117,648
Capital work-in-progress		167,618
Long term loans and advances	2.8	101
		401,578
Current assets		
Current investments		
Inventories	2.10	271,601
Cash and bank balances	2.11	36,694
Short term loans and advances	2.9	59,202
		367,497
TOTAL		**769,075**
Significant accounting policies	1	
Notes to accounts	2	

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Dr. Reddy's Laboratories, New York Inc**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

G V Prasad
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012
Income		
Other operating revenue	2.12	293,064
Revenue from operations		**293,064**
Total revenue		**293,064**
Expenses		
Cost of material consumed (including packing material consumed)		12,951
Purchase of stock-in-trade (traded goods)		43,192
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.14	(10,760)
Employee benefits expense	2.13	42,534
Depreciation and amortization expense	2.7	27,040
Other expenses	2.15	373,532
Total expenses		**488,489**
Profit before exceptional and extraordinary items and tax		**(195,425)**
Exceptional items		-
Profit before extraordinary items and tax		**(195,425)**
Extraordinary items		-
Profit / (Loss) before tax		**(195,425)**
Tax expense		-
Profit / (Loss) for the year		**(195,425)**
Significant accounting policies	1	
Notes to accounts	2	

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Dr. Reddy's Laboratories, New York Inc**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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 company values its inventory on weighted average cost method.

d) 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.

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:

Buildings	
Factory and administrative buildings	20 to 50
Ancillary structures	3 to 15

Note 1: Significant accounting policies (Continued)

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

Plant and machinery	3 to 15
Laboratory equipment	4 to 10
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3

e) Intangible assets and amortization

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's estimates of the useful lives for various categories of intangible assets are as follows:

	Years
Patents, trademarks, etc. (including marketing/ distribution rights)	10

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) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012
2.1 : Share capital	
Authorised	
1000 shares of $0.10 each	45
Issued	
500 shares of $0.10 each	23
Subscribed and paid-up	
500 shares of $0.10 each	23
Total	**23**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012	
	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	-	-
Add: Share issued during the year	500	23
Number of shares outstanding at the end of the year	**500**	**23**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of U.S.$ 0.10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012	
	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories International SA	500	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012
2.2 : Reserves and surplus	
Foreign currency translation reserve	
Balance at the beginning of the year	-
Movement during the year	25,666
	25,666
Securities premium reserve	
Balance at the beginning of the year	-
Additions / deductions during the year	225,277
	225,277
Surplus	
Balance at the beginning of the year	-
Add: Current year profit	(195,425)
Balance carried forward	(195,425)
	55,518
2.3 : Borrowings	
Long term borrowings	
Borrowings from holding company, other group companies	309,027
	309,027
2.4 : Other liabilities	
Due to capital creditors	11,123
Payable to holding company, other group companies	323,621
Other current liabilities	66,246
	400,990
2.5 : Trade Payables	
Trade Payables	
Others	3,427
	3,427
2.6 : Short term provisions	
Provision for employee benefits	90
	90

Note 2 : Notes to Accounts (Continued)

2.7 : Fixed assets

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

Description	Gross Block							Depreciation				Net Block	
	As at 01.04.2011	Acqui-sition	Addition	Deletions	Forex	As at 31.03.12	As at 01.04.11	For the Year	Deletions	Forex	31.03.12	As at 31.03.12	As at 01.04.11
Building (Factory & Administrative)	-	-	74,315	-	114	74,429	-	3,845	-	1	3,846	70,583	-
Plant & Machinery	-	-	58,329	-	90	58,419	-	13,565	-	160	13,725	44,694	-
Furniture & Fixtures	-	-	640	-	1	641	-	105	-	-	105	536	-
Computers	-	-	538	-	1	539	-	96	-	45	141	398	-
Total Tangible Assets (A)	**-**	**-**	**133,822**	**-**	**206**	**134,028**	**-**	**17,611**	**-**	**206**	**17,817**	**116,211**	**-**
Intangible	-	-	125,691	-	1,497	127,188	-	9,429	111	9,540	117,648	-	-
Total Intangible Assets (B)	**-**	**-**	**125,691**	**-**	**1,497**	**127,188**	**-**	**9,429**	**-**	**111**	**9,540**	**117,648**	**-**
TOTAL	**-**	**-**	**259,513**	**-**	**1,703**	**261,216**	**-**	**27,040**	**-**	**317**	**27,357**	**233,859**	**-**
Previous year	-												

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012
2.8 : Long term loans and advances	
(Unsecured)	
Considered good	
Security Deposits	101
	101
2.9 : Short term loans and advances	
Considered good	
Prepaid expenses	484
Other Advances	58,718
	59,202
Less: Provision for doubtful loans and advances	-
	59,202
2.10 : Inventories	
(Valued on weighted average basis)	
Raw materials	296,010
Goods-in-transit	-
Less: Provison for obsolete and slow moving	(35,170)
Net	**260,841**
Finished goods	10,760
Less: Provison for obsolete and slow moving	-
Net	**10,760**
	271,601
2.11 : Cash and bank balances	
Bank balances	
In current accounts	36,694
	36,694

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012
2.12 : Other operating revenue	
Scrap sales	293,064
	293,064
2.13 : Employee benefits expense	
Salaries, wages and bonus	40,041
Staff welfare expenses	2,493
	42,534
2.14 : Changes in inventories of finished goods, work in progress and stock in trade	
Net (increase) / decrease in stock	
Opening	
Finished goods	-
Closing	
Finished goods	10,760
Net (increase)	**(10,760)**
2.15 : Other expense	
Consumption of stores and spare parts	833
Legal and professional	41,747
Carriage outward	215
Rates and taxes	1,417
Repairs and maintenance	
Buildings	395
Plant and machinery	5,801
Others	954
Power and fuel	1,082
Travelling and conveyance	1,129
Communication	406
Rent	2,726
Advances written off	305,448
Printing and stationery	486
Insurance	2,147
Bank charges	77
Miscellaneous	8,669
	373,532

Note 2 : Notes to Accounts (continued)

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

2.16: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012.

2.17: Related Party Disclosures:

	As at 31 March 2012
Due to related parties	
(included in Borrowings and Other current liabilties)	
Dr. Reddy's Laboratories Inc	632,648

2.18: Comparative figures

The Company was incorporated on 24 May 2011. Consequently, no comparatives are presented for the current year financial statements.

2.19: The Company, incorporated in the USA, is a 100% subsidiary of Dr. Reddy's Laboratories International SA.

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 : 09 May 2012

for **Dr. Reddy's Laboratories, New York Inc**

Satish Reddy
Director

G V Prasad
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(24,763)	(77,912)
Balance brought forward	(1,013,161)	(935,249)
Balance carried forward to Balance Sheet	(1,037,924)	(1,013,161)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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 Ltd** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	633,545	633,545
Reserves and surplus	2.2	(1,037,924)	(1,013,161)
		(404,379)	**(379,616)**
Non-current liabilities			
Long term borrowings	2.3	232,358	230,829
Other long term liabilities	2.4	147,945	200,705
		380,303	**431,534**
Current liablities			
Trade payables	2.5	23,310	28,981
Other current liabilities	2.4	116,441	75,224
Short term provisions	2.6	36,278	30,558
		176,029	**134,763**
TOTAL		**151,953**	**186,681**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	656	2,247
Long term loans and advances	2.8	1,258	832
Deferred tax assets, net		85,650	84,350
		87,564	**87,429**
Current assets			
Inventories	2.10	841	337
Trade receivables	2.11	5,016	9,506
Cash and bank balances	2.12	30,936	41,293
Short term loans and advances	2.9	27,596	23,673
Other current assets	2.13	-	24,443
		64,389	**99,252**
TOTAL		**151,953**	**186,681**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.
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 : 09 May 2012

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

VSS Seshagiri Rao Vempati
Director

Statement of Profit and Loss

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

	Note	31 March 2012	31 March 2011
Income			
Sales, gross		27,607	74,915
Less: Excise Duty		-	-
Sales, net		**27,607**	**74,915**
License fees		78,130	42,725
Other operating revenue	2.14	29,374	4,150
Revenue from Operations		**135,110**	**121,790**
Other Income	2.15	2,026	1,982
Total Revenue		**137,136**	**123,772**
Expenses			
Cost of material consumed		145	233
Employee benefits expense	2.16	33,200	54,198
Finance costs	2.17	13,427	38,035
Depreciation and amortization expense	2.7	4,200	4,714
Other expenses	2.18	105,621	107,342
Total expenses		**156,593**	**204,522**
Profit before exceptional and extraordinary items and tax		**(19,457)**	**(80,750)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(19,457)**	**(80,750)**
Extraordinary Items		-	-
Profit before tax		**(19,457)**	**(80,750)**
Tax expense			
Current tax		5,129	34,209
Deferred tax		178	(37,047)
Profit/ (Loss) for the year		**(24,763)**	**(77,912)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of the Companies Act, 1956.

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:

Plant and machinery	3 to 15

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.

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.

Note 1: Significant accounting policies (Continued)

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

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.

License fee

The Company enters into certain licensing and supply arrangements with certain third parties. These arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

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.

i) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
26,699,230 equity shares of BRL 1 each	633,545	633,545
Issued		
26,699,230 equity shares of BRL 1 each	633,545	633,545
Subscribed and paid-up		
26,699,230 equity shares of BRL 1 each	633,545	633,545
Total	**633,545**	**633,545**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	26,699,230	633,545	6,059,231	97,085
Add: Share issued during the year	-	-	20,639,999	536,460
Number of shares outstanding at the end of the year	**26,699,230**	**633,545**	**26,699,230**	**633,545**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of BRL 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	26,699,230	100	26,699,230	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and Surplus		
Surplus		
Balance at the beginning of the year	(1,013,161)	(935,249)
Add: Current year profit	(24,763)	(77,912)
Balance carried forward	(1,037,924)	(1,013,161)
	(1,037,924)	**(1,013,161)**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	232,358	230,829
	232,358	**230,829**
2.4 : Other liabilities		
A) Other long term liabilities		
Deferred revenue income	147,945	200,705
	147,945	**200,705**
B) Other current liabilities		
Accrued expenses	22,064	21,120
Salary and Bonus payable	7	-
Due to statutory authorities (TDS payable)	231	-
Other current liabilities	94,139	54,104
	116,441	**75,224**
2.5 : Trade Payables		
Payable to holding company, other group companies	23,310	28,981
	23,310	**28,981**
2.6 : Short term provisions		
Other provisions		
Taxation, net of advance taxes	36,278	30,558
	36,278	**30,558**

Note 2 : Notes to Accounts (continued)

2.7 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 1 April 2011	Additions	Deductions/ Adjustments	Forex	As at 31 March 12	As at 1 April 11	For the year	Deductions/ Adjustments	Forex	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Plant & Machinery	23632	1298	24	-	24906	21385	4200	1335	-	24,250	656	2247
TOTAL	**23,632**	**1,298**	**24**	**-**	**24,906**	**21,385**	**4,200**	**1,335**	**-**	**24,250**	**656**	**2,247**
PREVIOUS YEAR	35,328	299	11,995	-	23,632	21,474	4,713	4,930	128	21,385	2,247	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	1,258	832
	1,258	**832**
2.9 : Short term loans and advances		
(Unsecured)		
Considered good		
Advances to material suppliers	425	329
Staff loans and advances	163	4,548
Advance tax	26,998	18,658
Prepaid expenses	-	138
Other Advances	10	-
	27,596	23,673
Less: Provision for doubtful loans and advances	-	-
	27,596	**23,673**
2.10 : Inventories		
Finished goods (Valued on weighted average basis)	2,696	2,696
Less: Provison for finished goods	(1,855)	(2,359)
Net	**841**	**337**
2.11: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	1,315	1,248
Debts outstanding for a period exceeding six months		
Considered doubtful	43,120	42,378
Other debts		
Considered good	3,701	8,258
	48,136	51,884
Less: Provision for doubtful debts	(43,120)	(42,378)
	5,016	**9,506**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.12 : Cash and bank balances		
Cash on hand	27	155
Bank balances		
In current accounts	30,909	41,138
	30,936	**41,293**
2.13 : Other current assets		
Considered good		
Advances to holding company, other group companies	-	4,593
Other current assets	-	19,850
	-	**24,443**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.14 : Other operating revenue		
Miscellaneous income	29,374	4,150
	29,374	**4,150**
2.15 : Other income		
Interest income		
On other deposits	1,440	1,982
Profit on sale of fixed assets, net	586	-
	2,026	**1,982**
2.16 : Employee benefits expense		
Salaries, wages and bonus	14,003	19,760
Staff welfare expenses	19,197	34,438
	33,200	**54,198**
2.17 : Finance charges		
Interest expense		
Interest on short term loans	136	250
Interest expense on borrowings from group companies	13,291	37,785
	13,427	38,035
Other borrowing costs	-	-
	13,427	**38,035**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.18 : Other expense		
Consumption of stores and spare parts	43,139	50,718
Legal and professional	8,760	9,224
Carriage outward	86	-
Rates and taxes	8,335	11,004
Other selling expenses	136	7,892
Travelling and conveyance	1,686	2,114
Foreign exchange loss, net	25,971	3,458
Communication	1,585	2,734
Rent	3,462	5,559
Bad debts written-off	-	5,083
Printing and stationery	358	182
Insurance	267	468
Bank charges	408	-
Loss on sale of fixed assets, net	-	941
Miscellaneous	11,428	7,965
	105,621	**107,342**

Note 2 : Notes to Accounts (continued)

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

2.19: Contingencies and commitment liabilities

There were no commitments or contingent liabilities as on 31 March 2012 (previous year: Nil).

2.20: Related party disclosures

The company has the following related party transactions:

	Particulars	As at 31 March 2012	As at 31 March 2011
i)	Due to related parties (included in Borrowings):		
	Dr. Reddy's Laboratories Limited	232,358	230,829
ii)	Due to related parties (included in Trade Payables):		
	Dr. Reddy's Laboratories Limited	23,310	28,981
iii)	Due from related parties (included in Trade Receivables and Loans and advances):		
	Dr. Reddy's Laboratories Limited	1,315	1,248

2.21: Deferred taxation

Deferred tax Assets	As at 31 March 2012	As at 31 March 2011
Deferred tax asset, net included in the balance sheet comprises the following:		
Other current assets	(2,280)	(2,280)
Trade receivables	(225)	(225)
Current Liabilities	86,591	85,291
Inventories	1,564	1,564
Net Tax Asset, net	**85,650**	**84,349**

2.22: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

Note 2 : Notes to Accounts (continued)

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

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

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 : 09 May 2012

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	16,919	1,854
Balance brought forward	(38,508)	(40,362)
Balance carried forward to Balance Sheet	(21,589)	(38,508)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place: Hyderabad
Date: 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital		-	-
Reserves and surplus	2.1	(21,589)	(38,508)
		(21,589)	**(38,508)**
Non-current liabilities			
Long term borrowings	2.2	9,921	9,328
Other long term liabilities	2.3	19,921	33,852
		29,842	**43,180**
Current liablities			
Trade payables	2.4	406,118	358,599
Other current liabilities	2.3	24,502	8,006
Short term provisions	2.5	25,895	12,435
		456,515	**379,040**
TOTAL		**464,768**	**383,712**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	14,457	9,105
Intangible assets	2.6	-	578
Long term loans and advances	2.7	3,303	2,766
Deferred tax assets, net		13,475	11,391
		31,235	**23,840**
Current assets			
Inventories	2.8	98,717	81,334
Trade receivables	2.9	208,999	192,950
Cash and bank balances	2.10	96,713	71,842
Short term loans and advances	2.11	29,104	8,014
Other current assets	2.12	-	5,732
		433,533	**359,872**
TOTAL		**464,768**	**383,712**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

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

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

M.V. Narasimham
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		826,015	688,450
Less: Excise Duty		-	-
Sales, net		**826,015**	**688,450**
Service income		-	-
License fees		7,914	5,836
Other operating revenue	2.13	5	-
Revenue from Operations		**833,934**	**694,286**
Other Income	2.14	3,992	2,940
Total Revenue		**837,926**	**697,226**
Expenses			
Cost of material consumed (including packing material consumed)		16,801	21,987
Purchase of stock-in-trade (Traded goods)		106,578	89,382
Changes in inventories of finished goods, work in progress and Stock-in-Trade	2.15	(17,383)	(22,422)
Employee benefits expense	2.16	173,566	111,261
Finance costs	2.17	734	610
Depreciation and amortization expense	2.6	5,318	3,957
Other expenses	2.18	527,617	481,323
Total expenses		**813,231**	**686,098**
Profit before exceptional and extraordinary items and tax		**24,695**	**11,128**
Exceptional items		-	-
Profit before extraordinary items and tax		**24,695**	**11,128**
Extraordinary Items		-	-
Profit before tax		**24,695**	**11,128**
Tax expense			
Current tax		9,750	12,276
Deferred tax		(1,974)	(3,002)
Profit/ (Loss) for the period		**16,919**	**1,854**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

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

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

M.V. Narasimham
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

d) 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.

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.

Note 1: Significant accounting policies (Continued)

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

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

	Years
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3
Vehicles	3 to 5

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.

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

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

License fee

The Company enters into certain licensing and supply arrangements with certain third parties. These arrangements include certain performance obligations by the company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Note 1: Significant accounting policies (Continued)

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

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 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, 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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	(38,508)	(40,362)
Add: Current year profit	16,919	1,854
Balance carried forward	**(21,589)**	**(38,508)**
2.2 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	9,921	9,328
	9,921	**9,328**
2.3 : Other liabilities		
A) Other long term liabilities		
Deferred revenue income	19,921	33,852
	19,921	**33,852**
B) Other current liabilities		
Accrued expenses	20,947	3,330
Other current liabilities	3,555	4,676
	24,502	**8,006**
2.4 : Trade Payables		
Trade Payables		
Others	87,122	94,506
Payable to holding company, other group companies	318,996	264,093
	406,118	**358,599**
2.5 : Short term provisions		
Provision for income tax payable	25,895	12,435
	25,895	**12,435**

Note 2 : Notes to Accounts (Continued)

2.6 : Fixed assets

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

	Gross Block					Depreciation					Net Block	
	01.04.11	Additions	Deletions	Forex	31.03.2012	01.04.11	For the Year	Deletions	Forex	31.03.2012	31.03.2012	31.03.2011
Lease Hold Improvements	6,395	1,727	11		8,111	1,705	1,367			3,072	5,039	4,690
Furniture, fixtures & office equipment	4,641	1,562	-	-	6,203	1,096	942	-	-	2,038	4,165	3,545
Vehicles	-	2,264	-	-	2,264	-	282	-	-	282	1,982	-
Computer equipment	1,959	4,150	38	-	6,071	1,089	1,724	13	-	2,800	3,271	870
Total Tangible Assets (A)	**12,995**	**9,703**	**49**	**-**	**22,649**	**3,890**	**4,315**	**13**	**-**	**8,192**	**14,457**	**9,105**
Intangibles	3,817	425	-	-	4,242	3,239	1,003		-	4,242	-	578
Total Intangible Assets (B)	**3,817**	**425**	**-**	**-**	**4,242**	**3,239**	**1,003**	**-**	**-**	**4,242**	**-**	**578**
Total (A+B)	**16,812**	**10,128**	**49**	**-**	**26,891**	**7,129**	**5,318**	**13**	**-**	**12,434**	**14,457**	**9,683**
Previous Year	8,484	10,162	1,871	-	16,775	3,135	3,957	-	-	7,092	9,683	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	3,303	2,766
	3,303	**2,766**
2.8: Inventories		
Stock-in-trade (in respect of goods acquired for trading)	98,717	81,334
Less: Provision for obsolete and slow moving	-	-
Net	**34,345**	**117,149**
2.9: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	615	4,592
Debts outstanding for a period exceeding six months		
Considered good	208,384	188,358
	210,309	**195,671**
Less: Provision for doubtful debts	(1,310)	(2,721)
	208,999	**192,950**
2.10 : Cash and bank balances		
Cash on hand	4	35
Bank balances		
In current accounts	96,709	71,807
	96,713	**71,842**
2.11 : Short term loans and advances		
(Unsecured)		
Considered good		
Advances to material suppliers		
Staff loans and advances	306	368
Advance tax	26,646	-
Balances with statutory/ government authorities	-	190
Prepaid expenses	636	7,456
Other Advances	1,516	-
	29,104	**8,014**
2.12 : Other current assets		
Other current assets	-	5,732
	-	**5,732**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.13 : Other operating revenue		
Miscellaneous income	5	-
	5	**-**
2.14 : Other income		
Interest income		
On other deposits	3,170	2,940
Foreign exchange gain, net	822	-
	3,992	**2,940**
2.15 : Changes in inventories of finished goods, work in progress and stock in trade		
Net (increase) / decrease in stock		
Opening		
Stock in trade	81,334	58,912
Closing		
Stock in trade	98,717	81,334
Net (increase)	**(17,383)**	**(22,422)**
2.16 : Employee benefits expense		
Salaries, wages and bonus	168,761	99,038
Staff welfare expenses	4,805	12,223
	173,566	**111,261**
2.17 : Finance costs		
Interest expense		
Interest expense on borrowings from parent company	488	480
	488	480
Other borrowing costs	246	130
	734	**610**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.18 : Other expense		
Consumption of stores and spare parts	319,830	221,707
Legal and professional	4,613	7,967
Carriage outward	9,204	5,349
Rates and taxes	-	41
Other selling expenses	66,037	144,005
Repairs and maintenance		
Buildings	1,352	-
Travelling and conveyance	7,180	4,066
Foreign exchange loss, net	-	7,456
Communication	5,612	3,023
Rent	15,250	6,589
Printing and stationery	5,961	4,814
Insurance	3,631	2,374
Bank charges	612	800
Advertisement	60,591	36,639
Miscellaneous	27,744	36,493
	527,617	**481,323**

2.19: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012 (previous year Nil).

2.20: Deferred taxation

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

	31 March 2012	31 March 2011
Trade receivables	(554)	(239)
Provisions	1,696	(559)
Inventories	1,603	-
Other current assets	(107)	(106)
Other current liabilities	769	464
Fixed assets	10,068	11,831
Net Tax Asset	**13,475**	**11,391**

Note 2 : Notes to Accounts (Continued)

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

2.21: Related party Disclosures

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (included in Trade Receivables)		
	Dr. Reddy's Laboratories Ltd.	615	4,592
ii.	Due to related parties (included in Borrowings)		
	Dr. Reddy's Laboratories Ltd.	9,921	9,328
iii.	Due to related parties (included in Trade Payables)		
	Dr. Reddy's Laboratories Ltd.	318,996	264,093

2.22: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

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

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 : 09 May 2012

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

Satish Reddy
Director

M.V. Narasimham
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(2,670)	4,447
Balance brought forward	43,697	39,250
Balance carried forward to Balance Sheet	41,027	43,697

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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. Dr. Reddy's Laboratories Inc.** as at **31 March 2012** and Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012; and

   b. In the case Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,802	5,802
Reserves and surplus	2.2	46,719	51,799
		52,521	**57,601**
Non-current liabilities			
Long term borrowings	2.3	28	-
Other long term liabilities	2.4	129	-
		157	**-**
Current liablities			
Short term borrowings	2.3	25,463	17,841
Trade payables	2.5	99,696	83,043
Other current liabilities	2.4	5,783	2,548
Short term provisions	2.6	23,084	17,407
		154,026	**120,839**
TOTAL		**206,704**	**178,440**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	672	1,038
Capital work-in-progress		-	1
Non current investments	2.8	44,684	28,788
Long term loans and advances	2.9	4,365	1,206
Deferred tax assets, net		3,583	4,500
		53,303	**35,533**
Current assets			
Inventories	2.10	29,766	30,721
Trade receivables	2.11	67,420	45,692
Cash and bank balances	2.12	3,114	23,338
Short term loans and advances	2.13	18,296	13,747
Other current assets	2.14	34,804	29,409
		153,400	**142,907**
TOTAL		**206,704**	**178,440**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Dr Reddy's Laboratories Inc**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K. Anji Reddy
Director

G.V. Prasad
Director

Place : Hyderabad Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		331,455	194,808
Less: Excise duty		-	-
Sales, net		**331,455**	**194,808**
Service income		2,846	3,331
License fees		1,765	-
Other operating revenue	2.15	724	425
Revenue from operations		**336,790**	**198,564**
Other income	2.16	34	87
Total revenue		**336,824**	**198,651**
Expenses			
Cost of material consumed (including packing material consumed)	2.19	284,745	168,693
Purchase of stock-in-trade (traded goods)		6,311	3,580
Changes in inventories of finished goods, work-in-progress and Stock-in-trade		(99)	(350)
Conversion charges		9,618	6,122
Excise duty		-	-
Employee benefits expense	2.17	11,062	9,097
Finance costs	2.18	736	34
Depreciation and amortization expense	2.7	435	268
Research and development		1,607	219
Other expenses	2.20	22,847	10,435
Total expenses		**337,261**	**198,098**
Profit before exceptional and extraordinary items and tax		**(436)**	**553**
Exceptional items		-	-
Profit before extraordinary items and tax		**(436)**	**553**
Extraordinary Items		-	-
Profit before tax		**(436)**	**553**
Tax expense			
Current tax		896	234
Deferred tax		1,338	(4,128)
Profit/ (Loss) for the year		**(2,670)**	**4,447**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.
As per our report attached

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

for **Dr Reddy's Laboratories Inc**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K. Anji Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported

Note 1: Significant accounting policies

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

in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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 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.

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.

Accrual for chargeback, rebates, discounts and medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Accrual for such chargeback is accrued and estimated based on historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers / other customers and estimated inventory holding by the wholesaler. Such provisions are presented as a reduction of trade receivable.

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a price agreed upon in the arrangement and is also entitled to a profit share which is over and above the agreed price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profit, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the agreed price is recognized on these transactions upon delivery of products to the business partners. The additional amount representing the profit share component is recognized as revenue in the period which corresponds to the ultimate

Note 1: Significant accounting policies

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

sales made by business partners only when the collectability of the profit share becomes probable and a reliable measure of the profit share is available. In arriving at this conclusion and in measuring the amount of profit share revenue to be recognized for such period, the Company uses all available information and evidences relating to the amounts owed to the Company under these arrangements, such as confirmations provided by business partners, including those made available on or before the date of approval of financial statements.

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.

Returns primarily relate to expired products, which the customer has the right to return for a period of 12 months following the expiration date. Such returned products are destroyed and credit notes are issued to the customer for the products returned. The Company accounts for sales returns accrual by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns. The Company deals in various products and operates in various markets. Accordingly, estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors.

Service Income

Revenue from services rendered, which primarily relate to contract research, is recognized in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

License fee

The Company enters into certain licensing and supply arrangements with certain third parties. These arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Note 1: Significant accounting policies

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

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 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) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

j) Government grants

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

k) Research and development

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

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

Note 1: Significant accounting policies

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

- Development costs can be measured reliably,
- The product or process is technically and commercially feasible,
- Future economic benefits are probable and ascertainable, and
- The Company intends to and has sufficient resources to complete development and has the ability to use or sell the asset.

Expenditure incurred on fixed assets used for research and development is capitalised and depreciated in accordance with the depreciation policy of the Company.

l) Leases

The lease arrangement is classified as either a finance lease or an operating lease, at the inception of the lease, based on the substance of the lease arrangement.

Finance leases

A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Other leases are operating leases, and the leased assets are not recognized on the Company's statements of financial position. Payments made under operating leases are recognized in statement of profit and loss on a straight-line basis over the term of the lease.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
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	5,802	5,802
Subscribed and paid-up		
1,401,000 shares of USD 10 each	5,802	5,802
Total	**5,802**	**5,802**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	1,401,000	5,802	1,401,000	5,802
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**1,401,000**	**5,802**	**1,401,000**	**5,802**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of U.S.$ 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of shares held	% of equity shares held	No. of shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	406,290	29	406,290	29
Dr. Reddy's laboratories SA	994,710	71	994,710	71

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Securities premium reserve		
Balance at the beginning of the year	8,102	8,102
Additions / deductions during the year	-	-
	8,102	8,102
Hedging Reserve		
Balance at the beginning of the year	-	-
Movement during the year	(2,410)	-
	(2,410)	-
Surplus		
Balance at the beginning of the year	43,697	39,250
Add: Current year profit	(2,670)	4,447
Balance carried forward	41,027	43,697
	46,719	**51,799**
2.3 : Borrowings		
A) Long term borrowings		
Secured		
Long term maturities of finance lease obligations	28	-
	28	**-**
B) Short term borrowings		
Borrowings from holding company, other group companies	-	17,841
Unsecured		
Other short-term loans	25,463	-
	25,463	**17,841**
2.4 : Other liabilities		
A) Other long term liabilities		
Deferred revenue income	129	-
	129	**-**
B) Other current liabilities		
Due to capital creditors	-	3
Payable to holding company, other group companies	570	-
Provision for expenses	2,327	1,062
Salary and bonus payable	2,627	1,483
Due to statutory authorities	259	-
	5,783	**2,548**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.5 : Trade Payables		
Trade payables		
Due to micro, small and medium enterprises		
Others	2,713	3,812
Payable to holding company, other group companies	96,983	79,231
	99,696	**83,043**
2.6 : Provisions		
Short term provisions		
Provision for employee benefits	1	-
Other provisions		
Taxation	16,277	13,472
Allowance for sales returns	6,806	3,935
	23,084	**17,407**

Note 2 : Notes to Accounts (Continued)

2.6 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 1 April 2011	Additions	Deductions/ Adjustments	Forex	As at 31 March 12	As at 1 April 11	For the year	Deductions/ Adjustments	Forex	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Lease hold Improvements	658	5	-	-	663	164	205	9	-	360	303	493
Computers	815	113	488	-	441	637	108	422	-	323	118	179
Electrical/ Office equipment	178	-	-	-	178	125	-	-	-	125	53	53
Furniture and fixtures	642	6	1	-	647	330	122	2	-	449	198	313
Total Tangible Assets	**2,293**	**124**	**489**	**-**	**1,929**	**1,256**	**435**	**433**	**-**	**1,257**	**672**	**1,038**
Previous year	1,480	805	2	-	2,283	980	267	2	-	1,245	1,038	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Non current investment		
Investment in subsidiaries	44,684	28,788
Less: Provision for decline, other than temporary, in the value of non current investments	-	-
	44,684	**28,788**
2.9 : Long term loans and advances		
(Unsecured)		
Loans to holding company, other group companies	4,365	1,206
	4,365	**1,206**
2.10 : Inventories		
(Valued on weighted average basis)		
Finished goods	41,081	38,066
Less: Provison for obsolete and slow moving	(13,646)	(11,091)
Net	**27,436**	**26,975**
Stock-in-trade (in respect of goods acquired for trading)	2,027	2,389
Less: Provison for obsolete and slow moving		
Net	**2,027**	**2,389**
Packing materials	879	1,503
Less: Provison for obsolete and slow moving	(576)	(147)
Net	**304**	**1,357**
	29,766	**30,721**
2.11: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	184	10
Debts outstanding for a period exceeding six months		
Considered good		
Considered doubtful	489	12
Other debts		
Considered good	67,236	45,682
	67,909	45,704
Less: Provision for doubtful debts	(489)	(12)
	67,420	**45,692**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.12 : Cash and bank balances		
Bank balances		
In current accounts	3,114	23,338
	3,114	**23,338**
2.13 : Short term loans and advances (Unsecured)		
Considered good		
Advances to material suppliers	522	171
Staff loans and advances	6	7
Advance tax	17,542	13,453
Prepaid expenses	226	116
Other advances	-	-
Considered doubtful		
Other advances recoverable in cash or in kind or for value to be received	436	-
	18,732	13,747
Less: Provision for doubtful loans and advances	(436)	-
	18,296	**13,747**
2.14 : Other current assets		
Considered good		
Advances to holding company, other group companies	34,801	29,407
Other current assets	3	2
	34,804	**29,409**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.15 : Other operating revenue		
Miscellaneous income	724	425
	724	**425**
2.16 : Other income		
Interest income		
On other deposits	34	33
Foreign exchange gain, net	-	54
	34	**87**
2.17 : Employee benefits expense		
Salaries, wages and bonus	9,240	7,788
Contribution to provident and other funds	863	670
Staff welfare expenses	959	639
	11,062	**9,097**
2.18 : Finance costs		
Interest expense		
Interest on short term loans	294	31
Interest expense on loans from group companies	442	3
	736	34
Other borrowing costs	-	-
	736	**34**
2.19 : Changes in inventories of finished goods, work in progress and stock in trade		
Net (increase) / decrease in stock		
Opening		
Finished goods	26,975	25,485
Stock in trade	2,389	29,364
	29,364	29,014
Closing		
Finished goods	27,436	26,975
Stock in trade	2,027	29,463
	29,463	29,364
Net (increase)	**(99)**	**(350)**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.20 : Other expense		
Legal and professional	2,101	3,670
Carriage outward	6,637	2,025
Rates and taxes	153	59
Commission on sales	-	-
Other selling expenses	1,646	1,396
Repairs and maintenance		
Buildings	4	-
Plant and machinery	24	-
Others	87	-
Travelling and conveyance	1,076	915
Foreign exchange loss, net	7,301	-
Communication	402	219
Rent	688	466
Donations	28	5
Provision for doubtful advances, net	44	347
Printing and stationery	119	129
Insurance	741	125
Bank charges	26	19
Provision for doubtful debts, net	523	272
Advertisement	356	208
Miscellaneous	891	580
	22,847	**10,435**

Note 2 : Notes to Accounts (Continued)

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

2.21: Contingencies and commitment

The company is involved in certain disputes, lawsuits and claims involving patent and commercial matters that arise from time to time in the ordinary course of business. The Company believes that there are no such pending matters that are expected to have any material adverse effect on its financial statements in any accounting period. Further, there were no commitments as at 31 March 2012 (previous year Nil)

2.22: Deferred taxation

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

Deferred tax Assets	As at 31 March 2012	As at 31 March 2011
Losses carry forward	(270)	(226)
Trade receivables	3,024	(189)
Inventories	270	105
Other current Assets	714	-
	3,738	**(188)**
Deferred Tax Liability		
Stock based compensation	(1,190)	(757)
Depreciation	385	1,252
Current Liabilities	649	227
	(155)	**599**
Net Tax Asset	**3,583**	**411**

2.23: Related Party Disclosures:

i. Due from related parties (included in Advances and other assets):		
Dr. Reddy's Laboratories Limited	3,563	6,326
Promius Pharma LLC	22,251	18,037
Aurigene Discovery Technologies Inc.	24	105
Industrias Quimicas Falcon de Mexico, SA de CV	1,275	1,117
Dr. Reddy's Laboratories Louisiana LLC	4,958	3,906
Chirotech Technologies Limited	-	4
Dr. Reddy's Laboratories New York, Inc	6,327	-
Dr. Reddy's Laboratories Tennessee, LLC	768	1,118
ii. Due from related parties (included in Trade Receivables):		
Dr. Reddy's Laboratories Limited	-	10
Industrias Quimicas Falcon de Mexico, SA de CV	184	-

Note 2 : Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
iii. Due to related parties (included in Trade Payables):		
Dr. Reddy's Laboratories Limited	71,935	65,870
Dr. Reddys Laboratories SA, Switzerland	24,255	12,941
Industrias Quimicas Falcon de Mexico, SA de CV	253	420
Dr. Reddy's Laboratories (EU) Limited	540	-
iv. Due to related parties (included in Borrowings and other liabilities):		
Dr. Reddys Laboratories SA, Switzerland	570	17,841

2.24: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.25: The Company is incorporated in the United States of America. Its 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.

As per our report attached

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

for **Dr Reddy's Laboratories Inc**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K. Anji Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(896)	(704)
Balance brought forward	(616)	88
Balance carried forward to Balance Sheet	(1,512)	(616)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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 **Dr. Reddy's Laboratories International SA** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	245,333	4,144
Reserves and surplus	2.2	(1,512)	(616)
		243,821	**3,528**
Current liablities			
Other current liabilities	2.3	116	188
Short term provisions	2.4	32	-
		148	**188**
TOTAL		**243,969**	**3,716**
ASSETS			
Non current assets			
Non current investments	2.5	225,299	-
Long term loans and advances	2.6	15,057	-
		240,356	**-**
Current assets			
Cash and bank balances	2.7	3,462	3,647
Short term loans and advances	2.8	151	69
		3,613	**3,716**
TOTAL		**243,969**	**3,716**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Other income	2.9	2,663	584
Total revenue		**2,663**	**584**
Expenses			
Employee benefits expense	2.11	619	763
Other expenses	2.10	2,860	525
Total expenses		**3,479**	**1,288**
Profit before exceptional and extraordinary items and tax		**(816)**	**(704)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(816)**	**(704)**
Extraordinary items		-	-
Profit / (Loss) before tax		**(816)**	**(704)**
Tax expense			
Current tax		80	-
Deferred tax		-	-
Profit / (Loss) for the year		**(896)**	**(704)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

Note 1: Significant accounting policies

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

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.

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

Note 1: Significant accounting policies (Continued)

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

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.

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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
4,600,000 equity shares of 1CHF each (previous year: 100,000)	245,333	4,144
Issued		
4,600,000 equity shares of 1CHF each (previous year: 100,000)	245,333	4,144
Subscribed and paid-up		
4,600,000 equity shares of 1CHF each (previous year: 100,000)	245,333	4,144
Total	**245,333**	**4,144**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	100,000	4,144	100,000	4,144
Add: Share issued during the year	4,500,000	241,189	-	-
Number of shares outstanding at the end of the year	**4,600,000**	**245,333**	**100,000**	**4,144**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of CHF 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories SA	4,600,000	100	100,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	(616)	88
Add: Current year profit	(896)	(704)
Balance carried forward	**(1,512)**	**(616)**
2.3 : Other liabilities		
Other current liabilities		
Accrued expenses	9	188
Sundry creditors for expense	107	-
	116	**188**
2.4 : Short term provisions		
Other provisions		
Taxation, net of advance taxes	32	-
	32	**-**
2.5 : Non current investment		
Investment in subsidiaries	225,299	-
	225,299	**-**
2.6 : Long term loans and advances		
(Unsecured)		
Considered good		
Capital advances for purchase of fixed assets	15,057	-
	15,057	**-**
2.7 : Cash and bank balances		
Bank balances		
In current accounts	3,462	3,647
	3,462	**3,647**
2.8 : Short term loans and advances		
(Unsecured)		
Considered good		
Balances with statutory/ government authorities	151	69
	151	69
Less: Provision for doubtful loans and advances	**-**	**-**
	151	**69**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.9 : Other income		
Interest income		
On other deposits	17	3
Foreign exchange gain, net	2,646	581
	2,663	**584**
2.10 : Other expense		
Legal and professional	852	513
Rates and taxes	1,941	-
Bank charges	67	12
	2,860	**525**
2.11 : Employee benefits expense		
Salaries, wages and bonus	619	763
	619	**763**

Note 2: Notes to accounts (Continued)

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

2.12 Commitments and contingent liabilities

Commitments / contingent liabilities (net of capital advances) as at 31 March 2012 were ₹. 22,550. (Previous year Nil)

2.13. Related party disclosures

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Dues from related Parties	Nil	Nil
ii.	Due to related parties	Nil	Nil

2.14 Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

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

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 : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(162,740)	(137,633)
Balance brought forward	(503,538)	(365,905)
Balance carried forward to Balance Sheet	(666,278)	(503,538)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Sameer Natu
Director

Stanislao Carlo Caputo
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6,234	6,234
Reserves and surplus	2.2	(680,710)	(492,144)
		(674,476)	**(485,910)**
Non-current liabilities			
Long term borrowings	2.3	748,579	591,359
Deferred tax liabilities, net		-	-
Other long term liabilities	2.4	7,029	-
Long term provisions		-	-
		755,608	**591,359**
Current liablities			
Trade payables	2.5	30,411	65,559
Other current liabilities	2.4	188,559	114,909
		218,970	**180,468**
TOTAL		**300,102**	**285,917**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	1,133	1,365
Intangible assets	2.6	24,900	23,725
Long term loans and advances	2.7	-	945
		26,033	**26,035**
Current assets			
Inventories	2.9	47,308	49,398
Trade receivables	2.10	149,105	125,378
Cash and bank balances	2.11	54,321	64,352
Short term loans and advances	2.8	23,335	20,755
		274,069	**259,883**
TOTAL		**300,102**	**285,917**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		284,162	192,081
Less: Excise duty		-	-
Sales, net		**284,162**	**192,081**
Other operating revenue	2.12	299	-
Revenue from operations		**284,461**	**192,081**
Other income	2.13	865	562
Total revenue		**285,326**	**192,643**
Expenses			
Cost of material consumed (including packing material consumed)		167,630	104,958
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	2.15	2,089	(1,395)
Employee benefits expense	2.14	39,711	34,069
Depreciation and amortization expense	2.6	7,232	11,426
Other expenses	2.16	231,404	181,218
Total expenses		**448,066**	**330,276**
Profit before exceptional and extraordinary items and tax		**(162,740)**	**(137,633)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(162,740)**	**(137,633)**
Extraordinary Items		-	-
Profit before tax		**(162,740)**	**(137,633)**
Tax expense		-	-
Profit/ (Loss) for the period		**(162,740)**	**(137,633)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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
Computer equipment	3

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

Note 1: Significant accounting policies (Continued)

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

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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 is stated inclusive of VAT and exclusive of returns, applicable trade discounts and allowances.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
99,000 shares of EUR 1 each	6,234	6,234
Issued		
99,000 shares of EUR 1 each	6,234	6,234
Subscribed and paid-up		
99,000 shares of EUR 1 each	6,234	6,234
Total	**6,234**	**6,234**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	99,000	6,234	99,000	6,234
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**99,000**	**6,234**	**99,000**	**6,234**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Reddy Pharma Italia SPA	99,000	100	99,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	11,394	32,395
Movement during the year	(38,868)	(21,001)
	(27,474)	11,394
Securities premium reserve		
Balance at the beginning of the year	-	-
Additions / deductions during the year	13,042	-
	13,042	-
Surplus		
Balance at the beginning of the year	(503,538)	(365,905)
Add: Current year profit	(162,740)	(137,633)
Balance carried forward	(666,278)	(503,538)
	(680,710)	**(492,144)**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	748,579	591,359
	748,579	**591,359**
2.4 : Other liabilities		
A) Other long term liabilities		
Deferred revenue income	7,029	-
	7,029	**-**
B) Other current liabilities		
Payable to holding company, other group companies	89,553	28,078
Accrued expenses	49,743	31,338
Other current liabilities	49,263	55,493
	188,559	**114,909**
2.5 : Trade Payables		
Payable to holding company, other group companies	30,411	65,559
	30,411	**65,559**

Note 2 : Notes to Accounts (Continued)

2.6: Fixed assets

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

Description	Gross Block							Depreciation				Net Block	
	As at 01.04.2011	Acquisition	Addition	Deletions	Forex	As at 31.03.12	As at 01.04.11	For the Year	Deletions	Forex	31.03.12	As at 31.03.12	As at 01.04.11
Computers & Software	2,334	355	-	-	165	2,854	969	665	-	87	1,721	1,133	1,365
Total Tangible Assets (A)	**2,334**	**355**	**-**	**-**	**165**	**2,854**	**969**	**665**	**-**	**87**	**1,721**	**1,133**	**1,365**
Product related intangible	111,749	-	7,394	-	6,812	125,955	88,657	6,567	-	6,942	102,166	23,789	23,092
Other Intangibles	8,172	-	458	-	121	8,751	7,539		-	101	7,640	1,111	633
Total Intangible Assets (B)	**119,921**	**-**	**7,852**	**-**	**6,933**	**134,706**	**96,196**	**6,567**	**-**	**7,043**	**109,806**	**24,900**	**23,725**
Total (A+B)	**122,255**	**355**	**7,852**	**-**	**7,098**	**137,560**	**97,165**	**7,232**	**-**	**7,130**	**111,527**	**26,033**	**25,090**
Previous Year	115,505	-	2,784	1,621	5,587	122,255	82,600	11,426	1,461	4,600	97,165	25,090	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7 : Long term loans and advances		
(Unsecured)		
Loans to to holding company, other group companies		
Considered good		
Security Deposits	-	945
	-	**945**
2.8 : Short term loans and advances		
(Unsecured)		
Considered good		
Advances to material suppliers	1,179	-
Balances with statutory/ government authorities	19,881	14,590
Prepaid expenses	314	5,799
Other Advances	1,961	366
	23,335	20,755
Less: Provision for doubtful loans and advances	-	-
	23,335	**20,755**
2.9 : Inventories		
Stock in trade (Valued on weighted average basis)	73,413	49,398
Less: Provision for stock in trade	(26,104)	-
Net	**47,308**	**49,398**
2.10: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	11,001	-
Debts outstanding for a period exceeding six months		
Considered doubtful	31,242	11,531
Other debts		
Considered good	138,104	125,378
	180,347	136,909
Less: Provision for doubtful debts	(31,242)	(11,531)
	149,105	**125,378**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.11 : Cash and bank balances		
Cash on hand	29	-
Bank balances		
In current accounts	20,358	967
Bank Deposits	33,934	63,385
	54,321	**64,352**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.12 : Other operating revenue		
Miscellaneous income	299	-
	299	**-**
2.13 : Other income		
Interest income		
On loans to subsidiaries and joint venture		
On other deposits	556	562
Foreign exchange gain, net	309	-
	865	**562**
2.14 : Employee benefits expense		
Salaries, wages and bonus	38,932	34,007
Staff welfare expenses	779	62
	39,711	**34,069**
2.15 : Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Net (increase) / decrease in stock		
Opening		
Stock in trade	49,398	48,003
Closing		
Stock in trade	47,308	49,398
Net (increase)	**2,089**	**(1,395)**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.16 : Other expense		
Legal and professional	56,088	19,788
Carriage outward	5,300	4,012
Commission on sales	53,140	43,214
Other selling expenses	54,234	46,455
Travelling and conveyance	9,630	10,478
Communication	1,995	2,335
Rent	-	292
Printing and stationery	1,945	280
Insurance	523	-
Bank charges	3,596	3,760
Provision for doubtful debts, net	18,480	3,524
Miscellaneous	26,473	47,080
	231,404	**181,218**

Note 2 : Notes to Accounts (continued)

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

2.16: Related Party Transactions:

		As at 31 March 2012	As at 31 March 2011
i)	Due to related parties (included in Borrowings and Other liabilities):		
	Dr. Reddy's Laboratories Limited	8,455	-
	Dr. Reddys Pharma Italia SPA	829,677	591,359
ii)	Due to related parties (included in Trade Payables):		
	Dr. Reddys Pharma Italia SPA	-	47,537
	Dr. Reddy's Laboratories Limited		
	Dr. Reddy's Laboratories (U.K.) Limited	30,411	13,583
		-	4,440
iii)	Due from related parties (included in Trade Receivables):		
	Dr. Reddys Pharma Italia SPA	11,001	-

2.17: Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2012 (previous year: Nil).

2.18: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.19: The Company, formerly known as Jet Generici SRL, incorporated under the laws of Italy, is a 100% subsidiary of Reddy Pharma Italia SPA.

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 : 09 May 2012

DIRECTORS' REPORT

Your Directors present the 12th Annual Report of the Company for the year ended 31 March 2012

Financial Highlights

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit / (Loss) for the period	(157)	(22)
Balance Brought forward	(154,112)	(154,090)
Balance Carried forward to Balance Sheet	(154,269)	(154,112)

Operations

The Company did not have any operation during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending March 31 2012.

Share capital

During the year under review, there was no change in the share capital of the Company.

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 2011-12 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 on-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 Audit Committee met 2 times during the year: on 11 May 2011 and 24 October 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

Directors

Mr. A S Kumar, retires by rotation at the ensuing Annual General Meeting scheduled on 17 July 2012 and being eligible seeks re-appointment. Your Directors recommends his re-appointment for your approval at the ensuing AGM.

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 re-appointed. The Board of Directors recommend re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2012-13 for shareholder's approval.

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 Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo 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 of Directors

Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

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 2012** and the Statement of Profit and Loss 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 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 statements 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 Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
   - (d) in our opinion, the Balance Sheet and Statement of Profit and Loss 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 as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 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 2012; and
     - (ii) in the case of the Statement of Profit and Loss, 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 : 09 May 2012

ANNEXURE TO THE AUDITORS' REPORT

(Of even date referred to in Para (1) of our Report)

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) During the year under report, the company has not disposed off any major part of the plant and machinery and hence clause 4(i)_(c) is not applicable.

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) In our opinion, and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time;;

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 and Excise duty 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.

(c) Further, since the Central Government has till date not prescribed the amount of Cess payable under Section 441A of the Companies Act 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

x. Based on the information provided and explanations given to us, the accumulated losses of the company are not more than fifty percent of the net worth of the company. Further the company has incurred cash loss in the current financial year and during 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 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, 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;

xxi. According to the information and explanations given to us, the Company has not made public issue during the year of audit;

xxii. 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	340,221	340,221
Reserves and surplus	2.2	(154,269)	(154,112)
		185,952	**186,109**
Non current liabilities		-	-
		-	**-**
Current liablities			
Other current liabilities	2.3	82,660	82,503
		82,660	**82,503**
TOTAL		**268,612**	**268,612**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.4	261,783	261,783
Capital work-in-progress		6,112	6,112
		267,895	**267,895**
Current assets			
Cash and bank balances	2.5	305	305
Short-term loans and advances	2.6	412	412
		717	**717**
TOTAL		**268,612**	**268,612**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

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

G V Prasad
Director

Satish Reddy
Director

Md Shahnawaz
Company Secretary

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income		-	-
		-	**-**
Expenses			
Other expenses	2.7	157	22
Total expenses		**157**	**22**
Loss before exceptional and extraordinary items and tax		**(157)**	**(22)**
Exceptional items			
Loss before extraordinary items and tax		**(157)**	**(22)**
Extraordinary Items			
Loss before tax		**(157)**	**(22)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the period		**(157)**	**(22)**
Earnings per share			
Basic - Par value ₹ 10 per share		(0.005)	(0.001)
Diluted - Par value ₹ 10 per share		(0.005)	(0.001)
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

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

G V Prasad
Director

Satish Reddy
Director

Md Shahnawaz
Company Secretary

Cash Flow Statement

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

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flow from operating activities		
Loss for the period	(157)	(22)
Operating profit before working capital changes	(157)	(22)
Increase in Other Current Liabilities	157	22
Cash generated from Operations	-	-
Less: income tax paid	-	-
Net cash provided by operating activities	**-**	**-**
Cash flows From/(Used In) investing activities	-	-
Cash flows From/(Used In) financing activites	-	-
Net increase/(decrease) in cash & bank balances	**-**	**-**
Cash & bank balances at the beginning of the year	305	305
Cash & bank balances at the end of the year	**305**	**305**

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 : 09 May 2012

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

G V Prasad
Director

Satish Reddy
Director

Md Shahnawaz
Company Secretary

Note 1: Significant Accounting Policies

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

a) Basis of preparation

The financial statements have been prepared and presented in accordance with 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 Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956. The financial statements are rounded off to the nearest thousands.

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 Thousands, 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are carried at the cost of acquisition or construction 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. 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.

Land is not depreciated. Depreciation on other fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the companies Act, 1956 or based on the useful life of the assets as estimated by Management whichever is higher. 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 ₹ 5,000 are depreciated in full in the year of acquisition.

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

Note 1: Significant Accounting Policies (continued)

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

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 are 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 balance sheet date has 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) 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. The dilutive potential equity shares are deemed converted as of the beginning of the period, 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.

f) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

g) Investments

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist.

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 investment.

h) Revenue recognition

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Service income is recognised as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
35,000,000 equity shares of ₹ 10/- each	350,000	350,000
Issued, Subscribed and Paid up		
34,022,070 (previous year 34,022,070) Equity Shares of ₹ 10/- each	340,221	340,221
	340,221	**340,221**

(a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning of the period	34,022,070	340,221	34,022,070	340,221
Issued during the period	-	-	-	-
Outstanding at the end of the period	**34,022,070**	**340,221**	**34,022,070**	**340,221**

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ₹ 10/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Dr Reddy's laboratories Ltd	34,022,010	100	34,022,010	100

Note 2 : Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance in profit and loss account brought forward	(154,112)	(154,090)
Add: Transfer from General Reserve	-	-
	(154,112)	(154,090)
Add: Current Year Profit	(157)	(22)
Balance Carried Forward	**(154,269)**	**(154,112)**
2.3 : Other Current liabilities		
Payable to subsidiary companies, step down subsidiaries, joint ventures and associates	69,010	68,381
Outstanding Liabilities	13,650	13,826
Due to statutory authorities- TDS Payable	-	296
	82,660	**82,503**

Note 2 : Notes to Accounts (Continued)

2.4 : Fixed assets

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

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 1 April 2011	Additions	Deletions	As at 31 March 2012	As at 1 April 2011	For the year	Deletions	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible Assets										
Land - freehold	261,783	-	-	261,783	-	-	-	-	261,783	261,783
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture, fixtures	-	-	-	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
Total Tangible Assets	**261,783**	**-**	**-**	**261,783**	**-**	**-**	**-**	**-**	**261,783**	**261,783**
Previous year	261,783	-	-	261,783	-	-	-	-	261,783	

Note 2 : Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.5: Cash and Bank Balances		
Cash on hand	-	-
Bank balances		
In current accounts	305	305
	305	**305**
2.6: Short-term loans and advances		
Advance tax	412	412
	412	**412**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.7 : Other expenses		
Rates & Taxes	3	-
Auditors' remuneration	-	-
Audit fees	11	22
Out of pocket expenses	-	-
General Expenses	143	-
	157	**22**
2.8 : Earnings per share		
Loss for the period	(157)	(22)
Shares:		
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	(0.005)	(0.001)
Diluted Earnings per share	(0.005)	(0.001)

Note 2 : Notes to Accounts (Continued)

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

2.9 A portion of land belonging to the company is under boundary dispute. This will not have any financial impact on the company.

2.10 Related Party Disclosures :

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in other current liabilties)		
	Dr. Reddy's Laboratories Ltd.	69,010	68,381

2.11 Estimated amount of contracts to be executed on capital account and not provided for in books is Nil (previous year: Nil)

2.12 Claims against the Company not acknowledged as debts - Nil (previous year Nil).

2.13 On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to confirm to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of 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 : 09 May 2012

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

G V Prasad
Director

Satish Reddy
Director

Md Shahnawaz
Company Secretary

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	4,115	214
Balance brought forward	3,992	3,778
Balance carried forward to Balance Sheet	8,107	3,992

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

Satish Reddy
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 **Dr. Reddy's Laboratories (EU) Limited** as at **31 March 2012** and also the Statement 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 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	7,231	7,231
Reserves and surplus	2.2	9,734	4,197
		16,965	**11,428**
Non-current liabilities			
Long term borrowings	2.3	7,113	6,295
Deferred tax liabilities, net		111	-
		7,224	**6,295**
Current liablities			
Trade payables	2.5	300	91
Other current liabilities	2.4	1,864	1,034
Short term provisions	2.6	1,254	550
		3,418	**1,675**
TOTAL		**27,607**	**19,398**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	5,004	4,870
Intangible assets	2.7	478	488
Capital work-in-progress		1,466	21
Non current investments	2.8	3,290	3,290
Long term loans and advances	2.9	187	800
Deferred tax assets, net		245	83
		10,670	**9,552**
Current assets			
Inventories	2.10	903	1,113
Trade receivables	2.11	8,633	4,558
Cash and bank balances	2.12	5,892	2,984
Short term loans and advances	2.13	1,028	948
Other current assets	2.14	481	243
		16,937	**9,846**
TOTAL		**27,607**	**19,398**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

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

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

Viswanatha R. Bonthu
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		10,476	5,329
Sales, net		**10,476**	**5,329**
Service income		4	18
License fees		4	-
Other operating revenue	2.15	1,257	794
Revenue from operations		**11,741**	**6,141**
Other income	2.16	28	1
Total revenue		**11,769**	**6,142**
Expenses			
Cost of material consumed (including packing material consumed)		1,748	1,049
Employee benefits expense	2.17	2,250	2,012
Finance costs	2.18	195	168
Depreciation and amortization expense	2.7	654	645
Other expenses	2.19	2,228	2,090
Total expenses		**7,076**	**5,964**
Profit before exceptional and extraordinary items and tax		**4,693**	**178**
Exceptional items		-	-
Profit before extraordinary items and tax		**4,693**	**178**
Extraordinary items		-	-
Profit / (Loss) before tax		**4,693**	**178**
Tax expense		-	-
Current tax		616	2
Deferred tax		(39)	(38)
Profit / (Loss) for the year		**4,115**	**214**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

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

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

Viswanatha R. Bonthu
Director

Note 1: Significant accounting policies

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

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 and provisions of the Companies Act, 1956.

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:

Buildings	
Factory and administrative buildings	20 to 50
Ancillary structures	3 to 15
Plant and machinery	3 to 15
Computer equipment	3

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	10
Patents, trademarks, etc. (including marketing/ distribution rights)	3 to 16

Note 1: Significant Accounting Policies (Continued)

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

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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.

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Note 1: Significant Accounting Policies (Continued)

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

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 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) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such 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 statement of profit and loss. 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 depreciated historical cost.

l) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
20,000,000 shares of GBP 1 each	15,833	15,833
Issued, Subscribed and Paid up		
9,133,290 shares of GBP 1 each	7,231	7,231
Subscribed and paid-up		
9,133,290 shares of GBP 1 each	7,231	7,231

(a) Reconciliation of the equity shares outstanding is set out below:

Equity Shares

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	9,133,290	7,231	9,133,290	7,231
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**9,133,290**	**7,231**	**9,133,290**	**7,231**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of GBP 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Dr. Reddy's Laboratories SA	9,124,157	99.90	9,124,157	99.90

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	205	(226)
Movement during the year	1,422	431
	1,627	205
Surplus		
Balance at the beginning of the year	3,992	3,778
Add: Current year profit	4,115	214
Balance carried forward	8,107	3,992
	9,734	**4,197**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	7,113	6,295
	7,113	**6,295**
2.4 : Other liabilities		
Other current liabilities		
Due to capital creditors	181	88
Accrued expenses	482	231
Due to statutory authorities	298	125
Other current liabilities	903	590
	1,864	**1,034**
2.5 : Trade Payables		
Trade Payables		
Others	89	49
Payable to holding company, other group companies	211	42
	300	**91**
2.6 : Short term provisions		
Other provisions		
Taxation, net of advance taxes	1,254	550
	1,254	**550**

Note 2 : Notes to Accounts (Continued)

2.7 : Fixed assets

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

Description	Gross Block						Depreciation					Net Block	
	As on 01.4.2011	Acqui-sitions	Additions	Sale	Forex	As on 31.3.2012	As on 01.4.2011	For the year	Sale	Forex	As on 31.3.2012	As on 31.3.2012	As on 31.3.2011
Buildings	851	-	12	-	115	977	191	70	-	30	291	686	660
Land	503	-	-	-	68	570	-	-	-	-	-	570	503
Plant & Machinary	5,173	-	75	-	696	5,944	1,487	491	-	233	2,211	3,733	3,686
Computers	58	-	15	-	8	80	36	22	-	6	65	15	21
Total Tangible Assets (A)	**6,584**	**-**	**101**	**-**	**886**	**7,571**	**1,714**	**583**	**-**	**270**	**2,567**	**5,004**	**4,870**
Intangibles	3,307	-	-	-	-	3,307	3,307	-	-	-	3,307	-	-
Goodwill	668	-	535	-	-	1,203	180	72	-	473	725	478	488
Total Intangible Assets (B)	**3,975**	**-**	**535**	**-**	**-**	**4,510**	**3,487**	**72**	**-**	**473**	**4,032**	**478**	**488**
Total	**10,559**	**-**	**636**	**-**	**886**	**12,081**	**5,201**	**654**	**-**	**743**	**6,598**	**5,482**	**5,358**
Previous year	9,930	-	67	-	561	10,559	4,304	646	-	251	5,201	5,358	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Non current investment		
Investment in subsidiaries	3,290	3,290
Less: Provision for decline, other than temporary, in the value of non current investments	-	-
	3,290	**3,290**
2.9 : Long term loans and advances		
(Unsecured)		
Considered good		
Loans to holding company, other group companies	186	799
Security deposits	1	1
	187	**800**
2.10 : Inventories		
(Valued on weighted average basis)		
Raw materials	166	119
Goods-in-transit	-	-
Less: Provison for obsolete and slow moving	(18)	(23)
Net	**148**	**96**
Finished goods	755	1,017
Less: Provison for obsolete and slow moving	-	-
Net	**755**	**1,017**
	903	**1,113**
2.11: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	7,888	4,349
Other debts		
Considered good	745	209
	8,633	4,558
Less: Provision for doubtful debts	-	-
	8,633	**4,558**
2.12 : Cash and bank balances		
Cash on hand	-	1
Bank balances		
In current accounts	2,308	1,436
In EEFC accounts	-	1
Bank Deposits	3,584	1,546
	5,892	**2,984**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.13 : Short term loans and advances (Unsecured)		
Considered good		
Advances to material suppliers	1	3
Staff loans and advances	-	-
Advance tax	606	331
MAT credit entitlement		
Balances with statutory/ government authorities	287	247
Prepaid expenses	134	123
Other advances	-	244
	1,028	**948**
2.14 : Other current assets		
Considered good		
Advances to holding company, other group companies	4	243
Interest accrued but not due	6	-
Other current assets	471	-
	481	**243**
2.15 : Other operating revenue		
Royalty income	568	714
Miscellaneous income	689	80
	1,257	**794**
2.16 : Other income		
Interest income		
On fixed deposits	28	-
On other deposits	-	1
	28	**1**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.17 : Employee benefits expense		
Salaries, wages and bonus	2,209	1,983
Contribution to provident and other funds	-	-
Staff welfare expenses	41	29
Amortization of deferred stock compensation cost		
	2,250	**2,012**
2.18 : Finance charges		
Interest expense		
Interest expense inter unit	195	168
Other borrowing costs	-	-
	195	**168**
2.19 : Other expense		
Consumption of stores and spare parts	31	51
Legal and professional	147	259
Carriage outward	80	13
Rates and taxes	85	75
Other selling expenses	375	248
Repairs and maintenance		
Buildings	21	33
Plant and machinery	185	160
Others	524	479
Power and fuel	483	429
Travelling and conveyance	32	42
Foreign exchange loss, net	99	136
Communication	15	17
Rent	50	43
Donations	0	0
Printing and stationery	13	14
Insurance	68	66
Bank charges	10	10
Miscellaneous	10	15
	2,228	**2,090**

Note 2 : Notes to Accounts (Continued)

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

2.20 : Deferred taxation

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

	As at 31 March 2012	As at 31 March 2011
Deferred tax Assets		
Inventories	214	204
Other Current Assets	31	(14)
	245	**190**
Deferred Tax Liabilty		
Fixed assets	(64)	(107)
Other current liabilities	(47)	-
	(111)	**(107)**
Net Tax Asset, Net	**134**	**83**

2.21 : Commitments and contingent liabilities

The commitments / contingent liabilities as on 31st March 2012 were Rs 35. (Previous year: Nil)

2.22 : Related Party Disclosures:

The company has the following related party transactions:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (included in advances):		
	Dr. Reddy's Laboratories (UK) Ltd.	186	799
ii.	Due from related parties (included in Trade receivables):		
	Chirotech Technology Limited	6,641	4,165
	Dr. Reddy's Laboratories Limited	6	184
	Dr. Reddys Laboratories SA, Switzerland	701	-
	Dr. Reddys Laboratories Inc	540	-
iii.	Due to related parties (included in Long Term Borrowings):		
	Dr. Reddys Laboratories SA, Switzerland	7113	6,295
iv.	Due to related parties (included in Trade Payables):		
	Dr. Reddy's Laboratories Limited	-	2
	Industrias Quimicas Falcon de Mexico SA de CV	-	40
	Chirotech Technology Limited	211	-
v.	Due from related parties (included in Other Current Assets):		
	Dr. Reddy's Laboratories Limited	4	243

Note 2 : Notes to Accounts (Continued)

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

2.23: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.24: The Company, incorporated in United Kingdom, 99.9% shares of the company are held by Dr. Reddy's Laboratories SA (100% subsidiary of Dr. Reddy's Laboratories Limited) and remaining 0.1% shares are held by Dr. Reddy's Laboratories Limited.

As per our report attached

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

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

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	15,829	5,887
Balance brought forward	5,887	-
Balance carried forward to Balance Sheet	21,716	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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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 : 09 May 2012

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 Romania SRL** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,743	23,743
Reserves and surplus	2.2	21,716	5,887
		45,459	**29,630**
Current liablities			
Other current liabilities	2.3	31,481	32,480
Short term provisions	2.4	2,445	1,285
		33,926	**33,765**
TOTAL		**79,385**	**63,395**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	11,141	18,977
Long term loans and advances	2.6	1,047	1,020
Deferred tax assets, net		941	-
		13,129	**19,997**
Current assets			
Inventories	2.8	1,823	-
Trade receivables	2.9	21,366	21,112
Cash and bank balances	2.10	10,102	10,404
Short term loans and advances	2.7	32,965	11,882
		66,256	**43,398**
TOTAL		**79,385**	**63,395**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 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 : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Other operating revenue	2.11	269,178	121,724
Revenue from operations		**269,178**	**121,724**
Other income	2.12	218	891
Total revenue		**269,396**	**122,615**
Expenses			
Employee benefits expense	2.13	99,469	45,303
Depreciation and amortization expense	2.5	11,536	5,437
Other expenses	2.14	137,166	63,651
Total expenses		**248,171**	**114,391**
Profit before exceptional and extraordinary items and tax		**21,225**	**8,224**
Exceptional items		-	-
Profit before extraordinary items and tax		**21,225**	**8,224**
Extraordinary Items		-	-
Profit before tax		**21,225**	**8,224**
Tax expense			
Current tax		6,321	2,337
Deferred tax		(925)	-
Profit/ (Loss) for the period		**15,829**	**5,887**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 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 : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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.

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

Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3

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.

Note 1: Significant accounting policies (Continued)

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

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) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
170,000 shares of RON 10 each	23,743	23,743
Issued		
170,000 shares of RON 10 each	23,743	23,743
Subscribed and paid-up		
170,000 shares of RON 10 each	23,743	23,743
Total	**23,743**	**23,743**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	170,000	23,743	170,000	23,743
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**170,000**	**23,743**	**170,000**	**23,743**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of RON 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Rr. Reddy's Laboratories SA	169,983	99.99	169,983	99.99

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	5,887	-
Add: Current year profit	15,829	5,887
Balance carried forward	21,716	5,887
2.3 : Other liabilities		
Other current liabilities		
Payable to holding company, other group companies	22,012	20,102
Accrued expenses	2,412	-
Salary and Bonus payable	-	9,669
Due to statutory authorities	2,649	2,617
Other current liabilities	4,408	92
	31,481	**32,480**
2.4 : Short term provisions		
Other provisions		
Taxation	2,445	1,285
	2,445	**1,285**

Note 2 : Notes to Accounts (Continued)

2.5 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	01.04.2011	Additions	Deletions	Forex	31.03.2012	01.04.2011	For the Year	Deletions	Forex	31.03.2012	31.03.2012	31.03.2011
Lease Hold Improvements	959	21	-	-	980	115	229	-	-	344	636	844
Computers & Software	514	3,993	111	-	4,396	67	960	79	-	948	3,448	447
Furniture & Fixtures	714	-	297	-	417	18	37	3	-	52	365	696
Vehicles	21,264	-	223	-	21,041	4,338	10,310	201	-	14,447	6,594	16,926
Office equipment	64	34	-	-	98	-	-	-	-	-	98	64
TOTAL	**23,515**	**4,048**	**631**	**-**	**26,932**	**4,538**	**11,536**	**283**	**-**	**15,791**	**11,141**	**18,977**
Previous Year	-	24,414	-	-	24,414	-	5,437	-	-	5,437	18,977	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.6 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	1,047	1,020
	1,047	**1,020**
2.7 : Short term loans and advances		
Unsecured		
Considered good		
Advances to material suppliers	527	717
Staff loans and advances	328	826
Balances with statutory/ government authorities	29,395	9,225
Prepaid expenses	2,715	1,114
	32,965	11,882
Less: Provision for doubtful loans and advances	-	-
	32,965	**11,882**
2.8 : Inventories		
(Valued on weighted average basis)		
Stores and spares	1,823	-
Less: Provison for obsolete and slow moving		
Net	**1,823**	**-**
2.9: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	21,366	21,112
	21,366	21,112
Less: Provision for doubtful debts	-	-
	21,366	**21,112**
2.10 : Cash and bank balances		
Bank balances		
In current accounts	10,102	10,404
	10,102	**10,404**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.11 : Other operating revenue		
Miscellaneous income	269,178	121,724
	269,178	**121,724**
2.12 : Other income		
Foreign exchange gain, net	218	840
Profit on sale of fixed assets, net	-	51
	218	**891**
2.13 : Employee benefits expense		
Salaries, wages and bonus	95,030	42,909
Staff welfare expenses	4,439	2,394
	99,469	**45,303**
2.14 : Other expense		
Legal and professional	3,872	3,386
Other selling expenses	80,697	32,646
Travelling and conveyance	8,674	2,764
Communication	3,245	1,217
Rent	5,994	3,786
Printing and stationery	305	147
Insurance	2,517	140
Bank charges	302	165
Loss on sale of fixed assets, net	43	-
Advertisement	1,986	462
Miscellaneous	29,531	18,938
	137,166	**63,651**

Note 2 : Notes to Accounts (Continued)

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

2.15: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012 (previous year: Nil).

2.16 : Deferred taxation

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

Particulars	As at 31 March 2012	As at 31 March 2011
Deferred Tax Assets		
Loss carry forward	941	-
	941	**-**

2.17: Related Party Disclosures:

i.	Due to related parties (included in borrowings)		
	Dr. Reddy's Laboratories Ltd.	22,102	20,102
ii.	Due from related parties (included in Trade Receivables)		
	Dr. Reddy's Laboratories Ltd.	112	21,112
	Dr.Reddy's Laboratories S.A	21,253	-

2.18: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.19: The Company incorporated in Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories SA, Switzerland by virtue of 100% shareholding.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 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 : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	44,006	29,891
Balance brought forward	79,279	49,388
Balance carried forward to Balance Sheet	123,285	79,279

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	29,512	29,512
Reserves and surplus	2.2	125,812	79,801
		155,324	**109,313**
Non-current liabilities			
Long term borrowings	2.3	110,326	-
Deferred tax liabilities, net		38	33
		110,364	**33**
Current liablities			
Short term borrowings	2.3	-	89,693
Trade payables	2.4	3,797	21,472
Other current liabilities	2.5	9,253	10,778
Short term provisions	2.6	3,576	3,530
		16,626	**125,473**
TOTAL		**282,314**	**234,819**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	2	-
Intangible assets	2.7	550	550
Non current investments	2.8	22,447	20,627
Long term loans and advances	2.9	111,739	121,193
Deferred tax assets, net		38	33
		134,776	**142,403**
Current assets			
Inventories	2.10	1,303	4,567
Trade receivables	2.11	88,295	75,801
Cash and bank balances	2.12	33,957	7,716
Short term loans and advances	2.13	2,900	2,757
Other current assets	2.14	21,083	1,576
		147,538	**92,417**
TOTAL		**282,314**	**234,819**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

G.V. Prasad
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		139,585	111,133
Less: Excise Duty		-	-
Sales, net		**139,585**	**111,133**
Service income		316	-
Revenue from Operations		**139,902**	**111,133**
Other Income	2.15	8,104	1,309
Total Revenue		**148,006**	**112,442**
Expenses			
Cost of material consumed (including packing material consumed)		51,772	48,115
Purchase of stock-in-trade (Traded goods)		2,551	2,765
Changes in inventories of finished goods, work in progress and Stock-in-Trade	2.16	3,264	(932)
Conversion charges		7,412	-
Employee benefits expense	2.17	8,403	7,118
Finance costs	2.18	2,834	952
Depreciation and amortization expense	2.7	1	-
Research and development		356	722
Other expenses	2.19	21,547	20,284
Provision for other than temporary diminution in the value of long-term investements		1,417	-
Total expenses		**99,556**	**79,024**
Profit before exceptional and extraordinary items and tax		**48,449**	**33,418**
Exceptional items		-	-
Profit before extraordinary items and tax		**48,449**	**33,418**
Extraordinary Items		-	-
Profit before tax		**48,449**	**33,418**
Tax expense			
Current tax		4,444	3,527
Deferred tax		-	-
Profit/ (Loss) for the year		**44,006**	**29,891**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

G.V. Prasad
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Under the prior policy, the cost of all categories of inventories, except stores and spares, had been based on the first-in first-out method. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process, had been valued at cost based on a weighted average method. Effective as of 1 April 2011, the cost of all categories of inventory is based on a weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these consolidated financial statements.

d) 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.

Note 1: Significant accounting policies (Continued)

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

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.

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.

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) 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

Note 1: Significant accounting policies (Continued)

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

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 and contingent liabilities

The Group creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

j) Revenue recognition

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Service Income

Revenue from services rendered, which primarily relate to contract research, is recognized in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital 75,640,410 shares of CHF 1 each	29,512	29,512
Issued		
Issued capital 75,640,410 shares of CHF 1 each	29,512	29,512
Subscribed and paid-up		
Issued capital 75,640,410 shares of CHF 1 each	29,512	29,512
Total	**29,512**	**29,512**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	75,640,410	29,512	75,640,410	29,512
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**75,640,410**	**29,512**	**75,640,410**	**29,512**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of CHF 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	75,640,410	100	75,640,410	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	401	(4,512)
Movement during the year	7,650	4,913
	8,051	401
Hedging Reserve		
Balance at the beginning of the year	121	-
Movement during the year	(5,645)	121
	(5,524)	121
Surplus		
Balance at the beginning of the year	79,279	49,388
Add: Current year profit	44,006	29,891
Balance carried forward	123,285	79,279
	125,812	**79,801**
2.3 : Borrowings		
A) Long term borrowings		
Secured		
Long Term Loan from Citibank	110,326	-
	110,326	**-**
B) Short term borrowings		
Unsecured		
Other short-term loans	-	89,693
	-	**89,693**
2.4 : Trade Payables		
Trade Payables		
Due to medium and small enterprises		
Others	289	199
Payable to holding company, other group companies	3,508	21,273
	3,797	**21,472**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.5 : Other liabilities		
Other current liabilities		
Payable to holding company, other group companies	4,148	5,810
Interest accrued but not due on loan	450	-
Accrued expenses	4,372	4,681
Salary and Bonus payable	56	22
Due to statutory authorities	2	10
Other current liabilities	225	255
	9,253	**10,778**
2.6 : Short term provisions		
Other provisions		
Taxation, net of advance taxes	3,576	3,530
	3,576	**3,530**

Note 2 : Notes to Accounts (Continued)

2.7 : Fixed assets

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

Description	Gross Block				Depreciation					Net Block	
	01.04.2011	Additions	Deletions	31.03.2012	01.04.2011	For the Year	Deletions	Forex	31.03.2012	31.03.2012	31.03.2011
Computer equipment	-	3		3	-	1	-	-	1	2	-
Total Tangible Assets (A)	**-**	**3**	**-**	**3**	**-**	**1**	**-**	**-**	**1**	**2**	**-**
Intangibles	550			550	-					550	550
Total Intangible Assets (B)	**550**	**-**	**-**	**550**	**-**	**-**	**-**	**-**	**-**	**550**	**550**
Total	**550**	**3**	**-**	**553**	**-**	**1**	**-**	**-**	**1**	**552**	**550**
Previous Year	550			550	-	-	-	-	-	550	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Non current investment		
Investment in subsidiaries	23,896	20,627
Less: Provision for decline, other than temporary, in the value of non current investments	(1,449)	-
	22,447	**20,627**
2.9 : Long term loans and advances		
(Unsecured)		
Considered good		
Loans to holding company, other group companies	111,695	121,190
Security Deposits	44	3
	111,739	**121,193**
2.10 : Inventories		
(Valued on weighted average basis)		
Stock-in-trade (in respect of goods acquired for trading)	2,681	5,155
Less: Provison for obsolete and slow moving	(1,378)	(589)
Net	**1,303**	**4,567**
2.11: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	65,234	60,073
Debts outstanding for a period exceeding six months		
Considered doubtful	224	215
Other debts		
Considered good	23,061	15,728
	88,519	76,016
Less: Provision for doubtful debts	(224)	(215)
	88,295	**75,801**
2.12 : Cash and bank balances		
Bank balances		
In current accounts	18,612	4,615
In EEFC current accounts	82	-
Bank Deposits	15,263	3,101
	33,957	**7,716**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.13 : Short term loans and advances (Unsecured)		
Considered good		
Advances to material suppliers	1,170	-
Advance tax	984	1,324
Balances with statutory/ government authorities	4	-
Prepaid expenses	151	301
Other Advances	591	1,132
	2,900	**2,757**
2.14 : Other current assets		
Considered good		
Advances to holding company, other group companies	20,924	1,575
Interest accrued but not due	88	-
Derivative financial asset	70	-
Other current assets	1	1
	21,083	**1,576**

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.15 : Other income		
Interest income		
On fixed deposits	375	-
On other deposits	4,262	1,309
Foreign exchange gain, net	3,467	-
	8,104	**1,309**
2.16 : Changes in inventories of finished goods, work in progress and stock in trade		
Net (increase) / decrease in stock		
Opening		
Stock in trade	4,567	3,635
Closing		
Stock in trade	1,303	4,567
Net (increase)	**3,264**	**(932)**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.17 : Employee benefits expense		
Salaries, wages and bonus	7,941	6,684
Staff welfare expenses	459	434
Amortisation of deferred stock compensation expense	3	-
	8,403	**7,118**
2.18 : Finance costs		
Interest expense		
Interest on long term loans	2,834	867
Interest expense others	-	85
	2,834	952
Other borrowing costs	-	-
	2,834	**952**
2.19 : Other expense		
Consumption of stores and spare parts	242	82
Legal and professional	888	329
Carriage outward	179	138
Rates and taxes	65	20
Commission on sales	1,481	1,393
Other selling expenses	5,063	5,648
Travelling and conveyance	865	793
Foreign exchange loss	-	1,352
Communication	193	188
Rent	443	523
Donations	8	9
Printing and stationery	40	50
Insurance	815	1,101
Bank charges	79	59
Provision for doubtful debts, net	-	404
Advertisement	764	582
Miscellaneous	10,422	7,613
	21,547	**20,284**

Note 2 : Notes to Accounts (continued)

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

2.20: Deferred taxation

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

Deferred tax Assets	As at 31 March 2012	As at 31 March 2011
Other current assets	-	-
Net Tax Asset	**-**	**-**

2.21: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012. (Previous year Nil)

2.22: Related Party Disclosures:

		As at 31 March 2012	As at 31 March 2011
i.	Dues from related Parties (included in Advances and other assets)		
	Dr. Reddy's Laboratories Ltd.	20,342	1,770
	Dr. Reddys Pharma Iberia SA	3,733	3,486
	Dr. Reddy's Laboratories Inc.	570	17,646
	Dr. Reddy's Laboratories (EU) Limited	7,113	6,296
	Reddy Antilles N.V.	-	112
	Reddy Netherlands BV	-	38
	Lacock Holdings Limited	91,231	84,523
	Reddy Holdings GmbH	9,618	8,849
	Eurobridge Consulting B.V.	-	45
	Promious Pharma LLC	12	-
ii.	Due to related parties (included in Borrowings and other liabilities)		
	Dr. Reddy's Laboratories Ltd.	3,439	5,117
	OOO Dr. Reddy's Laboratories Limited	709	693
iii	Due from related parties (included in Trade Receivables)		
	Dr. Reddy's Laboratories Ltd.	3,397	17,671
	OOO Dr. Reddy's Laboratories Limited	37,024	28,371
	Dr. Reddy's New Zealand Limited	-	873
	Industrias Quimicas Falcon de Mexico, S.A.	-	216
	Dr. Reddy's Laboratories Inc.	24,255	12,942
	Limited Liability Company Dr. Reddy's Laboratories, Ukraine	558	-

Note 2 : Notes to Accounts (continued)

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

iv	Due to related parties (included in Trade Payables)		
	Dr. Reddy's Laboratories Ltd.	-	19,648
	Industrias Quimicas Falcon de Mexico, S.A.	2,371	1,414
	Dr. Reddy's Laboratories (U.K.) Limited	-	-
	Dr. Reddy's Laboratories Romania SRL	213	211
	Dr. Reddy's New Zealand Limited	223	-
	Dr. Reddy's Laboratories (EU) Limited	701	-

2.23: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

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

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 : 09 May 2012

for **Dr Reddy's Laboratories SA**

Satish Reddy
Director

G.V. Prasad
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(2,110)	(318)
Balance brought forward	(318)	-
Balance carried forward to Balance Sheet	(2,428)	(318)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	11,196	11,196
Reserves and surplus	2.2	(871)	(361)
		10,325	**10,835**
Current liablities			
Trade payables	2.3	516	221
Other current liabilities	2.5	1,702	1,647
Short term provisions	2.4	4	-
		2,222	**1,868**
TOTAL		**12,547**	**12,703**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	6,265	5,978
Intangible assets	2.6	2,585	2,834
Capital work-in-progress		127	101
		8,976	**8,912**
Current assets			
Inventories	2.7	2,977	1,677
Cash and bank balances	2.8	326	798
Short term loans and advances	2.9	268	1,316
		3,571	**3,791**
TOTAL		**12,547**	**12,703**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Dr. Reddy's Laboratories Tennessee, LLC**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		13,803	-
Less: Excise duty		-	-
Sales, net		13,803	-
Other operating revenue	2.10	279	-
Revenue from operations		**14,082**	**-**
Other income		-	-
Total revenue		**14,082**	**-**
Expenses			
Cost of material consumed (including packing material consumed)		6,126	1,475
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	2.12	410	(1,459)
Employee benefits expense	2.11	3,770	18
Depreciation and amortization expense	2.6	1,294	6
Other expenses	2.13	4,592	277
Total expenses		**16,193**	**318**
Profit before exceptional and extraordinary items and tax		**(2,110)**	**(318)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(2,110)**	**(318)**
Extraordinary Items		-	-
Profit before tax		**(2,110)**	**(318)**
Tax expense		-	-
Profit/ (Loss) for the year		**(2,110)**	**(318)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Dr. Reddy's Laboratories Tennessee, LLC**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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.

Note 1: Significant accounting policies (Continued)

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

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

Buildings	
Factory and administrative buildings	20 to 50
Ancillary structures	3 to 15
Plant and machinery	3 to 15
Laboratory equipment	4 to 10
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3

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 Group for its use. The management's estimates of the useful lives for various categories of intangible assets are as follows:

	Years
Patents, trademarks, etc. (including marketing/ distribution rights)	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

Note 1: Significant accounting policies (Continued)

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

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.

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.

i) Revenue recognition

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised share capital USD 25,000,000*	11,196	11,196
Issued		
Issued share capital USD 25,000,000*	11,196	11,196
Subscribed and paid-up		
Subscribed and paid-up capital USD 25,000,000*	11,196	11,196
Total	**11,196**	**11,196**
* No concept of nature and number of shares in this company		
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	(44)	-
Movement during the year	1,601	(44)
	1,557	(44)
Surplus		
Balance at the beginning of the year	(318)	-
Add: Current year profit	(2,110)	(318)
Balance carried forward	(2,428)	(318)
	(871)	**(362)**
2.3 : Trade Payables		
Trade Payables		
Others	516	221
	516	**221**
2.4 : Short term provisions		
Provision for employee benefits	4	-
	4	**-**
2.5 : Other liabilities		
Other current liabilities		
Due to capital creditors	29	-
Payable to holding company, group companies	768	1,118
Accrued expenses	737	529
Other current liabilities	168	-
	1,702	**1,647**

Note 2 : Notes to Accounts (Continued)

2.6 : Fixed assets

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

Description	Gross Block						Depreciation					Net Block	
	01.04.11	Acui-sitions	Addi-tions	Dele-tions	Forex	31.03.12	01.04.11	For the Year	Deletions	Forex	31.03.12	31.03.12	31.03.11
Land	493	-	-	-	71	563	-	-	-	-	-	563	493
Building (Factory & Administrative)	3,735	-	7	-	537	4,280	1	227	-	13	241	4,038	3,734
Ancillary Structures	106	-	-	-	15	122	-	16	-	1	17	105	106
Plant & Machinery	1,443	-	14	-	208	1,665	1	294	-	17	313	1,352	1,441
Electrical Equipment	6	-	-	-	1	7	-	3	-	-	4	3	6
Lab Equipment	52	-	-	-	7	59	-	21	-	1	22	37	52
Office Equipment	26	-	70	-	4	100	-	32	-	2	34	65	26
Furniture & Fixtures	24	-	-	-	3	27	-	15	-	1	16	12	24
Computers	93	-	60	-	13	166	-	74	-	4	79	87	93
Canteen Equipment	4	-	-	-	1	5	-	2	-	-	2	3	4
Total Tangible Assets (A)	**5,982**	**-**	**151**	**-**	**861**	**6,993**	**3**	**685**	**-**	**40**	**728**	**6,265**	**5,978**
Intangible	2,837	-	354	-	45	3,236	3	610	-	39	651	2,585	2,834
Total Intangible Assets (B)	**2,837**	**-**	**354**	**-**	**45**	**3,236**	**3**	**610**	**-**	**39**	**651**	**2,585**	**2,834**
TOTAL (A+B)	**8,818**	**-**	**505**	**-**	**906**	**10,229**	**6**	**1,294**	**-**	**78**	**1,379**	**8,850**	**8,812**
Previous year	-	8,818	-	-	-	8,818	-	6	-	-	6	8,812	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7 : Inventories		
(Valued on weighted average basis)		
Raw materials	1,694	179
Goods-in-transit	-	-
Less: Provison for obsolete and slow moving	-	-
Net	**1,694**	**179**
Work-in-process	603	1
Less: Provison for obsolete and slow moving	-	-
Net	**603**	**1**
Finished goods	725	1,458
Less: Provison for obsolete and slow moving	(279)	-
Net	**446**	**1,458**
Packing materials	234	39
Less: Provison for obsolete and slow moving	-	-
Net	**234**	**39**
	2,977	**1,677**
2.8 : Cash and bank balances		
Bank balances		
In current accounts	326	798
	326	**798**
2.9 : Short term loans and advances		
Unsecured		
Considered good		
Advances to material suppliers	233	-
Prepaid expenses	16	1,316
Other Advances	19	-
	268	1,316
Less: Provision for doubtful loans and advances	-	-
	268	**1,316**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.10 : Other operating revenue		
Miscellaneous income	279	-
	279	**-**
2.11 : Employee benefits expense		
Salaries, wages and bonus	3,422	17
Contribution to provident and other funds	105	-
Staff welfare expenses	243	1
	3,770	**18**
2.12 : Changes in inventories of finished goods, work in progress and stock in trade		
Net (increase) / decrease in stock		
Opening		
Work-in-process	1	
Finished goods	1,458	-
Stock in trade	-	1,459 - -
Closing		
Work-in-process	603	1
Finished goods	446	1,458
Stock in trade	-	1,048 - 1,459
Net (increase)	**410**	**(1,459)**
2.13 : Other expense		
Consumption of stores and spare parts	119	-
Legal and professional	124	201
Carriage outward	27	-
Rates and taxes	306	2
Repairs and maintenance		
Buildings	320	-
Plant and machinery	304	-
Others	539	1
Power and fuel	654	3
Travelling and conveyance	11	-
Foreign exchange loss, net	3	-
Communication	1,822	12
Printing and stationery	45	-
Insurance	113	2
Miscellaneous	205	56
	4,592	**277**

Note 2 : Notes to Accounts (Continued)

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

2.14: Commitments and contingent liabilities

The commitments / contingent liabilities as at 31 March 2012 - ₹ 81 (previous year: Nil)

2.15: Related Party Disclosures:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in borrowings and other liabilities)		
	Dr. Reddy's Laboratories Inc	768	1,118

2.16: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

The Company was incorporated on 07 October 2010. However the entity commenced the operations only on 29 March 2011. Consequently, the comparatives for the period ended 31March 2011 comprise of financial information from 29 March 2011 to 31 March 2011.

2.17: The Company incorporated in USA, is a 100% subsidiary of Dr. Reddy's Laboratories Inc. by virtue of 100% shareholding.

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 : 09 May 2012

for **Dr. Reddy's Laboratories Tennessee, LLC**

Satish Reddy Director

G.V. Prasad Director

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	**31 March 2012**
Profit/ (Loss) for the period after taxation	(278)
Balance brought forward	-
Balance carried forward to Balance Sheet	(278)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place: Hyderabad
Date: 09 May, 2012

Lidmila Kropivka
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, LLC Ukraine** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	2.1	70,946
Reserves and surplus	2.2	(278)
		70,668
Current liablities		
Trade payables	2.3	60,185
Other current liabilities	2.4	647
		60,832
TOTAL		**131,500**
ASSETS		
Non current assets		
Fixed assets		
Tangible assets	2.5	349
Intangible assets		6
Capital work-in-progress		-
Deferred tax assets, net		1,292
		1,647
Current assets		
Inventories	2.6	60,249
Cash and bank balances	2.7	69,394
Short term loans and advances	2.8	210
		129,853
TOTAL		**131,500**
Significant accounting policies	1	
Notes to accounts	2	

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Dr. Reddy's Laboratories, LLC Ukraine**

Lidmila Kropivka
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012
Income		
Revenue from operations		**-**
Other income	2.9	4,793
Total revenue		**4,793**
Expenses		
Cost of material consumed (including packing material consumed)		18
Employee benefits expense	2.10	5,214
Finance costs	2.11	1
Depreciation and amortization expense	2.5	83
Other expenses	2.12	1,033
Total expenses		**6,349**
Profit before exceptional and extraordinary items and tax		**(1,556)**
Exceptional items		-
Profit before extraordinary items and tax		**(1,556)**
Extraordinary Items		-
Profit before tax		**(1,556)**
Tax expense		
Current tax		-
Deferred tax		**(1,279)**
Profit/ (Loss) for the year		**(278)**
Significant accounting policies	1	
Notes to accounts	2	

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Dr. Reddy's Laboratories, LLC Ukraine**

Lidmila Kropivka
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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 company values its inventory on weighted average cost method.

d) 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.

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:

Computer equipment	3

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.

Note 1: Significant accounting policies (Continued)

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

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) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012 31
2.1 : Share capital	
Authorised	
Authorised capital of UAH 11,967,724*	70,946
Issued	
Issued capital of UAH 11,967,724*	70,946
Subscribed and paid-up	
Subscribed and paid-up capital of UAH 11,967,724*	70,946
Total	**70,946**
* No concept of nature and number of shares in this company	
2.2 : Reserves and surplus	
Surplus	
Balance at the beginning of the year	-
Add: Current year profit	(278)
Balance carried forward	**(278)**
2.3 : Trade Payables	
Payable to holding company, other group companies	60,185
	60,185
2.4 : Other liabilities	
Other current liabilities	
Accrued expenses	340
Other current liabilities	307
	647

Note 2 : Notes to Accounts (Continued)

2.5 : Fixed assets

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

Description	Gross Block						Depreciation					Net Block	
	As at 01.04.2011	Acqui-sition	Addition	Deletions	Forex	As at 31.03.12	As at 01.04.11	For the Year	Deletions	Forex	As at 31.03.12	As at 31.03.12	As at 31.03.11
Computers	-	-	432	-	-	432	-	83	-	-	83	349	-
Intangibles	-	-	6	-	-	6	-	-	-	-	-	6	-
TOTAL	**-**	**-**	**438**	**-**	**-**	**438**	**-**	**83**	**-**	**-**	**83**	**355**	**-**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012 31
2.6 : Inventories	
Finished goods (Valued on weighted average basis)	60,249
Less: Provison for finished goods	-
Net	**60,249**
2.7 : Cash and cash balances	
Cash on hand	2
Bank balances	
In current accounts	69,392
	69,394
2.8 : Short term loans and advances	
Unsecured	
Considered good	
Advances to material suppliers	155
Prepaid expenses	55
	210
Less: Provision for doubtful loans and advances	-
	210

Note 2 : Notes to Accounts (Continued)

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

Particulars	For the year ended 31 March 2012
2.9 : Other income	
Interest income	
On other deposits	26
Foreign exchange gain, net	4,767
	4,793
2.10 : Employee benefits expense	
Salaries, wages and bonus	3,413
Contribution to provident and other funds	1,210
Staff welfare expenses	591
	5,214
2.11 : Finance charges	
Other borrowing costs	1
	1
2.12 : Other expense	
Legal and professional	291
Rates and taxes	19
Travelling and conveyance	159
Communication	28
Rent	404
Insurance	7
Bank charges	52
Miscellaneous	73
	1,033

Note 2 : Notes to Accounts (Continued)

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

2.13: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012 (previous year: Nil).

2.14 : Deferred taxation

	As at 31 March 2012
Deferred tax liability, net included in the balance sheet comprises the following:	
Deferred Tax Assets	
Loss carry forward	1,292
	1,292

2.15: Related Party Disclosures:

		As at 31 March 2012
i.	Due to related parties (included in Trade payables)	
	Dr. Reddy's Laboratories Ltd.	4,410
	Dr Reddy's Laboratories SA	55,775

2.16: Comparative figures

The Company was incorporated on 11 May 2011. Consequently, no comparatives are presented for the current year financial statements.

2.17: The Company, incorporated in Ukraine, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

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 : 09 May 2012

for **Dr. Reddy's Laboratories, LLC Ukraine**

Lidmila Kropivka
Director

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	**31 March 2012**
Profit/ (Loss) for the period after taxation	(278)
Balance brought forward	-
Balance carried forward to Balance Sheet	(278)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place: Hyderabad
Date: 09 May, 2012

Lidmila Kropivka
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, LLC Ukraine** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	2.1	70,946
Reserves and surplus	2.2	(278)
		70,668
Current liablities		
Trade payables	2.3	60,185
Other current liabilities	2.4	647
		60,832
TOTAL		**131,500**
ASSETS		
Non current assets		
Fixed assets		
Tangible assets	2.5	349
Intangible assets		6
Capital work-in-progress		-
Deferred tax assets, net		1,292
		1,647
Current assets		
Inventories	2.6	60,249
Cash and bank balances	2.7	69,394
Short term loans and advances	2.8	210
		129,853
TOTAL		**131,500**
Significant accounting policies	1	
Notes to accounts	2	

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Dr. Reddy's Laboratories, LLC Ukraine**

Lidmila Kropivka
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012
Income		
Revenue from operations		**-**
Other income	2.9	4,793
Total revenue		**4,793**
Expenses		
Cost of material consumed (including packing material consumed)		18
Employee benefits expense	2.10	5,214
Finance costs	2.11	1
Depreciation and amortization expense	2.5	83
Other expenses	2.12	1,033
Total expenses		**6,349**
Profit before exceptional and extraordinary items and tax		**(1,556)**
Exceptional items		-
Profit before extraordinary items and tax		**(1,556)**
Extraordinary Items		-
Profit before tax		**(1,556)**
Tax expense		
Current tax		-
Deferred tax		**(1,279)**
Profit/ (Loss) for the year		**(278)**
Significant accounting policies	1	
Notes to accounts	2	

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Dr. Reddy's Laboratories, LLC Ukraine**

Lidmila Kropivka
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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 company values its inventory on weighted average cost method.

d) 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.

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:

Computer equipment	3

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.

Note 1: Significant accounting policies (Continued)

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

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) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012 31
2.1 : Share capital	
Authorised	
Authorised capital of UAH 11,967,724*	70,946
Issued	
Issued capital of UAH 11,967,724*	70,946
Subscribed and paid-up	
Subscribed and paid-up capital of UAH 11,967,724*	70,946
Total	**70,946**
* No concept of nature and number of shares in this company	
2.2 : Reserves and surplus	
Surplus	
Balance at the beginning of the year	-
Add: Current year profit	(278)
Balance carried forward	**(278)**
2.3 : Trade Payables	
Payable to holding company, other group companies	60,185
	60,185
2.4 : Other liabilities	
Other current liabilities	
Accrued expenses	340
Other current liabilities	307
	647

Note 2 : Notes to Accounts (Continued)

2.5 : Fixed assets

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

Description	Gross Block						Depreciation					Net Block	
	As at 01.04.2011	Acqui-sition	Addition	Deletions	Forex	As at 31.03.12	As at 01.04.11	For the Year	Deletions	Forex	As at 31.03.12	As at 31.03.12	As at 31.03.11
Computers	-	-	432	-	-	432	-	83	-	-	83	349	-
Intangibles	-	-	6	-	-	6	-	-	-	-	-	6	-
TOTAL	**-**	**-**	**438**	**-**	**-**	**438**	**-**	**83**	**-**	**-**	**83**	**355**	**-**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012 31
2.6 : Inventories	
Finished goods (Valued on weighted average basis)	60,249
Less: Provison for finished goods	-
Net	**60,249**
2.7 : Cash and cash balances	
Cash on hand	2
Bank balances	
In current accounts	69,392
	69,394
2.8 : Short term loans and advances	
Unsecured	
Considered good	
Advances to material suppliers	155
Prepaid expenses	55
	210
Less: Provision for doubtful loans and advances	-
	210

Note 2 : Notes to Accounts (Continued)

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

Particulars	For the year ended 31 March 2012
2.9 : Other income	
Interest income	
On other deposits	26
Foreign exchange gain, net	4,767
	4,793
2.10 : Employee benefits expense	
Salaries, wages and bonus	3,413
Contribution to provident and other funds	1,210
Staff welfare expenses	591
	5,214
2.11 : Finance charges	
Other borrowing costs	1
	1
2.12 : Other expense	
Legal and professional	291
Rates and taxes	19
Travelling and conveyance	159
Communication	28
Rent	404
Insurance	7
Bank charges	52
Miscellaneous	73
	1,033

Note 2 : Notes to Accounts (Continued)

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

2.13: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012 (previous year: Nil).

2.14 : Deferred taxation

	As at 31 March 2012
Deferred tax liability, net included in the balance sheet comprises the following:	
Deferred Tax Assets	
Loss carry forward	1,292
	1,292

2.15: Related Party Disclosures:

		As at 31 March 2012
i.	Due to related parties (included in Trade payables)	
	Dr. Reddy's Laboratories Ltd.	4,410
	Dr Reddy's Laboratories SA	55,775

2.16: Comparative figures

The Company was incorporated on 11 May 2011. Consequently, no comparatives are presented for the current year financial statements.

2.17: The Company, incorporated in Ukraine, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

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 : 09 May 2012

for **Dr. Reddy's Laboratories, LLC Ukraine**

Lidmila Kropivka
Director

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(29,616)	7,620
Balance brought forward	10,568	2,948
Balance carried forward to Balance Sheet	(19,048)	10,568

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 2011-12 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.

Directors

During the year under the review, Mr. M V Narasimham and Mr. Abhijit Mukerjee has been appointed as Director of the Company w.e.f 14 July 2011.

Further, Mr. Raghu Cidambi has resigned as Director of the Company w.e.f 14 July 2011.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place: Hyderabad
Date: 09 May 2012

Satish Reddy
Director

Abhijit Mukerjee
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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	328	328
Reserves and surplus	2.2	86,174	105,239
		86,502	**105,567**
Current liablities			
Trade payables	2.3	31,562	89,725
Other current liabilities	2.4	2,829	14,765
Short term provisions	2.5	38,476	30,292
		72,867	**134,782**
TOTAL		**159,369**	**240,349**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	245	500
Intangible assets	2.6	-	19,484
Long term loans and advances	2.7	-	54
Deferred tax assets, net		389	-
		634	**20,038**
Current assets			
Inventories	2.8	34,345	117,149
Trade receivables	2.9	48,387	62,762
Cash and bank balances	2.10	35,904	15,613
Short term loans and advances	2.11	40,100	24,787
		158,736	**220,311**
TOTAL		**159,369**	**240,349**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Dr. Reddy's New Zealand Limited**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

Abhijit Mukerjee
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		223,725	393,182
Sales, net		**223,725**	**393,182**
Other operating revenue	2.12	-	2
Revenue from Operations		**223,725**	**393,184**
Other Income	2.13	470	608
Total Revenue		**224,195**	**393,792**
Expenses			
Cost of material consumed (including packing material consumed)		81,708	315,647
Purchase of stock-in-trade (Traded goods)		10,242	15,335
Changes in inventories of finished goods, work in progress and Stock-in-Trade	2.14	82,804	(50,260)
Employee benefits expense	2.15	9,563	10,846
Finance costs	2.16	127	90
Depreciation and amortization expense	2.6	30,857	31,934
Research and development		-	-
Other expenses	2.17	37,756	44,267
Total expenses		**253,057**	**367,860**
Profit before exceptional and extraordinary items and tax		**(28,862)**	**25,932**
Exceptional items		-	-
Profit before extraordinary items and tax		**(28,862)**	**25,932**
Extraordinary Items		-	-
Profit before tax		**(28,862)**	**25,932**
Tax expense			
Current tax		1,138	18,279
Deferred tax		(384)	33
Profit/ (Loss) for the year		**(29,616)**	**7,620**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Dr. Reddy's New Zealand Limited**

Satish Reddy
Director

Abhijit Mukerjee
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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
Furniture, fixtures and office equipment	3 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
Patents, trademarks, etc. (including marketing/ distribution rights)	3 to 16
Customer related intangibles	2 to 11

Note 1: Significant accounting policies (Continued)

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

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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 recognized 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 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.

Note 1: Significant accounting policies (Continued)

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

i) Revenue recognition

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital 10,000 shares of NZD 1 each	328	328
Issued		
Authorised capital 10,000 shares of NZD 1 each	328	328
Subscribed and paid-up		
Subscribed and paid-up capital 10,000 shares of NZD 1 each	328	328
Total	**328**	**328**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	10,000	328	10,000	328
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**10,000**	**328**	**10,000**	**328**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of NZD 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories SA	10,000	100	10,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	194	194
Movement during the year	-	-
	194	194
Securities premium reserve		
Balance at the beginning of the year	94,477	80,907
Additions / deductions during the year	10,551	13,570
	105,028	94,477
Surplus		
Balance at the beginning of the year	10,568	2,948
Add: Current year profit	(29,616)	7,620
Balance carried forward	(19,048)	10,568
	86,174	**105,239**
2.3 : Trade Payables		
Trade Payables		
Due to medium and small enterprises		
Others	1,587	2,515
Payable to holding company, other group companies	29,975	87,213
	31,562	**89,725**
2.4 : Other liabilities		
Other current liabilities		
Accrued expenses	1,264	1,866
Due to statutory authorities	196	-
Other current liabilites	1,369	12,899
	2,829	**14,765**
2.5 : Short term provisions		
Other provisions		
Taxation, net of advance taxes	38,476	30,292
	38,476	**30,292**

Note 2 : Notes to Accounts (Continued)

2.6 : Fixed assets

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

	Gross Block					Depreciation					Net Block	
	01.04.11	Additions	Deletions	Forex	31.03.2012	01.04.11	For the Year	Deletions	Forex	31.03.2012	31.03.2012	31.03.2011
Furniture & fixtures	516	-	31	-	485	182	58	-	-	240	245	334
Office equipment	962	38	-	-	1,000	796	204	-	-	1,000	-	166
Total Tangible Assets (A)	**1,478**	**38**	**31**	**-**	**1,485**	**978**	**262**	**-**	**-**	**1,240**	**245**	**500**
Intangibles	93,929	11,667	583	-	105,013	74,445	30,568	-	-	105,013	-	19,484
Total Intangible Assets (B)	**93,929**	**11,667**	**583**	**-**	**105,013**	**74,445**	**30,568**	**-**	**-**	**105,013**	**-**	**19,484**
Total	**95,407**	**11,705**	**614**	**-**	**106,498**	**75,423**	**30,830**	**-**	**-**	**106,253**	**245**	**19,984**
Previous Year	81,783	13,835	-	(211)	95,407	43,422	31,934	-	67	75,423	19,984	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	-	54
	-	**54**
2.8: Inventories		
Finished goods	34,345	117,149
Less: Provision for doubtful debts	-	-
Net	**34,345**	**117,149**
2.9: Trade Receivables		
Receivables from holding company, other group companies		
Other debts	22,247	-
Considered good	26,140	62,762
	48,387	**62,762**
Less: Provision for doubtful debts	-	-
	48,387	**62,762**
2.10 : Cash and bank balances		
Cash on hand	7	5
Bank balances		
In current accounts	35,897	15,608
	35,904	**15,613**
2.11 : Short term loans and advances		
(Unsecured)		
Considered good		
Staff lonads and advances	42	-
Advance tax	40,058	24,371
Prepaid expenses	-	416
	40,100	**24,787**
2.12 : Other operating revenue		
Miscellaneous imcome	-	2
	-	**2**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.13 : Other income		
Interest income		
On other deposits	470	608
	470	**608**
2.14 : Changes in inventories of finished goods, work in progress and stock in trade		
Net (increase) / decrease in stock		
Opening		
Finished goods	117,149	66,889
Closing		
Finished goods	34,345	117,149
Net (increase)	**82,804**	**(50,260)**
2.15 : Employee benefits expense		
Salaries, wages and bonus	9,240	10,731
Contribution to provident and other funds	79	115
Staff welfare expenses	244	-
	9,563	**10,846**
2.16 : Finance charges		
Other borrowing costs	127	90
	127	**90**
2.17 : Other expense		
Legal and professional	3,406	3,338
Carriage outward	794	1,433
Rates and taxes	99	74
Other selling expenses	19,609	26,975
Repairs and maintenance		
Others	39	-
Travelling and conveyance	877	1,423
Foreign exhange loss, net	826	2,687
Communication	939	1,606
Rent	2,052	1,797
Printing and stationery	1,012	212
Insurance	506	406
Bank charges	141	119
Miscellaneous	7,456	4,197
	37,756	**44,267**

Note 2 : Notes to Accounts (Continued)

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

2.18: Deferred taxation

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

Particulars	As at 31 March 2012	As at 31 March 2011
Inventories	415	-
Other Current assets	226	226
Fixed	1	-
Other Current Liabilities	(253)	(226)
Deferred Tax Asset, Net	**389**	**31**

2.19: Related party Disclosures

i) Due from related parties (included in Trade Receivables):		
Dr. Reddys Laboratories SA	22,247	-
ii) Due to related parties (included in Trade Payables):		
Dr. Reddy's Laboratories SA	-	87,213
Dr. Reddy's Laboratories Limited	29,975	-

2.20: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.21: 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.

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 : 09 May 2012

for **Dr. Reddy's New Zealand Limited**

Satish Reddy
Director

Abhijit Mukerjee
Director

DIRECTORS' REPORT

Your Directors present the 3rd Annual Report of the Company for the year ended 31 March 2012

Financial Highlights

	(₹ in Thousands)	
Particulars	**31 March 2012**	**31 March 2011**
Profit / (Loss) for the period	(15)	(5)
Balance Brought forward	(180)	(175)
Balance Carried forward to Balance Sheet	(195)	(180)

Operations

The Company did not have any operation during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2012.

Share capital

During the year under review, there was no change in the share capital of the Company.

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 2011-12 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 on-going concern basis.

Directors

Mr. Umang Vohra, retires by rotation at the ensuing Annual General Meeting scheduled on 17 July 2012 and being eligible seeks re-appointment. Your Directors recommends his re-appointment for your approval at the ensuing AGM.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 3rd Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommend re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2012-13 for shareholder's approval.

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 Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo 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 of Directors

Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To

The Members of
Dr. Reddy's Pharma Sez Limited,
Hyderabad.

We have audited the attached Balance Sheet of **M/s. Dr. Reddy's Pharma SEZ Limited** as at **31 March 2012** and the Statement of Profit and Loss 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 have 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 presentation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements 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 Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the Balance Sheet and Statement of Profit and Loss 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 as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 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 2012**; and
      (ii) in the case of the Statement of Profit and Loss, 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 : 09 May 2012

ANNEXURE TO THE AUDITORS' REPORT

(Of even date referred to in Para (1) of our Report)

We report as required under paragraph 4 that:

i. The company does not have any fixed assets and hence para 4(i)(a) to (i)(c) are not applicable

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 there under 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.

c) Further, since the Central Government has till date not prescribed the amount of Cess payable under Section 441A of the Companies Act 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

x. In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	500	500
Reserves and surplus	2.2	(195)	(180)
		305	**320**
Non-current liabilities		-	-
		-	**-**
Current liablities			
Other current liabilities	2.3	19	180
TOTAL		**324**	**500**
ASSETS			
Non-current assets		-	-
		-	**-**
Current assets			
Cash and bank balances	2.4	324	500
TOTAL		**324**	**500**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 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 : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income		-	-
Total Revenue		**-**	**-**
Expenses			
Other expenses	2.5	15	5
Total expenses		**15**	**5**
Loss before exceptional and extraordinary items and tax		**(15)**	**(5)**
Exceptional items		-	-
Loss before extraordinary items and tax		**(15)**	**(5)**
Extraordinary Items		-	-
Loss before tax		**(15)**	**(5)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the period		**(15)**	**(5)**
Earnings per share			
Basic - Par value ₹ 10 per share	2.6	(0.30)	(0.10)
Diluted - Par value ₹ 10 per share		(0.30)	(0.10)
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 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 : 09 May 2012

Cash Flow Statement

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

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flow from operating activities		
Loss before tax	(15)	(5)
Operating profit before working capital changes	(15)	(5)
Increase/(Decrease) in Other Current Liabilities	(161)	5
Cash generated from Operations	(176)	-
Less: income tax paid		
Net cash provided by operating activities	**(176)**	**-**
Cash flows From/(Used In) investing activities	**-**	**-**
Cash flows From/(Used In) financing activities	**-**	**-**
Net decrease in cash & bank balances	**(176)**	**-**
Cash & bank balances at the beginning of the year	500	500
Cash & bank balances at the end of the year	**324**	**500**

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 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 : 09 May 2012

Note 1: Significant Accounting Policies

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

a) Basis of preparation

The financial statements have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP)n 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 Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956. The financial statements are rounded off to the nearest thousands.

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 Thousands, 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are carried at the cost of acquisition or construction 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. 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.

Land is not depreciated. Depreciation on other fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the companies Act, 1956 or based on the useful life of the assets as estimated by Management whichever is higher. 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) 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

Note 1: Significant Accounting Policies (Continued)

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

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 are 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 balance sheet date has 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) 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. The dilutive potential equity shares are deemed converted as of the beginning of the period, 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.

f) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

g) Investments

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist.

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 investment.

h) Revenue recognition

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Service income is recognised as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Note 2: Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share Capital :		
Authorised		
1,000,000 equity shares of ₹ 10/- each	10,000	10,000
Issued, Subscribed & Paid up:		
50,000 (previous year 50,000) Equity Shares of ₹ 10/- each fully paid up	500	500
	500	**500**

(a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning of the period	50,000	500	50,000	500
Issued during the period	-	-	-	-
Outstanding at the end of the period	**50,000**	**500**	**50,000**	**500**

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ₹ 10/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Dr Reddy's Laboratories Ltd	50,000	100	50,000	100

Note 2: Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance in profit and loss account brought forward	(180)	(175)
Add: Transfer from General Reserve	-	-
	(180)	(175)
Add: Current Year Profit	(15)	(5)
Balance Carried Forward	**(195)**	**(180)**
2.3 : Other Current liabilities		
Payable to subsidiary companies, step down subsidiaries, joint ventures and associates	-	175
Outstanding Liabilities	19	5
	19	**180**
2.4: Cash and bank balances		
Cash on hand	-	-
Bank balances		
In current accounts	324	500
	324	**500**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.5: Other expenses		
Rates & Taxes	3	-
Bank charges	1	-
Auditors' remuneration		
Audit fees	11	-
Out of pocket expenses	-	-
Preliminary Expenses	-	5
	15	**5**

Note 2: Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.6 : Earnings per share		
Loss for the year	(15)	(5)
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	(0.30)	(0.10)
Diluted Earnings per share	(0.30)	(0.10)

2.7 : Related Party Disclosure

	As at 31 March 2012	As at 31 March 2011
Due to Related Parties (Included in other current liabilities)		
Dr. Reddy's Laboratories Ltd	-	175
	-	**175**

2.8: Comparitive Figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to confirm to this years classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

As per our report attached

for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 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 : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(29,843)	(241)
Balance brought forward	(241)	-
Balance carried forward to Balance Sheet	(30,084)	(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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Akhilesh Gupta	**Prashant Khandelwal**
Finance Manager	General Manager

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	4,700	4,700
Reserves and surplus	2.2	(30,084)	(241)
		(25,384)	**4,459**
Current liablities			
Short term borrowings	2.3	33,954	-
Trade payables	2.4	199	-
Other current liabilities	2.5	27	56
		34,180	**56**
TOTAL		**8,796**	**4,515**
ASSETS			
Current assets			
Cash and bank balances	2.6	8,698	4,515
Short term loans and advances	2.7	98	-
		8,796	**4,515**
TOTAL		**8,796**	**4,515**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Dr. Reddy's Venezula, C.A.**

A. Ramachandra Rao
Partner
Membership No. 9750

Akhilesh Gupta
Finance Manager

Prashant Khandelwal
General Manager

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income		-	-
Total revenue		**-**	**-**
Expenses			
Employee benefits expense	2.8	316	-
Finance costs	2.9	27,658	-
Other expenses	2.10	1,869	241
Total expenses		**29,843**	**241**
Profit before exceptional and extraordinary items and tax		**(29,843)**	**(241)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(29,843)**	**(241)**
Extraordinary Items		-	-
Profit before tax		**(29,843)**	**(241)**
Tax expense		-	-
Profit/ (Loss) for the year		**(29,843)**	**(241)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Dr. Reddy's Venezula, C.A.**

A. Ramachandra Rao
Partner
Membership No. 9750

Akhilesh Gupta
Finance Manager

Prashant Khandelwal
General Manager

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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) 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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Issued*		
1000 shares of VEB 430 each	4,700	4,700
Subscribed and paid-up		
1000 shares of VEB 430 each	4,700	4,700
Total	**4,700**	**4,700**

* No concept of authorised share capital in this company

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	1,000	4,700	1,000	4,700
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**1,000**	**4,700**	**1,000**	**4,700**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of VEB 430 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories SA	990	99	990	99

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	(241)	-
Add: Current year profit	(29,843)	(241)
Balance carried forward	(30,084)	(241)
	(30,084)	**(241)**
2.3 : Borrowings		
Short term borrowings		
Unsecured		
Other short-term loans	33,954	-
	33,954	**-**
2.4 : Trade Payables		
Trade Payables		
Others	199	-
	199	**-**
2.5 : Other liabilities		
Other current liabilities		
Due to statutory authorities	13	-
Other current liabilities	14	56
	27	**56**
2.6 : Cash and bank balances		
Bank balances		
In current accounts	8,698	4,515
	8,698	**4,515**
2.7 : Short term loans and advances		
Unsecured		
Considered good		
Staff loans and advances	98	-
	98	-
Less: Provision for doubtful loans and advances	-	-
	98	**-**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.8 : Employee benefits expense		
Salaries, wages and bonus	300	-
Staff welfare expenses	16	-
	316	**-**
2.9 : Finance costs		
Interest expense		
Interest on short term loans	27,658	-
	27,658	**-**
2.10 : Other expense		
Legal and professional	476	-
Rates and taxes	76	-
Foreign exchange loss, net	1,041	241
Bank charges	194	-
Miscellaneous	82	-
	1,869	**241**

Note 2 : Notes to Accounts (Continued)

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

2.11: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012. (previous year: NIL)

2.12: Related Party Disclosures:

There are no related party transactions during the year (previous year: Nil)

2.13: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.14: The Company incorporated in Venezuela, is a subsidiary of Dr. Reddy's Laboratories SA, Switzerland by virtue of 99% shareholding.

As per our report attached

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

for **Dr. Reddy's Venezula, C.A.**

A. Ramachandra Rao
Partner
Membership No. 9750

Akhilesh Gupta
Finance Manager

Prashant Khandelwal
General Manager

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(138,674)	(131,791)
Balance brought forward	(368,938)	(237,147)
Balance carried forward to Balance Sheet	(507,612)	(368,938)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	35,126	35,126
Reserves and surplus	2.2	(505,817)	(367,143)
		(470,691)	**(332,017)**
Non-current liabilities			
Long term borrowings	2.3	475,013	274,905
		475,013	**274,905**
Current liablities			
Trade payables	2.5	162,070	49,862
Other current liabilities	2.4	102,157	80,654
Short term provisions	2.6	2,824	-
		267,051	**130,516**
TOTAL		**271,373**	**73,404**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	473	328
Intangible assets	2.7	883	1,340
Long term loans and advances	2.8	845	390
		2,201	**2,058**
Current assets			
Inventories	2.9	51,783	35,488
Trade receivables	2.10	209,585	26,255
Cash and bank balances	2.11	7,804	9,603
		269,172	**71,346**
TOTAL		**271,373**	**73,404**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

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

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Azhar Ibrahim
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		304,146	98,168
Less: Excise Duty		-	-
Sales, net		304,146	98,168
Other operating revenue	2.12	4,611	353
Revenue from Operations		308,757	98,521
Other Income	2.13	249	177
Total Revenue		**309,006**	**98,698**
Expenses			
Cost of material consumed (including packing material consumed)		121,860	34,981
Purchase of stock-in-trade (Traded goods)		67,365	55,999
Changes in inventories of finished goods, work in progress and Stock-in-Trade	2.14	(16,295)	(16,881)
Employee benefits expense	2.15	61,110	28,504
Finance costs	2.16	41,182	26,762
Depreciation and amortization expense	2.6	542	498
Other expenses	2.17	171,916	100,627
Total expenses		**447,680**	**230,489**
Profit before exceptional and extraordinary items and tax		**(138,674)**	**(131,791)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(138,674)**	**(131,791)**
Extraordinary Items		-	-
Profit before tax		**(138,674)**	**(131,791)**
Tax expense		-	-
Profit/ (Loss) for the period		**(138,674)**	**(131,791)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

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

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Azhar Ibrahim
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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:

Electrical and office equipment (other than computer equipment)	3 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

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average

Note 1: Significant accounting policies (Continued)

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

method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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

Sale of goods

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.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such 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 statement of profit and loss. 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 depreciated historical cost.

j) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
1,000,000 ordinary shares of AUD 1 each	35,126	35,126
Issued		
1,000,000 ordinary shares of AUD 1 each	35,126	35,126
Subscribed and paid-up		
1,000,000 ordinary shares of AUD 1 each	35,126	35,126
Total	**35,126**	**35,126**

(a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the period	1,000,000	35,126	1,000,000	35,126
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**1,000,000**	**35,126**	**1,000,000**	**35,126**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of AUD 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	Amount	No. of Equity shares held	Amount
Dr. Reddy's Laboratories Limited	1,000,000	100	1,000,000	100

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Securities premium reserve		
Balance at the beginning of the year	1,795	1,795
Additions / deductions during the year	-	-
	1,795	1,795
Surplus		
Balance at the beginning of the year	(368,938)	(237,147)
Add: Current year profit	(138,674)	(131,791)
Balance carried forward	(507,612)	(368,938)
	(505,817)	**(367,143)**
22.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	475,013	274,905
	475,013	**274,905**
2.4 : Other liabilities		
Other current liabilities		
Payable to holding company, other group companies	84,965	74,041
Accrued expenses	7,686	4,959
Due to statutory authorities	9,503	-
Other current liabilities	3	1,654
	102,157	**80,654**
2.5 : Trade Payables		
Trade Payables		
Others	35,939	28,667
Payable to holding company, other group companies	126,131	21,195
	162,070	**49,862**
2.6 : Short term provisions		
Provision for employee benefits	2,733	-
Other provisions		
Taxation, net of advance taxes	91	-
	2,824	**-**

Note 2 : Notes to Accounts (Continued)

2.7 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 1 April 2011	Additions	Deductions/ Adjustments	Forex	As at 31 March 12	As at 1 April 11	For the year	Deductions/ Adjustments	Forex	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Electrical/ Office equipment	799	220	-	-	1,019	471	101	26	-	546	473	328
Total Tangible Assets (A)	**799**	**220**	**-**	**-**	**1,019**	**471**	**101**	**26**	**-**	**546**	**473**	**328**
Goodwill	1,795	-	16	-	1,779	455	441	-	-	896	883	1,340
Total Intangible Assets (B)	**1,795**	**-**	**16**	**-**	**1,779**	**455**	**441**	**-**	**-**	**896**	**883**	**1,340**
Total (A+B)	**2,594**	**220**	**16**	**-**	**2,798**	**926**	**542**	**26**	**-**	**1,442**	**1,356**	**1,668**
Previous year	2,244	345	-	-	2,589	423	498	-	-	921	1,668	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Long term loans and advances		
(Unsecured)		
Considered good		
Security deposits	845	390
	845	**390**
2.9 : Inventories		
Finished goods	51,783	35,488
Less: Provison for obsolete and slow moving	-	-
Net	**51,783**	**35,488**
2.10: Trade Receivables		
(Unsecured)		
Other debts		
Considered good	209,585	26,255
	209,585	26,255
Less: Provision for doubtful debts	-	-
	209,585	**26,255**
2.11 : Cash and bank balances		
Cash on hand	124	-
Bank balances		
In current accounts	7,680	9,603
	7,804	**9,603**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.12 : Other operating revenue		
Miscellaneous income	4,611	353
	4,611	**353**
2.13 : Other income		
Interest income		
On other deposits	249	177
	249	**177**
2.14 : Changes in inventories of finished goods, work in progress and stock in trade		
Net (increase) / decrease in stock		
Opening		
Finished goods	35,488	18,607
Closing		
Finished goods	51,783	35,488
Net (increase)	**(16,295)**	**(16,881)**
2.15 : Employee benefits expense		
Salaries, wages and bonus	54,242	26,749
Contribution to provident and other funds	2,949	1,755
Staff welfare expenses	3,919	-
	61,110	**28,504**
2.16 : Finance costs		
Interest expense		
Interest expense to holding company	41,182	26,762
	41,182	26,762
Other borrowing costs	**-**	**-**
	41,182	**26,762**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.17 : Other expense		
Legal and professional	11,841	29,851
Rates and taxes	1	479
Other selling expenses	7,246	3,191
Travelling and conveyance	3,676	2,590
Foreign exchange loss, net	68,447	21,275
Communication	2,148	1,227
Rent	5,260	3,458
Printing and stationery	972	84
Insurance	119	-
Bank charges	144	190
Advertisement	1,808	-
Miscellaneous	70,254	38,282
	171,916	**100,627**

2.18: Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2012.

2.19: Related party disclosures

The company has the following related party transactions:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in Borrowings):		
	Dr. Reddy's Laboratories Limited	475,013	274,905
ii.	Due to related parties (included in Trade Payables):		
	Dr. Reddy's Laboratories Limited	126,131	21,195
iii.	Due to related parties (included in Other Current Liabilities):		
	Dr. Reddy's Laboratories Limited	84,965	74,041

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

2.21: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does

Note 2 : Notes to Accounts (Continued)

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

not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

As per our report attached

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

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

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Azhar Ibrahim
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	1,667	2,074
Balance brought forward	3,904	1,830
Balance carried forward to Balance Sheet	5,571	3,904

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1	1
Reserves and surplus	2.2	6,026	4,190
		6,027	**4,191**
Non-current liabilities			
Long term borrowings	2.3	187	801
Deferred tax liabilities, net		50	50
Other long term liabilities	2.4	773	520
		1,010	**1,371**
Current liablities			
Trade payables	2.5	2,655	2,635
Other current liabilities	2.4	1,728	3,167
Short term provisions	2.6	657	222
		5,040	**6,024**
TOTAL		**12,078**	**11,586**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	2,158	2,447
Capital work-in-progress		-	266
Deferred tax assets, net		56	69
		2,214	**2,782**
Current assets			
Inventories	2.8	2,513	1,989
Trade receivables	2.9	4,763	3,967
Cash and bank balances	2.10	1,666	2,166
Short term loans and advances	2.11	922	627
Other current assets	2.12	-	55
		9,864	**8,804**
TOTAL		**12,078**	**11,586**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra 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

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		26,632	22,436
Less: Excise Duty		-	-
Sales, net		**26,632**	**22,436**
License fees		693	749
Other operating revenue	2.13	3	539
Revenue from Operations		**27,328**	**23,725**
Other Income	2.14	32	3
Total Revenue		**27,360**	**23,728**
Expenses			
Cost of material consumed (including packing material consumed)		17,282	14,863
Purchase of stock-in-trade (Traded goods)		532	194
Changes in inventories of finished goods, work in progress and Stock-in-Trade	2.16	(585)	(511)
Employee benefits expense	2.15	3,840	3,028
Depreciation and amortization expense	2.7	368	313
Other expenses	2.17	3,691	3,498
Total expenses		**25,128**	**21,385**
Profit before exceptional and extraordinary items and tax		**2,232**	**2,342**
Exceptional items		-	-
Profit before extraordinary items and tax		**2,232**	**2,342**
Extraordinary Items		-	-
Profit before tax		**2,232**	**2,342**
Tax expense			
Current tax		548	225
Deferred tax		17	43
Profit/ (Loss) for the year		**1,667**	**2,074**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra 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

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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
Buildings	
Factory and administrative buildings	20 to 50
Plant and machinery	3 to 15
Electrical equipment	5 to 15
Laboratory equipment	4 to 10
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
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.

Note 1: Significant accounting policies (Continued)

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

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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.

License fee

The Company enters into certain licensing and supply arrangements with certain third parties. These arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Note 1: Significant accounting policies (Continued)

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

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) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
1000 equity shares of GBP 1 each	1	1
Issued		
1000 equity shares of GBP 1 each	1	1
Subscribed and paid-up		
1000 equity shares of GBP 1 each	1	1
Total	1	1

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	1,000	1	1,000	1
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**1,000**	**1**	**1,000**	**1**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of GBP 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories (EU) Limited	1,000	100	1,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	286	286
Movement during the year	170	-
	456	286
Surplus		
Balance at the beginning of the year	3,904	1,830
Add: Current year profit	1,667	2,074
Balance carried forward	5,571	3,904
	6,026	**4,190**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company,other group companies	187	801
	187	**801**
2.4 : Other liabilities		
A) Other long term liabilities		
Deferred revenue income	773	520
	773	**520**
B) Other current liabilities		
Due to capital creditors	272	246
Payable to holding company, other group companies	-	13
Accrued expenses	1,052	1,090
Salary and Bonus payable	314	-
Due to statutory authorities	90	160
Other current liabilities	-	1,658
	1,728	**3,167**
2.5 : Trade payables		
Trade Payables		
Others	764	212
Payable to holding company, other group companies	1,891	2,423
	2,655	**2,635**
2.6 : Short term provisions		
Other provisions		
Taxation, net of advance taxes	657	222
	657	**222**

Note 2 : Notes to Accounts (Continued)

2.7 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2011	Addition	Deletions	Forex	As at 31.03.12	As at 01.04.11	For the Year	Deletions	Forex	31.03.12	As at 31.03.12	As at 01.04.11
Land	153	-	1	-	152	-	-	-	-	-	152	153
Plant & machinery	1,943	50	-	-	1,993	942	258	-	-	1,200	793	1,001
Computer equipment	206	18	3	-	221	185	14	2	-	197	23	20
Office furniture & fixtures	189	26	4	-	210	130	22	3	-	150	60	59
Tenants improvements	174	-	1	-	173	132	31	-	-	163	9	42
Land & Building	1,402	-	10	-	1,392	229	43	-	-	272	1,120	1,173
Total Tangible Assets	**4,066**	**94**	**19**	**-**	**4,141**	**1,618**	**368**	**4**	**-**	**1,982**	**2,158**	**2,447**
Intangibles	389	-	-	-	389	389	-	-	-	389	-	-
Total Intangible Assets	**389**	**-**	**-**	**-**	**389**	**389**	**-**	**-**	**-**	**389**	**-**	**-**
Total	**4,454**	**94**	**19**	**-**	**4,529**	**2,007**	**368**	**4**	**-**	**2,371**	**2,158**	**2,447**
Previous Year	3,467	1,033	46	-	4,454	1,729	313	37.79	3	2,007	2,447	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Inventories		
(Valued on weighted average basis)		
Raw materials	26	27
Less: Provison for obsolete and slow moving	(23)	(23)
Net	**3**	**4**
Work-in-process	790	206
Less: Provison for obsolete and slow moving	(81)	(55)
Net	**709**	**151**
Finished goods	1,302	1,077
Less: Provison for obsolete and slow moving	(286)	(85)
Net	**1,015**	**992**
Stock-in-trade (in respect of goods acquired for trading)	570	566
Less: Provison for obsolete and slow moving	-	-
Net	**570**	**566**
Packing materials	271	318
Less: Provison for obsolete and slow moving	(56)	(42)
Net	**216**	**276**
	2,513	**1,989**
2.9: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	-	44
Debts outstanding for a period exceeding six months		
Considered doubtful	53	89
Other debts		
Considered good	4,763	3,923
	4,816	4,056
Less: Provision for doubtful debts	(53)	(89)
	4,763	**3,967**
2.10 : Cash and bank balances		
Cash on hand	2	1
Bank balances		
In current accounts	1,664	2,165
	1,666	**2,166**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.11 : Short term loans and advances		
Considered good		
Advances to material suppliers	29	91
Advance tax	434	103
Balances with statutory/ government authorities	389	371
Prepaid expenses	70	62
Other Advances	-	-
	922	**627**
2.12 : Other current assets		
Considered good		
Advances to holding company, other group companies	-	55
	-	**55**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.13 : Other operating revenue		
Miscellaneous income	3	539
	3	**539**
2.14 : Other income		
Interest income		
On others	3	1
Foreign exchange gain, net	27	-
Profit on sale of fixed assets, net	2	2
	32	**3**
2.15 : Employee benefits expense		
Salaries, wages and bonus	3,744	2,946
Staff welfare expenses	96	82
	3,840	**3,028**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012		For the year ended 31 March 2011	
2.16 : Changes in inventories of finished goods, work in progress and stock in trade				
Net (increase) / decrease in stock				
Opening				
Work-in-process	151		129	
Finished goods	992		539	
Stock in trade	566	1,709	530	1,198
Closing				
Work-in-process	709		151	
Finished goods	1,015		992	
Stock in trade	570	2,294	566	1,709
Net (increase)		**(585)**		**(511)**
2.17 : Other expense				
Consumption of stores and spare parts		258		187
Legal and professional		1,196		1,093
Carriage outward		227		208
Rates and taxes		44		45
Commission on sales		168		-
Other selling expenses		218		504
Repairs and maintenance				
Plant and machinery		70		30
Others		281		211
Power and fuel		34		33
Travelling and conveyance		317		261
Foreign exchange loss, net		-		133
Communication		128		109
Rent		481		381
Donations		-		-
Printing and stationery		54		53
Insurance		67		74
Bank charges		8		6
Advertisement		8		-
Miscellaneous		131		170
		3,691		**3,498**

Note 2 : Notes to Accounts (Continued)

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

2.18 : Deferred taxation

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

	As at 31 March 2012	As at 31 March 2011
Deferred tax Asset/(Liability)		
Trade receivables	(3)	(3)
Provisions	(23)	(23)
Inventory	(9)	(9)
Others Current Assets	(165)	(147)
Current Liabilities	(42)	(37)
Fixed assets	247	237
Deferred tax asset / (liability), net	**6**	**19**

2.19: Related party disclosures

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

i.	Due to related parties (included in Trade Payables)		
	Dr. Reddy's Laboratories Ltd.	1,891	2,423
ii.	Due to related parties (included in Long term borrowings):		
	Dr. Reddy's Laboratories (EU) Ltd.	187	801
iii.	Due from related parties (included in Advances and other assets):		
	Dr. Reddy's Laboratories Ltd.	-	21
	Dr. Reddy's SRL	-	34
iv.	Due from related parties (included in Trade Receivables):		
	Dr. Reddy's SRL	-	44

2.20 : Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

Note 2 : Notes to Accounts (Continued)

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

2.21 : 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.

As per our report attached

for **A. Ramachandra 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

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(1)	(1)
Balance brought forward	(105)	(104)
Balance carried forward to Balance Sheet	(106)	(105)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Manishmukund Joshi
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	162	162
Reserves and surplus	2.2	(106)	(105)
		56	**57**
TOTAL		**56**	**57**
ASSETS			
Current assets			
Cash and bank balances	2.3	56	57
		56	**57**
TOTAL		**56**	**57**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Dr. Reddy's Laboratories ILAC TICARET**

Manishmukund Joshi
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income		-	-
Total Revenue		**-**	**-**
Expenses			
Other expenses	2.4	1	1
Total expenses		**1**	**1**
Profit before exceptional and extraordinary items and tax		**(1)**	**(1)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(1)**	**(1)**
Extraordinary Items		-	-
Profit before tax		**(1)**	**(1)**
Tax expense		-	-
Profit/ (Loss) for the year		**(1)**	**(1)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Dr. Reddy's Laboratories ILAC TICARET**

Manishmukund Joshi
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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) 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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised share capital TRL 5,000*	162	162
Issued		
Issued share capital TRL 5,000*	162	162
Subscribed and paid-up		
Subscribed and paid-up capital TRL 5,000*	162	162
Total	**162**	**162**
*No concept of nature and number of shares in this company		
2.2 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	(105)	(104)
Add: Current year profit	(1)	(1)
Balance carried forward	(106)	(105)
	(106)	**(105)**
2.3 : Cash and bank balances		
Bank balances		
In current accounts	56	57
	56	**57**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.4 : Other expense		
Foreign exchange loss, net	1	1
	1	**1**

Note 2 : Notes to Accounts (Continued)

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

2.5 : Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2012

2.6 : The Company, incorporated under the laws of Turkey, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

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 : 09 May 2012

for **Dr. Reddy's Laboratories ILAC TICARET**

Manishmukund Joshi
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	6,720	(1,904)
Balance brought forward	(9,090)	(7,186)
Balance carried forward to Balance Sheet	(2,370)	(9,090)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To
The Members 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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital		-	-
Reserves and surplus	2.1	17,086	9,188
		17,086	**9,188**
Current liablities			
Trade payables	2.2	2,225	2,653
Other current liabilities	2.3	7,311	5,832
		9,536	**8,485**
TOTAL		**26,622**	**17,673**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	9,789	7,731
Intangible assets	2.5	2,611	2,750
Capital work-in-progress		4,324	1,349
Long term loans and advances	2.4	25	452
		16,750	**12,281**
Current assets			
Inventories	2.6	4,394	4,716
Trade receivable	2.7	4,902	503
Cash and bank balance	2.8	475	96
Short term loans and advances	2.9	99	75
Other current assets	2.10	2	2
		9,872	**5,392**
TOTAL		**26,622**	**17,673**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Dr. Reddy's Laboratories Louisiana LLC**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		35,267	17,770
Sales, net		**35,267**	**17,770**
Other operating revenue	2.11	6	6
Revenue from Operations		**35,272**	**17,776**
Other Income	2.12	11	-
Total Revenue		**35,283**	**17,776**
Expenses			
Cost of material consumed (including packing material consumed)		14,979	9,474
Changes in inventories of finished goods, work in progress and Stock-in-Trade	2.13	106	(807)
Conversion charges		118	137
Employee benefits expense	2.14	8,688	7,106
Depreciation and amortization expense	2.6	1,296	1,121
Other expenses	2.15	3,376	2,649
Total expenses		**28,563**	**19,681**
Profit before exceptional and extraordinary items and tax		**6,720**	**(1,904)**
Exceptional items		-	-
Profit before extraordinary items and tax		**6,720**	**(1,904)**
Extraordinary Items		-	-
Profit before tax		**6,720**	**(1,904)**
Tax expense		-	-
Profit/ (Loss) for the year		**6,720**	**(1,904)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Dr. Reddy's Laboratories Louisiana LLC**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

Note 1: Significant Accounting Policies

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

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 and provisions of Companies Act, 1956.

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 50
Ancillary structures	3 to 15
Plant and machinery	3 to 15
Electrical equipment	5 to 15
Laboratory equipment	4 to 10
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3
Vehicles	3 to 5

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition. Intangible assets are

Note 1: Significant Accounting Policies (continued)

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

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 to 20
Patents, trademarks, etc. (including marketing/ distribution rights)	3 to 16
Customer related intangibles	2 to 11
Technology related intangibles	3 to 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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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.

Note 1: Significant Accounting Policies (continued)

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

i) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

j) Government grants

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

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	2,074	2,102
Movement during the year	1,178	(28)
	3,252	2,074
Securities premium reserve		
Balance at the beginning of the year	16,204	16,204
Additions / deductions during the year	-	-
	16,204	16,204
Surplus		
Balance at the beginning of the year	(9,090)	(7,186)
Add: Current year profit	6,720	(1,904)
Balance carried forward	(2,370)	(9,090)
	17,086	**9,188**
2.2 : Trade Payables		
Trade Payables		
Due to medium and small enterprises		
Others	1,316	182
Payable to holding company, other group companies	909	2,471
	2,225	**2,653**
2.3 : Other liabilities		
Other current liabilities		
Due to capital creditors	449	494
Payable to holding company, other group companies	4,959	3,906
Accrued expenses	1,829	1,266
Other current liabilities	74	166
	7,311	**5,832**
2.4 : Long term loans and advances		
(Unsecured)		
Considered good		
Capital advances for purchase of fixed assets	25	452
	25	**452**

Note 2 : Notes to Accounts (Continued)

2.5 : Fixed assets

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

Description	Gross Block							Depreciation				Net Block	
	As at 01.04.2011	Acqui-sition	Addition	Deletions	Forex	As at 31.03.12	As at 01.04.11	For the Year	Deletions	Forex	31.03.12	As at 31.03.12	As at 31.03.11
Land	308	-	-	-	43	351	-	-	-	-	-	351	308
Buildings	4,018	-	336	43	566	4,877	438	176	-	72	686	4,191	3,580
Plant & Machinery	4,596	-	1,286	235	647	6,293	1,169	539	27	195	1,877	4,416	3,426
Computers & Software	86	-	57	8	12	147	77	9	-	11	97	50	9
Laboratory equipment	23	-	142	18	3	150	3	7	-	1	11	138	20
Electrical Equipment	91	-	290	37	13	357	2	16	-	1	20	338	89
Furniture & Fixtures	403	-	12	5	57	466	104	49	2	18	170	297	299
Office equipment	-	-	7	1	-	7	-	1	-	-	1	6	-
Vehicles	-	-	3	-	-	2	-	-	-	-	-	2	-
Total Tangible Assets (A)	**9,524**	**-**	**2,133**	**347**	**1,341**	**12,650**	**1,794**	**798**	**28**	**298**	**2,861**	**9,789**	**7,731**
Customer contract	3,568	-	-	502	4,070	2,917	224	-	-	432	3,573	497	651
Goodwill	1,687	-	-	238	1,924	492	184	-	-	72	748	1,176	1,195
Patents, Trademarks	223	-	-	31	254	223	-	-	-	31	254	-	-
Intangibles(others)	1,516	-	-	214	1,730	612	90	-	-	90	792	938	904
Total Intangible Assets (B)	**6,993**	**-**	**-**	**-**	**985**	**7,978**	**4,244**	**498**	**-**	**625**	**5,367**	**2,611**	**2,750**
Total	**16,517**	**-**	**2,133**	**347**	**2,326**	**20,629**	**6,037**	**1,296**	**28**	**923**	**8,228**	**12,401**	**10,480**
Previous year	15,758	-	869	-	(110)	16,517	4,974	1,121	-	(58)	6,037	10,480	-

Note 2 : Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.6 : Inventories		
(Valued on weighted average basis)		
Raw materials	2,103	1,938
Goods-in-transit	-	-
Less: Provison for obsolete and slow moving	(484)	-
Net	**1,618**	**1,938**
Work-in-process	1,562	1,632
Less: Provison for obsolete and slow moving	(505)	-
Net	**1,057**	**1,632**
Finished goods	1,438	1,115
Less: Provison for obsolete and slow moving	(480)	(627)
Net	**958**	**488**
Stores and spares	453	373
Less: Provison for obsolete and slow moving	-	-
Net	**453**	**373**
Packing materials	416	286
Less: Provison for obsolete and slow moving	(108)	-
Net	**307**	**286**
	4,394	**4,716**
2.7: Trade receivables		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered doubtful	11	10
Other debts		
Considered good	4,902	503
	4,913	513
Less: Provision for doubtful debts	(11)	(10)
	4,902	**503**

Note 2 : Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.8 : Cash and bank balances		
Bank balances		
In current accounts	475	96
	475	**96**
2.9 : Short term loans and advances		
Unsecured		
Considered good		
Advances to material suppliers	20	25
Prepaid expenses	7	28
Other Advances	72	22
Considered doubtful		
Other advances recoverable in cash or in kind or for value to be received	1	-
	100	75
Less: Provision for doubtful loans and advances	(1)	-
	99	**75**
2.10 : Other current assets		
Considered good		
Advances to holding company, other group companies	2	2
	2	**2**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.11 : Other operating revenue		
Miscellaneous income	6	6
	6	**6**
2.12 : Other income		
Profit on sale of fixed assets, net	11	-
	11	**-**

2.13 : Changes in inventories of finished goods, work in progress and stock in trade				
Net (increase) / decrease in stock				
Opening				
Work-in-process	1,632		680	
Finished goods	488		633	
Stock in trade	-	2,120	-	1,313
Closing				
Work-in-process	1,057		1,632	
Finished goods	958		488	
Stock in trade	-	2,015	-	2,120
Net (increase)		**106**		**(807)**

2.14 : Employee benefits expense		
Salaries, wages and bonus	7,897	6,264
Contribution to provident and other funds	523	636
Staff welfare expenses	268	206
	8,688	**7,106**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.15 : Other expense		
Consumption of stores and spare parts	418	394
Legal and professional	33	28
Carriage outward	160	107
Rates and taxes	324	281
Other selling expenses	2	1
Repairs and maintenance		
Plant and machinery	715	505
Others	718	503
Power and fuel	547	458
Travelling and conveyance	110	119
Communication	60	59
Donations	3	2
Printing and stationery	41	31
Insurance	130	91
Advertisement	1	-
Miscellaneous	113	70
	3,376	**2,649**

2.16. Related party disclosures

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

		As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (included in Other Current Assets)		
	Dr. Reddy's Laboratories Limited	2	2
ii.	Due to related parties (included in Other Current Liabilities)		
	Dr. Reddy's Laboratories Inc.	4,959	3,906
iii.	Due to related parties (included in Trade Payables)		
	Dr. Reddy's Laboratories Limited	909	2,471

Note 2 : Notes to Accounts (Continued)

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

2.17. 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.

	As at 31 March 2012	As at 31 March 2011
Estimated amount of contracts remaining to be Executed on capital account and not provided for (net of advances)	790	782

2.18. Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.19. The Company, incorporated in USA, is a wholly owned subsidiary of Dr. Reddy's Laboratories Inc., by virtue of 100% holding.

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 : 09 May 2012

for **Dr. Reddy's Laboratories Louisiana LLC**

G V Prasad
Director

Satish Reddy
Director

DIRECTORS' REPORT

Your Directors present the 25th Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

	(₹ in Thousands)	
Particulars	**31 March 2012**	**31 March 2011**
Profit/ (Loss) for the period	23,738	62,972
Balance Brought forward	60,272	(2,700)
Balance Carried forward to Balance Sheet	84,010	60,272

Operations

The Company did not have any operation during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2012.

Share capital

During the year under review, there was no change in the share capital of the Company.

Subsidiary Company

The Company has one wholly owned subsidiary, namely I-Ven Pharma Capital Limited as on 31 March 2012. The documents/statement, pursuant to the provision of Section 212(1) of the Companies Act, 1956 are attached to the Balance Sheet of the company.

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 2011-12 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 on-going concern basis.

Directors

Mr. Satish Reddy, retire by rotation at the ensuing Annual General Meeting scheduled on 17 July 2012 and being eligible seeks re-appointment. Your Directors recommends his re-appointment for your approval at the ensuing AGM.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 25th Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommends re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2012-13 for shareholder's approval.

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 Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo 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 of Directors

Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
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 2012** and the Statement of Profit and Loss 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 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 statements 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 Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the Balance Sheet and Statement of Profit and Loss 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, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 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 2012**; and
      (ii) in the case of the Statement of Profit and Loss, 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 : 09 May 2012

ANNEXURE TO THE AUDITORS' REPORT

(Of even date referred to in Para (1) of our Report)

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) During the year under report, the company has not disposed off any major part of the plant and machinery and hence clause 4(i)(c) is not applicable.

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 had taken unsecured loan from one company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.25,48,753 Thousands and the no. of parties involved is one. The company has granted loan to one company covered in the register maintained under Section 301 of the Companies Act.

(b) In our opinion, and according to the information provided and explanations offered to us, the rate of interest and other terms and conditions on which loans have been taken from / granted to companies listed in register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.

(c) The company is regular in repaying the principals amounts as stipulated and has been regular in payment of interest. The parties have repaid the principals amounts as stipulated and have been regular in payment of interest.

(d) There is no overdue amount of loans taken from or granted to companies listed 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 the business for the purchase of fixed assets. There is no continuing failure to correct major weaknesses in internal control;

v. In our opinion, and according to the information and explanations given to us, there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence para 4(v)(a) and 4(v)(b) are not applicable.

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 there under 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 and Excise duty 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.

(c) Further, since the Central Government has till date not prescribed the amount of Cess payable under Section 441A of the Companies Act 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

x. In our opinion, there are no accumulated losses and has not incurred cash loss during the financial year and in the year immediately preceding thereto;

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 from banks and hence the Clause 4(xvi) is not applicable to the company for the year;

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 NO : 002857S

Place : Hyderabad
Date : 09 May 2012

A. Ramachandra Rao
Partner
Membership No. 9750

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	500	500
Reserves and surplus	2.2	84,010	60,272
		84,510	**60,772**
Non current liabilities			
Long term borrowings	2.3	2,548,753	2,711,666
		2,548,753	**2,711,666**
Current liablities			
Other current liabilities	2.4	1,373	152,662
Short Term provisions	2.5	66,719	39,384
		68,092	**192,046**
TOTAL		**2,701,355**	**2,964,484**
ASSETS			
Non current assets			
Fixed assets			
Tangible Assets	2.6	6,111	6,111
Non-current investments	2.7	2,612,381	2,530,000
Long-term loans and advances	2.8	-	150,000
		2,618,492	**2,686,111**
Current assets			
Cash and bank balances	2.9	12,938	150,310
Short-term loans and advances	2.10	69,925	40,306
Other current assets	2.11	-	87,757
		82,863	**278,373**
TOTAL		**2,701,355**	**2,964,484**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.
As per our report attached
for **A. Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN No. 002857S

for **DRL Investment Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Other Income	2.12	106,192	128,063
Total Revenue		**106,192**	**128,063**
Expenses			
Finance costs	2.13	51,920	25,702
Other expenses	2.14	3,199	5
Total expenses		**55,119**	**25,707**
Profit before exceptional and extraordinary items and tax		**51,073**	**102,356**
Exceptional items		-	-
Profit before extraordinary items and tax		**51,073**	**102,356**
Extraordinary Items		-	-
Profit before tax		**51,073**	**102,356**
Tax expense			
Current tax	2.15	27,335	39,384
Deferred tax		-	-
Profit for the period		**23,738**	**62,972**
Earnings per share			
Basic - Par value ₹ 10 per share	2.16	474.76	1,259.44
Diluted - Par value ₹ 10 per share		474.76	1,259.44

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **DRL Investment Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Cash Flow Statement

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

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flow from operating activities		
Profit before taxation	51,073	102,356
Adjustments for:		
Interest on Fixed deposits	-	-
Operating profit before working capital changes	51,073	102,356
Increase in Other Current Assets	(39,473)	(128,985)
Decrease in Short Term Loans and advances	16,716	27,500
Increase in Long Term Loans and advances		(150,000)
Increase/(Decrease) in Other Current Liabilities	(198,614)	(113,193)
Cash generated from Operations	(170,298)	(35,936)
Less: Income tax paid	(19,000)	(27,500)
Net cash provided by operating activities	**(189,298)**	**(63,436)**
Cash flows From/(Used In) investing activities		
Purchase of investments	67,619	(2,530,000)
Int on debentures	193,949	40,306
Cash flows From/(Used In) investing activities	**261,568**	**(2,489,694)**
Cash flows From/(Used In) financing activites		
Interest paid	(58,542)	-
Long term borrowings	(151,100)	2,703,130
Cash flows From/(Used In) financing activites	**(209,642)**	**2,703,130**
Net increase/(decrease) in cash & bank balances	**(137,372)**	**150,000**
Cash & bank balances at the beginning of the year	150,310	310
Cash & bank balances at the end of the year	**12,938**	**150,310**

As per our report attached

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

for **DRL Investment Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant Accounting Policies

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

a) Basis of preparation

The financial statements have been prepared and presented in accordance with 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 Companies Act 1956, other pronouncements of Institute of Chartered Accountants of India, provisions of Companies Act 1956. The financial statements are rounded off to the nearest thousands.

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 Thousands, 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are carried at the cost of acquisition or construction 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. 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.

Land is not depreciated. Depreciation on other fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the companies Act, 1956 or based on the useful life of the assets as estimated by Management whichever is higher. 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 ₹ 5,000 are depreciated in full in the year of acquisition.

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

Note 1: Significant Accounting Policies (Continued)

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

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 are 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 balance sheet date has 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) 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. The dilutive potential equity shares are deemed converted as of the beginning of the period, 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.

f) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

g) Investments

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist.

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 investment.

h) Revenue recognition

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Service income is recognised as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

Note 2: Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
50,000 equity shares of ₹ 10/- each	500	500
	500	500
Issued, Subscribed and Paid up		
50,000(previous year 50,000) Equity Shares of ₹ 10/- each	500	500
	500	**500**

(a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period

	As at 31 March 2012		As at 31 March 2011	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares at the beginning of the period	50,000	500	50,000	500
Issued during the period	-	-	-	-
Outstanding at the end of the period	**50,000**	**500**	**50,000**	**500**

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ₹ 10/- per share . Each holder of equity share is entitled to one vote per share.

Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of equity shares	% holding in the class	No. of equity shares	% holding in the class
Dr Reddy's Laboratories Ltd	50,000	100	50,000	100

Note 2: Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance in profit and loss account brought forward	60,272	(2,700)
Add: Transfer from General Reserve	-	-
	60,272	(2,700)
Add: Current Year Profit	23,738	62,972
Balance Carried Forward	84,010	60,272
2.3 : Long term borrowings		
Unsecured - From Dr Reddy's Laboratories	2,548,753	2,711,666
	2,548,753	**2,711,666**
2.4 : Other Current liabilities		
Outstanding Liabilities	115	150,091
Due to statutory authorities- TDS Payable	1,258	2,571
	1,373	**152,662**
2.5 : Short term provision		
Provision for tax	66,719	39,384
	66,719	**39,384**

Note 2: Notes to Accounts (Continued)

2.6 : Fixed assets

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

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 1 April 2011	Additions	Deletions	As at 31 March 2012	As at 1 April 2011	For the year	Deletions	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible Assets										
Land - freehold	6,111	-	-	6,111	-	-	-	-	6,111	6,111
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture, fixtures	-	-	-	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
Total Tangible Assets	**6,111**	**-**	**-**	**6,111**	**-**	**-**	**-**	**-**	**6,111**	**6,111**
Previous year	6,111	-	-	6,111	-	-	-	-	6,111	

Note 2: Notes to Accounts (Continued)

2.7 : Non-current investments

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

	As at 31 March 2012	As at 31 March 2011
Unquoted investment in Subsidiary		
Equity shares (fully paid up)	2,612,381	1,544,900
Debentures*	-	985,100
	2,612,381	**2,530,000**

* 676,195 debentures redeemed and balance debentures converted into shares

2.8 : Long-term loans and advances

(Unsecured)		
Advances	-	150,000
	-	150,000
Less: Provision for doubtful loans and advances	-	-
	-	**150,000**

2.9 : Cash and bank balances

Cash on hand	-	-
Bank balances		
In current accounts	12,708	80
In current account	-	150,000
Other balances		
Fixed Deposit	230	230
	12,938	**150,310**

2.10 : Short-term loans and advances

Advance tax	69,925	40,306
	69,925	**40,306**

2.11 : Other Current Assets

Debenture Interest Receivable from Subsidiary	-	87,757
	-	**87,757**

Note 2: Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.12: Other Income		
Interest income on debentures from subsidiaries	106,192	128,063
	106,192	**128,063**
2.13: Finance costs		
Interest on loans from subsidiary	51,920	25,702
	51,920	**25,702**
2.14 : Other expenses		
Interest Others	3,174	-
Auditors' remuneration		
Audit fees	11	5
Out of pocket expenses	-	-
Tax Audit Fees	11	-
Rates & Taxes	3	-
	3,199	**5**
2.15: Income taxes		
Current taxes		
Domestic taxes	27,335	39,384
MAT credit entitlement	-	
Total current taxes	**27,335**	**39,384**
2.16 : Earnings per share		
Net profit for the year	23,738	62,972
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	474.76	1,259.44
Diluted Earnings per share	474.76	1,259.44

Note 2: Notes to Accounts (Continued)

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

2.17: During the current year, of the total investment of ₹ 985,100 in debentures of I-VEN Pharma Capital Limited represented by 9,851,000 debentures, 676,195 debentures were redeemed at par (₹ 100/-) and the balance 9,174,805 debentures were converted into 38,514 fully paid equity shares of ₹ 24 each in I-VEN Pharma Capital Limited.

2.18: Related Party Disclosure

	As at 31 March 2012	As at 31 March 2011
Due to related parties (included in unsecured loans):		
Dr. Reddy's Laboratories Limited	2,548,753	2,711,666

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 : 09 May 2012

for **DRL Investments Limited**

G V Prasad
Director

Satish Reddy
Director

Statement pursuant to Section 212 of the Companies Act, 1956

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

Name of the Subsidiary	The Financial Year of the subsidiary company ended on	Number of shares in the subsidiary company held by DRL Investments Limited 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 DRL Investments Limited		The net Aggregate of profits (losses) of the subsidiary company for it's previous financial years so far as they concern the members of DRL Investments Limited		Changes in the interest of DRL Investments Limited between the end of the last financial year and 31 March 2012	Material changes between the end of the last financial year and 31 March 2012
		Equity Shares	Preference Shares	Equity Holding %	Preference Holding %	a) Dealt with in the account of DRL Investments Limited for the year ended 31.03.2012	b) Not dealt with in the account of DRL Investments Limited for the year ended 31.03.2012	a) Dealt with in the account of DRL Investments Limited for the year ended 31.03.2011	b) Not dealt with in the account of DRL Investments Limited for the year ended 31.03.2011		
I-VEN Pharma Capital Limited	31.03.2012	88,514	-	100	-	Nil	95,254	Nil	46,479	Nil	During the year, 676,195 Debentures redeemed and balance 9,174,805 debentures converted into 38,514 shares

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(1,770)	(1,390)
Balance brought forward	(2,826)	(1,436)
Balance carried forward to Balance Sheet	(4,596)	(2,826)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

M V Ramana
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	36,985	31,094
Reserves and surplus	2.2	117,923	118,947
		154,908	**150,041**
Non-current liabilities			
Long term borrowings	2.3	-	4,353
		-	**4,353**
Current liablities			
Other current liabilities	2.4	1,240	1,312
		1,240	**1,312**
TOTAL		**156,148**	**155,706**
ASSETS			
Non current assets			
Non current investments	2.5	152,052	152,052
		152,052	**152,052**
Current assets			
Cash and bank balances	2.6	727	508
Short term loans and advances	2.7	3,369	3,146
		4,096	**3,654**
TOTAL		**156,148**	**155,706**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Euro Bridge Consulting B.V**

M V Ramana
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Total Revenue		**-**	**-**
Expenses			
Finance costs	2.8	75	110
Other expenses	2.9	1,695	1,280
Total expenses		**1,770**	**1,390**
Profit before exceptional and extraordinary items and tax		**(1,770)**	**(1,390)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(1,770)**	**(1,390)**
Extraordinary Items		-	-
Profit before tax		**(1,770)**	**(1,390)**
Tax expense		-	-
Profit/ (Loss) for the year		**(1,770)**	**(1,390)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Euro Bridge Consulting B.V**

M V Ramana
Director

Note 1: Significant accounting policies

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

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 and provisions of the Companies Act, 1956.

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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital of 100,000 shares of EUR each	55,863	55,863
Issued		
Equity Shares		
56,200 shares of EUR 10 each (previous year : 54,200 shares)	36,985	31,094
Subscribed and paid-up		
Equity Shares		
56,200 shares of EUR 10 each (previous year : 54,200 shares)	36,985	31,094
Total	**36,985**	**31,094**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	54,200	31,094	54,200	31,094
Add: Share issued during the year	2,000	5,891	-	-
Number of shares outstanding at the end of the year	**56,200**	**36,985**	**54,200**	**31,094**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Reddy Antilles NV	56,200	100	54,200	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Securities premium reserve		
Balance at the beginning of the year	121,773	121,773
Additions / deductions during the year	746	-
	122,519	121,773
Surplus		
Balance at the beginning of the year	(2,826)	(1,436)
Add: Current year profit	(1,770)	(1,390)
Balance carried forward	(4,596)	(2,826)
	117,923	**118,947**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	-	4,353
	-	**4,353**
2.4 : Other liabilities		
Other current liabilities		
Other current liabilities	1,240	1,312
	1,240	**1,312**
2.5 : Non current investment		
Investment in subsidiaries	152,052	152,052
Less: Provision for decline, other than temporary, in the value of non current investments	-	-
	152,052	**152,052**
2.6 : Cash and bank balances		
Bank balances		
In current accounts	727	508
	727	**508**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7 : Short term loans and advances		
Unsecured		
Considered good		
Balances with statutory/ government authorities	12	12
Other Advances	3,357	3,134
	3,369	3,146
Less: Provision for doubtful loans and advances	-	-
	3,369	**3,146**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.8 : Finance costs		
Interest expense		
Interest expense on borrowings from group companies	75	110
	75	110
	75	**110**
2.9 : Other expense		
Legal and professional	508	229
Foreign exchange loss, net	73	113
Bank charges	-	13
Miscellaneous	1,114	925
	1,695	**1,280**

Note 2 : Notes to Accounts (Continued)

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

2.10: Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2012 (previous year: Nil).

2.11: The Company is incorporated under the laws of Netherlands and is a subsidiary of Reddy Antilles NV.

2.12: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of 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 : 09 May 2012

for **Euro Bridge Consulting B.V**

M V Ramana
Director

DIRECTORS' REPORT

Your Directors present the 12th Annual Report of the Company for the year ended 31 March 2012

Financial Highlights

	(₹ in Thousands)	
Particulars	**31 March 2012**	**31 March 2011**
Profit / (Loss) for the period	(15)	(15)
Balance Brought forward	(14,157)	(14,142)
Balance Carried forward to Balance Sheet	(14,162)	(14,157)

Operations

The Company did not have any operation during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2012.

Share capital

During the year under review, there was no change in the share capital of the Company.

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 2011-12 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 on-going concern basis.

Directors

Mr. G.V. Prasad, retires by rotation at the ensuing Annual General Meeting scheduled on 17 July 2012 and being eligible seeks re-appointment. Your Directors recommends his re-appointment for your approval at the ensuing AGM.

Auditors

The Statutory Auditors of the Company M/s. Satyanaryana & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommend re-appointment of M/s. Satyanaryana & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2012-13 for shareholder's approval.

Compliance Certificate

Pursuant to the provisions of Section 383A of the Companies Act, 1956, a certificate issued by a Company 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 Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo 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 of Directors

Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To

The Members of
IDEA2ENTERPRISES (INDIA) PRIVATE LIMITED
Hyderabad.

We have audited the attached Balance Sheet of **M/s. IDEA 2 ENTERPRISES (INDIA) PRIVATE Limited** as at **31 March 2012** and also the Statement of Profit and Loss 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 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.

1. 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.

2. 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 Statement of Profit and Loss referred to in this report are in agreement with the books of account.

   (d) In our opinion, the Statement of Profit and Loss 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 2012, and taken on record by the Board of Directors we report that none of the directors is disqualified as on 31 March 2012 from being appointed as on directors in terms of clause (g) of sub-section(1) of section 274 of the Companies Act, 1956.

   (f) 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 2012**; and

      (2) in the case of Statement of Profit and Loss, of the Loss for the year ended on that date.

For **SATYANARAYANA & CO**
Chartered Accountants
Registration No. 0036805

(G. VENKATARATNAM)
Partner
Membership No. 19455

Place : Hyderabad
Date : 09 May 2012

ANNEXURE TO THE 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 were 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.

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 : 09 May 2012

(G. VENKATARATNAM)
Partner
Membership No. 19455

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,778	23,778
Reserves and surplus	2.2	1,422,802	1,422,807
		1,446,580	**1,446,585**
Current liablities			
Other current liabilities	2.3	3,615	3,615
Short term provisions	2.4	13	13
		3,628	**3,628**
TOTAL		**1,450,208**	**1,450,213**
ASSETS			
Non current assets			
Fixed assets			
Tangible Assets	2.5	1,449,989	1,449,942
		1,449,989	**1,449,942**
Current assets			
Cash and bank balances	2.6	218	270
Short term loans and advances	2.7	1	1
Other current assets			
		219	**271**
TOTAL		**1,450,208**	**1,450,213**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached
for **Satyanarayana & Co.**
Chartered Accountants
ICAI FRN No. 003680S

for **Idea2 Enterprises (India) Private Limited**

G. Venkataratnam
Partner
Membership No. 19455

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Other Income	2.8	10	13
Total Revenue		**10**	**13**
Expenses			
Other expenses	2.9	15	24
Total expenses		**15**	**24**
Loss before exceptional and extraordinary items and tax		**(5)**	**(11)**
Exceptional items		-	-
Loss before extraordinary items and tax		**(5)**	**(11)**
Extraordinary Items			
Loss before tax		**(5)**	**(11)**
Tax expense			
Current tax		-	(4)
Deferred tax		-	-
Loss for the period		**(5)**	**(15)**
Earnings per share			
Basic - Par value ₹ 10 per share		(0.002)	(0.006)
Diluted - Par value ₹ 10 per share		(0.002)	(0.006)
Significant Accounting Policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **Satyanarayana & Co.**
Chartered Accountants
ICAI FRN No. 003680S

G. Venkataratnam
Partner
Membership No. 19455

for **Idea2 Enterprises (India) Private Limited**

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Cash Flow Statement

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

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flow from operating activities		
Loss before tax	(5)	(11)
Adjustments for:		
Interest on Fixed deposits	10	13
Operating profit before working capital changes	(15)	(24)
Decrease in Loans and advances	-	7
Cash generated from operations	(15)	(17)
Less: income tax paid		
Net cash provided by operating activities	**(15)**	**(17)**
Cash flows From/(Used In) investing activities		
Purchase of investments	(47)	-
Interest on Fixed deposits	10	13
Cash flows From/(Used In) investing activities	**(37)**	**13**
Cash flows From/(Used In) financing activites	**-**	**-**
Decrease in cash & bank balances	**(52)**	**(4)**
Cash & bank balances at the beginning of the year	270	274
Cash & bank balances at the end of the year	**218**	**270**

As per our report attached

for **Satyanarayana & Co.**
Chartered Accountants
ICAI FRN No. 003680S

G. Venkataratnam
Partner
Membership No. 19455

for **Idea2 Enterprises (India) Private Limited**

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant Accounting Policies

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

a) Basis of preparation

The financial statements have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, as modified by revaluation of land, on the accrual basis. GAAP comprises accounting standards 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. The financial statements are rounded off to the nearest thousands.

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 Thousands, 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Fixed assets, depreciation and amortisation

Fixed assets are carried at the cost of acquisition or construction 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. 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.

Increase in the carrying amount arising on the revaluation of land is credited to revaluation reserve accounting forming part of Reserves and Surplus. Decrease that offsets the previous increase of the same asset is debited directly to the revaluation reserve account. All other decrease is charged to profit and loss account.

Land is not depreciated. Depreciation on other fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the companies Act, 1956 or based on the useful life of the assets as estimated by Management whichever is higher. 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 ₹ 5,000 are depreciated in full in the year of acquisition.

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.

Note 1: Significant Accounting Policies (Continued)

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

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 are 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 balance sheet date has 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) 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. The dilutive potential equity shares are deemed converted as of the beginning of the period, 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.

f) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

g) Investments

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist.

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 investment.

h) Revenue recognition

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Note 2: Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
2,500,000 equity shares of ₹ 10/- each	25,000	25,000
	25,000	25,000
Issued, Subscribed and Paid up		
2,377,826 (previous year 2,377,826) Equity Shares of ₹ 10/- each	23,778	23,778
	23,778	**23,778**

(a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares at the beginning of the period	2,377,826	23,778	2,377,826	23,778
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**2,377,826**	**23,778**	**2,377,826**	**23,778**

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ₹ 10/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of equity shares	% holding in the class	No. of equity shares	% holding in the class
Dr Reddy's laboratories Ltd	2,377,826	100	2,377,826	100

Note 2: Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Revaluation Reserve	1,436,964	1,436,964
Surplus		
Balance in profit and loss account brought forward	(14,157)	(14,142)
Add: Transfer from General Reserve	-	-
	(14,157)	(14,142)
Add: Current Year Profit	(5)	(15)
Loss carried forward	(14,162)	(14,157)
Total Balance Carried Forward	**1,422,802**	**1,422,807**
2.3 : Other Current liabilities		
Payable to subsidiary companies, step down subsidiaries, joint ventures and associates	3,600	3,600
Outstanding Liabilities	15	15
	3,615	**3,615**
2.4 : Short-term provisions		
Provision for tax	13	13
	13	**13**

Note 2: Notes to Accounts (Continued)

2.5 : Fixed assets

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

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 1 April 2011	Additions	Deletions	As at 31 March 2012	As at 1 April 2011	For the year	Deletions	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible Assets										
Land - freehold	1,449,942	47	-	1,449,989	-	-	-	-	1,449,989	1,449,942
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture, fixtures	-	-	-	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
Total Tangible Assets	**1,449,942**	**47**	**-**	**1,449,989**	**-**	**-**	**-**	**-**	**1,449,989**	**1,449,942**
Previous year	1,449,942	47	-	1,449,989	-	-	-	-	1,449,989	

Note 2: Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.6: Cash and bank balances		
Cash on hand	-	-
Bank balances		
In current accounts	218	270
	218	**270**
2.7: Short-term loans and advances		
TDS Receivable	1	1
	1	**1**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.8 : Other income		
Interest on fixed deposits	10	13
	10	**13**
2.9 : Other expenses		
Travelling and conveyance	1	-
Rates and taxes	2	5
Auditors' remuneration		
Audit fees	11	10
Out of pocket expenses	-	-
Interest - Others	1	-
General Expenses	-	9
	15	**24**

Note 2: Notes to Accounts (Continued)

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

2.10 : Earnings per share

	For the year ended 31 March 2012	For the year ended 31 March 2011
Loss for the year	(5)	(15)
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	2,377,826	2,377,826
Weighted average number of equity shares outstanding during the year - Diluted	2,377,826	2,377,826
Basic Earnings per share	(0.002)	(0.006)
Diluted Earnings per share	(0.002)	(0.006)

2.11: Related Parties

	As at 31 March 2012	As at 31 March 2011
Dr Reddy's Laboratories Ltd (included in other liabilities)	3,600	3,600

2.12 : Revaluation of Land

During the year ended 31 March 2010, the Company acquired land, pursuant to a demerger, for a consideration of ₹ 9,376. Further, during the year ended 31 March 2011, the Company re-valued the land at ₹ 1,449,942. Accordingly, an amount of ₹ 1,436,964 representing a gain on revaluation is recorded as Revaluation reserve forming part of Reserves and surplus.

2.13 : Comparitive Figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to confirm to this years classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

As per our report attached

for **Satyanarayana & Co.**
Chartered Accountants
ICAI FRN No. 003680S

for **Idea2 Enterprises (India) Private Limited**

G. Venkataratnam
Partner
Membership No. 19455

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(3,731)	390
Balance brought forward	1,365	975
Balance carried forward to Balance Sheet	(2,366)	1,365

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 2011-12 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.

Directors

During the year under the review, Mr. R Ananthanarayanan has been appointed as Director of the Company w.e.f 01 December 2011.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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 **31 March 2012** and 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 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 2012**; and

   b. In the case 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,939	5,939
Reserves and surplus	2.2	(2,848)	757
		3,091	**6,696**
Non-current liabilities			
Long term borrowings	2.3	17,316	15,759
Deferred tax liabilities, net		197	40
		17,513	**15,799**
Current liablities			
Trade payables	2.4	6,941	1,021
Other current liabilities	2.5	3,817	1,981
Short term provisions	2.6	1,848	1,973
		12,606	**4,975**
TOTAL		**33,210**	**27,470**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	11,516	11,101
Capital work-in-progress		895	903
Deferred tax assets, net		2,071	584
		14,482	**12,588**
Current assets			
Inventories	2.8	8,466	7,112
Trade receivables	2.9	6,521	3,448
Cash and bank balances	2.10	987	1,395
Short term loans and advances	2.12	2,410	2,604
Other current assets	2.11	344	323
		18,728	**14,882**
TOTAL		**33,210**	**27,470**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Industrias Quimicas Falcon de Mexico SA de CV**

A. Ramachandra Rao
Partner
Membership No. 9750

Francisco Casillas Lara
Director

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		20,594	20,590
Less: Excise Duty		-	-
Sales, net		**20,594**	**20,590**
Other operating revenue	2.13	186	513
Revenue from Operations		**20,780**	**21,103**
Other Income	2.14	21	2,724
Total Revenue		**20,801**	**23,827**
Expenses			
Cost of material consumed (including packing material consumed)		4,621	2,608
Purchase of stock-in-trade (Traded goods)		5,377	5,216
Changes in inventories of finished goods,work in progress and Stock-in-Trade	2.17	143	(1,250)
Conversion charges		119	-
Employee benefits expense	2.15	7,108	7,593
Finance costs	2.16	1,081	1,004
Depreciation and amortization expense	2.7	1,011	955
Other expenses	2.18	6,360	6,900
Total expenses		**25,821**	**23,026**
Profit before exceptional and extraordinary items and tax	**(5,020)**	**801**	
Exceptional items		-	-
Profit before extraordinary items and tax		**(5,020)**	**801**
Extraordinary Items		-	-
Profit before tax		**(5,020)**	**801**
Tax expense			
Current tax		(3)	699
Deferred tax		(1,286)	(288)
Profit/ (Loss) for the year		**(3,731)**	**390**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Industrias Quimicas Falcon de Mexico SA de CV**

A. Ramachandra Rao
Partner
Membership No. 9750

Francisco Casillas Lara
Director

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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:

Buildings	
Factory and administrative buildings	20 to 50
Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3
Vehicles	3 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.

Note 1: Significant Accounting Policies (Continued)

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

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

e) Retirement benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to recognized provident funds and approved superannuation schemes which are defined contribution plans are recognized as an employee benefit expense in statement of profit and loss as and when the services are received from the employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of an approved gratuity plan, which is a defined benefit plan, and certain other defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on risk free government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

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.

Note 1: Significant Accounting Policies (Continued)

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

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.

Service Income

Revenue from services rendered, which primarily relate to contract research, is recognized in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

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.

i) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital 140,526,270 pesos*	5,939	5,939
Issued		
Issued capital 140,526,270 pesos* (Held by Dr. Reddy's Laboratories Limited)	5,939	5,939
Subscribed and paid-up		
Subscribed and paid up capital 140,526,270 pesos* (Held by Dr. Reddy's Laboratories Limited)	5,939	5,939
Total	**5,939**	**5,939**
* No concept of nature and number of shares in this company		
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	(608)	(786)
Movement during the year	126	178
	(482)	(608)
Surplus		
Balance at the beginning of the year	1,365	975
Add: Current year profit	(3,731)	390
Balance carried forward	(2,366)	1,365
	(2,848)	**757**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	17,316	15,759
	17,316	**15,759**
2.4 : Trade Payables		
Trade Payables		
Others	581	525
Payable to holding company, other group companies	6,360	496
	6,941	**1,021**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.5 : Other liabilities		
Other current liabilities		
Due to capital creditors	212	-
Payable to holding company, other group companies	105	-
Accrued expenses	1,887	517
Salary and Bonus payable	1,081	1,046
Due to statutory authorities	144	79
Other current liabilities	388	339
	3,817	**1,981**
2.6 : Short term provisions		
Provision for employee benefits	1,194	998
Other provisions		
Taxation, net of advance taxes	654	975
	1,848	**1,973**

Note 2 : Notes to Accounts (continued)

2.7 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 1 April 2011	Additions	Deductions/ Adjustments	Forex	As at 31 March 12	As at 1 April 11	For the year	Deductions/ Adjustments	Forex	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Land	3,200	-	-	85	3,285	-	-	-	-	-	3,285	3,200
Buildings	1,577	-	-	132	1,708	383	97	-	30	510	1,199	1,194
Plant & Machinery	9,589	279	9	729	10,588	3,202	682	4	268	4,149	6,439	6,386
Computers & Software	156	61	2	15	229	135	32	2	13	177	52	21
Furniture & Fixtures	312	320	-	22	653	121	171	-	2	294	359	191
Vehicles	226	129	117	8	247	116	30	86	6	65	182	110
Total	**15,059**	**788**	**128**	**991**	**16,711**	**3,957**	**1,011**	**92**	**318**	**5,195**	**11,516**	**11,101**
Previous Year	14,661	529	575	444	15,059	2,923	955	31	110	3,957	11,101	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Inventories		
(Valued on weighted average basis)		
Raw materials	6,643	5,412
Goods-in-transit	726	128
Less: Provison for obsolete and slow moving	(2,680)	(2,208)
Net	**4,689**	**3,332**
Work-in-process	1,975	2,658
Less: Provison for obsolete and slow moving	-	-
Net	**1,975**	**2,658**
Finished goods	797	114
Less: Provison for obsolete and slow moving	(191)	(50)
Net	**605**	**65**
Stores and spares	1,156	1,010
Less: Provison for obsolete and slow moving	-	-
Net	**1,156**	**1,010**
Packing materials	42	48
Less: Provison for obsolete and slow moving	-	-
Net	**42**	**48**
	8,466	**7,112**
2.9: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	2,932	1,874
Other debts		
Considered good	3,589	1,574
	6,521	3,448
Less: Provision for doubtful debts	-	-
	6,521	**3,448**
2.10 : Cash and bank balances		
Cash on hand	3	2
Bank balances		
In current accounts	984	1,393
	987	**1,395**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.11 : Other current assets		
Considered good		
Other current assets	344	323
	344	**323**
2.12 : Short term loans and advances		
Unsecured		
Considered good		
Advances to material suppliers	33	624
Staff loans and advances	3	3
Advance tax	1,199	1,124
Balances with statutory/ government authorities	836	331
Prepaid expenses	338	521
Other advances	1	1
	2,410	2,604
Less: Provision for doubtful loans and advances	-	-
	2,410	**2,604**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.13 : Other operating revenue		
Scrap sales	186	513
	186	**513**
2.14 : Other income		
Interest income		
On fixed deposits	4	1
Foreign exchange gain, net	9	-
Profit on sale of fixed assets, net	8	2,723
	21	**2,724**
2.15 : Employee benefits expense		
Salaries, wages and bonus	6,605	7,056
Contribution to provident and other funds	25	38
Staff welfare expenses	478	499
	7,108	**7,593**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.16 : Finance costs		
Interest expense		
Interest expense on borrowings from Parent company	1,081	1,004
	1,081	1,004
Other borrowing costs	-	-
	1,081	**1,004**
2.17 : Changes in inventories of finished goods, work in progress and stock in trade		
Net (increase) / decrease in stock		
Opening		
Work-in-process	2,658	2,071
Finished goods	65	(598)
Stock in trade	-	2,723
	2,723	1,473
Closing		
Work-in-process	1,975	2,658
Finished goods	605	65
Stock in trade	-	2,580
	2,580	2,723
Net (increase)	**143**	**(1,250)**
2.18 : Other expense		
Consumption of stores and spare parts	1,302	2,206
Legal and professional	286	191
Carriage outward	104	10
Rates and taxes	55	167
Other selling expenses	6	1
Repairs and maintenance		
Buildings	-	8
Plant and machinery	999	934
Others	510	418
Power and fuel	2,532	2,485
Travelling and conveyance	38	56
Foreign exchange loss, net	-	34
Communication	77	89
Rent	9	3
Donations	8	3
Printing and stationery	16	10
Insurance	107	67
Bank charges	11	10
Miscellaneous	300	209
	6,360	**6,900**

Note 2 : Notes to Accounts (Continued)

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

2.19: Deferred taxation

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

	As at 31 March 2012	As at 31 March 2011
Deferred tax assets/(liabilities)		
Trade receivables	137	129
Other Current assets	143	224
Other Current Liabilities	334	404
Inventories	1,156	52,6
Fixed assets	(697)	(739)
Loss carry forward	801	-
Deferred tax Asset / (liability), net	**1,874**	**544**

2.20: 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.

Particulars	As at 31 March 2012	As at 31 March 2011
Estimated amount of contracts remaining to be Executed on capital account and not provided for (net of advances)	47	47

2.21: Related party disclosures

The company has the following related party transactions:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (included in Trade Receivables):		
	Dr. Reddy's Laboratories Inc.	253	-
	Dr. Reddy's Laboratories S.A	2,679	1,414
	Dr. Reddy's Laboratories (EU) Limited	-	460
ii.	Due to related parties (included in Trade Payables):		
	Dr. Reddy's Laboratories S.A	-	214
	Dr. Reddy's Laboratories Limited	6,176	282
	Dr. Reddy's Laboratories Inc.	184	-

Note 2 : Notes to Accounts (Continued)

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

iii.	Due to related parties (included in Borrowings and other liabilities):		
	Dr. Reddy's Laboratories Limited	16,146	14,642
	Dr. Reddy's Laboratories Inc.	1275	1,117

2.22: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.23: The Company, incorporated in Mexico, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

As per our report attached

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

for **Industrias Quimicas Falcon de Mexico SA de CV**

A. Ramachandra Rao
Partner
Membership No. 9750

Francisco Casillas Lara
Director

Viswanatha R. Bonthu
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the 8th Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

	(₹ in Thousands)	
Particulars	**31 March 2012**	**31 March 2011**
Profit / (Loss) for the period	95,254	46,479
Balance Brought forward	(938,563)	(985,042)
Balance Carried forward to Balance Sheet	(843,309)	(938,563)

Operations

The Company did not have any operation during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2012.

Share capital

During the year under review, the authorized share capital of the Company increased to ₹ 1,000,000 (Rupees one million). Further, the paid up share capital of the company has been increased by ₹ 385,140 on conversion of optionally convertable debentures.

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 2011-12 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 on-going concern basis.

Directors

Mr. G.V. Prasad, retire by rotation at the ensuing Annual General Meeting scheduled on 18 July 2012 and being eligible seeks re-appointment. Your Directors recommends his re-appointment for your approval at the ensuing AGM.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 8th Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommends re-appointment of

M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2012-13 for shareholder's approval.

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 Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo 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 of Directors

Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To

The Members of
I-VEN Pharma Capital Limited,
Hyderabad.

We have audited the attached Balance Sheet of **M/s. I-VEN Pharma Capital Limited** as at **31 March 2012** and the Statement of Profit and Loss 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 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 statements 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, Statement of Profit and Loss 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, Statement of Profit and Loss and the Cash Flow Statement 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, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 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 2012**;

(ii) in the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and

(iii) In case of Cash Flow Statement, of the cash flows 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 : 09 May 2012

ANNEXURE TO THE AUDITORS' REPORT

(Of even date referred to in Para (1) of our Report)

We report as required under paragraph 4 that:

i. The company does not have any fixed assets and hence para i(a) to i(c) are not applicable

ii. The Company does not have any inventories and hence para ii(a) to ii(c) are not applicable

iii. 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 and hence clause iii(a) to iii(d) are not applicable.

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. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered and the price at which they have been entered into are not prima facie prejudicial to the interest of 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 and Excise duty 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.

(c) Further, since the Central Government has till date not prescribed the amount of Cess payable under Section 441A of the Companies Act 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

x. The accumulated losses of the company are less than fifty percent of its net worth. The company has not incurred cash losses for the financial year under report and the immediately preceding financial year.

xi. According to the information and explanations given to us, the Company has not taken any loans from banks and hence the Clause 4(xi) is not applicable to the company for the year;

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 for the year;

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 for the year;

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 for the year;

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 and hence the Clause 4(xvi) is not applicable for the year;

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, on account of conversion of debenture into 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	885	500
Reserves and surplus	2.2	73,786	(938,563)
		74,671	(938,063)
Non current liabilities			
Long term borrowings	2.3	-	985,100
		-	985,100
Current liablities			
Other current liabilities	2.4	109	100,685
Short term provisions	2.5	11,187	-
		11,296	100,685
TOTAL		**85,967**	**147,722**
ASSETS			
Non-current assets		-	-
		-	**-**
Current assets			
Trade receivables	2.6	85,962	147,371
Cash and bank balances	2.7	5	2
Short term loans and advances	2.8	-	349
		85,967	147,722
TOTAL		**85,967**	**147,722**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **I- VEN Pharma Capital Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Other operating revenue	2.9	246,839	200,237
Other Income	2.10	766	(1,276)
Total Revenue		**247,605**	**198,961**
Expenses			
Finance costs	2.11	106,192	128,063
Other expenses	2.12	123	167
Total expenses		**106,315**	**128,230**
Profit before exceptional and extraordinary items and tax		**141,290**	**70,731**
Exceptional items		-	-
Profit before extraordinary items and tax		**141,290**	**70,731**
Extraordinary Items		-	-
Profit before tax		**141,290**	**70,731**
Tax expense			
Current tax	2.13	(46,036)	(24,252)
Deferred tax		-	-
Profit for the period		**95,254**	**46,479**
Earnings per share	2.14		
Basic - Par Value ₹ 10/- per share		1,710.68	929.58
Diluted - Par Value ₹ 10/- per share		18.55	13.33
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.
As per our report attached

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

for **I- VEN Pharma Capital Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Cash Flow Statement

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

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
Cash flows from operating activities		
Profit before tax	141,290	70,731
Adjustments for:		
Interest on Fixed deposits	-	(7)
Operating cash flows before working capital changes	141,290	70,724
(Increase)/Decrease in Trade Receivables	61,409	(110,623)
Increase/(Decrease) in Other Current Liabilities	(294,525)	26,397
Cash generated from Operations	(91,826)	(13,502)
Less: Income tax paid	(34,500)	(24,600)
Net cash provided by operating activities	**(126,326)**	**(38,102)**
Cash flows From/(Used In) investing activities		
Interest on Fixed deposits	-	14
Net cash from investing activities	**-**	**14**
Cash flows From/(Used In) financing activites		
Interest paid	193,950	33,457
Redemption of long term borrowings	(67,620)	-
Net cash from financing activities	**126,330**	**33,457**
Net increase/(decrease) in cash & bank balances	**3**	**(4,631)**
Cash & bank balances at the beginning of the year	2	4,633
Cash & bank balances at the end of the year	**5**	**2**

As per our report attached

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

for **I- VEN Pharma Capital Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant Accounting Policies

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

Background

I-VEN Parma Capital Limited (hereinafter referred to as "Company") was incorporated on 18 March, 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 pharmaceuticals, drugs, pesticides, dyestuffs, chemical products, etc. and earning revenues from the commercialization of such products.

a) Basis of preparation of financial statements

The financial statements 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 mandatory Accounting Standards ("AS") notified by the Central Government of India under section 211(3C) of Companies Act 1956 and the provisions of Companies Act, 1956.

b) Use of estimates

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

c) Revenue Recognition

Revenue charge receipt

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.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

d) Research and Development Expenses

In accordance with Accounting Standard 26 *"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.

Note 1: Significant Accounting Policies (Continued)

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

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.

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. The dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been 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 realisation of such assets.

i) Provisions & Contingencies

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2: Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share Capital		
Authorised		
100,000 (previous year: 50,000) equity shares of ₹ 10/- each	1,000	500
Issued		
88,514 (previous year: 50,000) equity shares of ₹ 10/- each fully paid-up	885	500
Subscribed and paid-up		
88,514 (previous year: 50,000) equity shares of ₹ 10/- each fully paid-up	885	500
	885	**500**

(a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period.

	As at 31 March 2012		As at 31 March 2011	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares				
at the beginning of the period	50,000	500	50,000	500
Issued during the period *	38,514	385	-	-
Outstanding at the end of the period	**88,514**	**885**	**50,000**	**500**

* Increase in share captial is due to conversion of Debentures into shares

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ₹ 10/- per share . Each holder of equity share is entitled to one vote per share.

Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of equity shares	% holding in the class	No. of equity shares	% holding in the class
DRL Investments	88,514	100	50,000	100

Note 2: Notes to Accounts

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

	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Securities premium reserve		
Balance at the beginning of the year	-	-
Add: Received during the year on Debenture Conversion	917,095	-
	917,095	**-**
Surplus		
Balance in profit and loss account brought forward	(938,563)	(985,042)
Add: Transfer from General Reserve	-	-
	(938,563)	(985,042)
Add: Current Year Profit	95,254	46,479
Balance Carried Forward	(843,309)	(938,563)
	73,786	**(938,563)**
2.3 : Long term borrowings		
Bonds/Debentures		
(13% Optionally Convertible Debentures)	-	985,100
	-	**985,100**
2.4 : Other Current liabilities		
Interest on debentures	-	87,758
Due to statutory authorities- TDS Payable	-	12,806
Outstanding Liabilities- Audit Fee payable	109	121
	109	**100,685**
2.5 : Short Term Provisions		
Provision for Tax (Net of Advance tax)	11,187	-
	11,187	-
2.6: Trade Recievables		
Unsecured		
Other debts		
Considered good	85,962	147,371
	85,962	147,371
Less: Provision for doubtful debts	-	-
	85,962	**147,371**

Note 2: Notes to Accounts (Continued)

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

	As at 31 March 2012	As at 31 March 2011
2.7: Cash and bank balances		
Cash on hand	-	-
Bank balances		
In current accounts	5	2
	5	**2**
2.8: Short-term loans and advances		
Unsecured		
Advance tax (net of provision)	-	349
	-	**349**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.9 : Other operating revenue		
Royalty income from subsidiary	246,839	200,237
	246,839	**200,237**
2.10 : Other income		
Interest on fixed deposits	-	7
Foreign exchange gain, net	766	(1,283)
	766	**(1,276)**
2.11 : Finance costs		
Interest expense		
Interest on debentures	106,192	128,063
	106,192	**128,063**
2.12 : Other expenses		
Legal and professional	-	41
Travelling and conveyance	-	6
Rates and taxes	-	10
Bank charges	1	-
Auditors' remuneration		
Audit fees	122	110
Out of pocket expenses	-	-
	123	**167**

Note 2: Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.13 : Income taxes		
Current taxes		
Domestic taxes	46,036	24,252
MAT credit entitlement	-	-
Total current taxes	46,036	24,252
Deferred taxes	-	-
Total tax expense	**46,036**	**24,252**
2.14 : Earnings per share		
Net profit for the year (a)	95,254	46,479
Add: Interest on Optionally Convertible Debentures (net of tax)	71,592	85,520
Profit attributable to Equity Shareholders on dilution (b)	**166,846**	**131,999**
Weighted average number of equity shares outstanding during the year - Basic (c)	55,682	50,000
Add: Effect of Weighted average number of Convertible Debentures	8,936,552	9,851,000
Weighted average number of equity shares outstanding during the year - Diluted (d)	8,992,234	9,901,000
Basic- Earnings per share of par value of ₹ 10/- (a / c)	1,710.68	929.58
Diluted - Earnings per share of par value of ₹ 10/- (b/d)	18.55	13.33

Note 2: Notes to Accounts (Continued)

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

2.15: Optionally Convertible Debentures:

1. The Company had issued 9,851,000 unsecured Optionally Convertible Debentures (OCDs) of ₹ 100/- each, aggregating to ₹ 985.10 million. During the current year, a portion of OCDs was redeemed and the rest were converted into equity shares of the Company.

a) **Redemption**: Below tabulated are the details of debentures redeemed during the period

Date	Number of debentures redeemed	Amount redeemed
29 September, 2011	606,100	60,610
23 January, 2012	69,900	6,990
29 February, 2012	195	20

b) **Conversion** : Remaining debentures of 9,174,805 were converted in to 38,514 fully paid equity shares of ₹ 10 each, issued at par and in a manner specified in a notice given in writing by the debenture holder to the Company.

c) **Interest**: Interest is payable on the principal amount of OCDs outstanding at the rate that is mutually agreed between the company and the debenture holder, subject to a maximum of 18% p.a.

Accordingly, the interest rate negotiated by the company with the debenture holders for the year ended 31 March, 2012 was 13%. As per the terms of the agreement, interest accrued of ₹ 106,192 for the financial year was paid in the same financial year.

2.16 Auditor's remuneration:

Particulars	**2011-12**	**2010-11**
Fee for statutory audit	100	100
Service tax on the above	10	10
TOTAL	**110**	**110**

2.17 Earnings in Foreign Exchange:

Revenue charge receipt	-	200,237
	-	200,237

2.18 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.

2.19 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.

Note 2: Notes to Accounts (Continued)

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

2.20 Related Party Disclosures:

Sl No.	Name of the related party	Nature of relationship	Nature of transaction	2011-12	2010-11
1	DRL Investments Limited	Significant shareholder and lender having significant influence w.e.f 1 October 2010	Share capital as at Balance Sheet date	885	500
			Debentures outstanding as at Balance Sheet date	-	985,100
			Interest on Debentures	106,192	128,063
			Interest outstanding as at Balance Sheet date		87,757
2	Dr. Reddy's Laboratories . Limited	Ultimate Holding Company w.e.f 1 October 2010	Revenue charge receipt	246,839	200,237

2.21 Derivative Instruments

i) 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.

ii) Foreign Currency exposures that have not been hedged by a derivative instrument or otherwise:

Assets	For the year ended 31 March 2012		For the year ended 31 March 2011	
	Amount INR	Amount in USD	Amount INR	Amount in USD
Receivables from revenue charge distribution	-	-	147,371	3,304

2.22 There were no commitments or contingent liabilities as at 31st March 2012 (previous year: Nil)

2.23 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.

Note 2: Notes to Accounts (Continued)

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

2.24 Comparitive Figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to confirm to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

As per our report attached

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

for **I- VEN Pharma Capital Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	1,024	51
Balance brought forward	(4,821)	(4,872)
Balance carried forward to Balance Sheet	(3,797)	(4,821)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	7,905	7,905
Reserves and surplus	2.2	(2,946)	(4,646)
		4,959	**3,259**
Non-current liabilities			
Deferred tax liabilities, net		180	173
		180	**173**
Current liablities			
Short term borrowings	2.3	930	751
Trade payables	2.4	2,471	1,858
Other current liabilities	2.5	1,377	462
Short term provisions	2.6	90	-
		4,868	**3,071**
TOTAL		**10,007**	**6,503**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	1,883	1,565
Intangible assets	2.7	95	97
Capital work-in-progress		283	8
Long term loans and advances	2.8	7	6
Deferred tax assets, net		306	257
		2,573	**1,933**
Current assets			
Inventories	2.10	1,856	1,506
Trade receivables	2.11	2,695	2,065
Cash and bank balances	2.12	553	432
Short term loans and advances	2.9	511	180
Other current assets	2.13	1,818	387
		7,433	**4,570**
TOTAL		**10,007**	**6,503**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		12,384	8,184
Less: Excise duty		-	-
Sales, net		**12,384**	**8,184**
Service income		-	-
License fees		-	-
Other operating revenue	2.14	48	-
Revenue from operations		**12,432**	**8,184**
Other income	2.15	76	38
Total revenue		**12,508**	**8,222**
Expenses			
Cost of material consumed (including packing material consumed)		2,004	1,589
Purchase of stock-in-trade (traded goods)		1,543	1,050
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	2.18	(277)	(436)
Employee benefits expense	2.16	2,987	2,004
Finance costs	2.17	74	35
Depreciation and amortization expense	2.7	60	182
Research and development		140	101
Other expenses	2.19	4,791	3,571
Provision for other than temporary diminution in the value of long-term investements		-	-
Total expenses		**11,323**	**8,096**
Profit before exceptional and extraordinary items and tax		**1,185**	**127**
Exceptional items		-	-
Profit before extraordinary items and tax		**1,185**	**127**
Extraordinary Items		-	-
Profit before tax		**1,185**	**127**
Tax expense			
Current tax		192	-
Deferred tax		(30)	76
Profit/ (Loss) for the year		**1,024**	**51**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 50
Ancillary structures	3 to 15

Note 1: Significant accounting policies (Continued)

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

Plant and machinery	3 to 15
Laboratory equipment	4 to 10
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3

Leasehold land is being amortised over the period of lease.

d) Intangible assets and amortization

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 Group for its use. The management's estimates of the useful lives for various categories of intangible assets are as follows:

	Years
Patents, trademarks, etc. (including marketing/ distribution rights)	3 to 16

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

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.

Contingent liabilities are translated at the closing rate.

Note 1: Significant accounting policies (Continued)

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

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 product sales are stated 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.

j) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital USD 29,990,000 *	12,896	12,896
Issued		
Issued capital USD 18,330,110	7,905	7,905
Subscribed and paid-up		
Subscribed & paid up capital USD 18,330,110	7,905	7,905
Total	**7,905**	**7,905**
* No concept of nature and number of shares in this company		
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	175	86
Movement during the year	676	89
	851	175
Surplus		
Balance at the beginning of the year	(4,821)	(4,872)
Add: Current year profit	1,024	51
Balance carried forward	(3,797)	(4,821)
	(2,946)	**(4,646)**
2.3 : Borrowings		
Short term borrowings		
Secured		
Other short-term loans (a)	930	751
	930	**751**

a) The Company has taken loan from Kunshan Rural Commercial Bank carrying an average interest rate of 7.21% per annum (previous year: 5.045% - 5.757% per annum) and is secured by land and building. Previous year loan taken from State Bank of India carries an interest rate of 3.793% per annum, secured by plant and machinery, was repaid during the year.

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.4 : Trade Payables		
Trade Payables		
Others	2,471	1,858
	2,471	**1,858**
2.5 : Other liabilities		
Other current liabilities		
Other current liabilities	1,377	462
	1,377	**462**
2.6 : Provisions		
Short term provisions		
Other provisions		
Taxation	90	-
	90	**-**

Note 2 : Notes to Accounts (Continued)

2.7 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2011	Addition	Deletions	Forex	As at 31.03.12	As at 01.04.11	For the Year	Deletions	Forex	31.03.12	As at 31.03.12	As at 31.03.2011
Buildings	2,005	31	5	132	2,163	1,017	29	-	51	1,097	1,066	988
Plant and Machinery	544	81	5	53	673	427	10	-	19	456	217	117
Vehicles	64	31	19	16	92	50	6	-	11	67	25	14
Office equipment	197	1	-	28	226	167	1	-	14	182	44	30
Laboratory equipment	401	116	20	47	544	289	8	-	23	320	224	112
Leasehold Land	424	-	-	19	443	120	6		10	136	308	305
Total Tangible Assets (A)	**3,635**	**260**	**49**	**295**	**4,141**	**2,070**	**60**	**-**	**128**	**2,258**	**1,883**	**1,565**
Trade Marks	157	-	4	14	167	60	-		12	72	95	97
Total Intangible Assets (B)	**157**	**-**	**4**	**14**	**167**	**60**	**-**	**-**	**12**	**72**	**95**	**97**
TOTAL	**3,792**	**260**	**53**	**309**	**4,308**	**2,130**	**60**	**-**	**140**	**2,330**	**1,978**	**1,662**
Previous year	3,502	172	-	118	3,792	1,903	182	-	- 45	2,130	1,662	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	7	6
	7	**6**
2.9 : Short term loans and advances		
(Unsecured)		
Considered good		
Advance tax	203	85
Prepaid expenses	9	26
Other Advances	299	69
	511	180
Less: Provision for doubtful loans and advances	-	-
		180
2.10 : Inventories		
(Valued on weighted average basis)		
Raw materials	913	850
Goods-in-transit	-	-
Less: Provison for obsolete and slow moving	-	-
Net	**913**	**850**
Work-in-process	212	99
Less: Provison for obsolete and slow moving	-	-
Net	**212**	**99**
Finished goods	693	530
Less: Provison for obsolete and slow moving	-	-
Net	**693**	**530**
Stores and spares	38	27
Less: Provison for obsolete and slow moving		
Net	**38**	**27**
	1,856	**1,506**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.11: Trade Receivables		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered doubtful	179	156
Other debts		
Considered good	2,695	2,065
	2,874	2,221
Less: Provision for doubtful debts	(179)	(156)
	2,695	**2,065**
2.12 : Cash and bank balances		
Cash on hand	2	1
Bank balances		
In current accounts	551	431
	553	**432**
2.13 : Other current assets		
Considered good		
Claims receivable	1,498	115
Other current assets	320	272
	1,818	**387**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.14 : Other operating revenue		
Miscellaneous income	48	-
	48	**-**
2.15 : Other income		
Interest income		
On other deposits	-	-
Foreign exchange gain, net	76	38
	76	**38**
2.16 : Employee benefits expense		
Salaries, wages and bonus	2,809	1,876
Contribution to provident and other funds	89	50
Staff welfare expenses	89	78
	2,987	**2,004**
2.17 : Finance costs		
Interest expense		
Interest on short term loans	74	35
	74	35
Other borrowing costs	-	-
	74	**35**
2.18 : Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Net (increase) / decrease in stock		
Opening		
Work-in-process	99	79
Finished goods	530	114
Stock in trade	- 629	- 193
Closing		
Work-in-process	212	99
Finished goods	693	530
Stock in trade	- 905	- 629
Net (increase)	**(277)**	**(436)**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.19 : Other expense		
Consumption of stores and spare parts	76	52
Legal and professional	2	4
Rates and taxes	220	64
Other selling expenses	1,393	925
Travelling and conveyance	2,336	1,926
Communication	24	18
Printing and stationery	4	3
Insurance	10	8
Bank charges	7	5
Advertisement	6	12
Miscellaneous	713	554
	4,791	**3,571**

Note 2 : Notes to Accounts (Continued)

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

2. Contingencies and commitment liabilities

	As at 31 March 2012	As at 31 March 2011
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	16	27

3. Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

4. The Company is incorporated in the People's Republic of China. Dr. Reddy's Laboratories Limited holds 51.33% of the share capital of the Company.

As per our report attached

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

for **Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	353,064	287,370
Balance brought forward	1,628,160	1,340,790
Balance carried forward to Balance Sheet	1,981,224	1,628,160

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Milorad Vujnovic
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,325	1,325
Reserves and surplus	2.2	19,591,135	18,344,400
		19,592,460	**18,345,725**
Current liablities			
Other current liabilities	2.3	9,819,128	12,797,531
Short term provisions	2.4	296,264	215,257
		10,115,392	**13,012,788**
TOTAL		**29,707,852**	**31,358,513**
ASSETS			
Non current assets			
Non current investments	2.5	5,868,919	5,868,919
		5,868,919	**5,868,919**
Current assets			
Cash and bank balances	2.7	57,759	12,642
Short term loans and advances	2.6	23,780,940	25,476,734
Other current assets	2.8	234	218
		23,838,933	**25,489,594**
TOTAL		**29,707,852**	**31,358,513**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

Satish Reddy
Director

Milorad Vujnovic
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Revenue from operations		**-**	**-**
Other income	2.9	833,219	706,307
Total revenue		**833,219**	**706,307**
Expenses			
Finance costs	2.10	410,696	348,842
Other expenses	2.11	5,028	7,625
Total expenses		**415,724**	**356,467**
Profit before exceptional and extraordinary items and tax		**417,495**	**349,841**
Exceptional items		-	-
Profit before extraordinary items and tax		**417,495**	**349,841**
Extraordinary Items		-	-
Profit before tax		**417,495**	**349,841**
Tax expense			
Current tax		64,431	62,471
Deferred tax		-	-
Profit/ (Loss) for the year		**353,064**	**287,370**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Lacock Holdings Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Milorad Vujnovic
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of the Companies Act, 1956.

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

Non-current investments, other than investments in associates, are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term 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 investment.

d) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

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.

Note 1: Significant accounting policies (Continued)

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

f) Income-tax expense

Income tax expense comprises current tax.

Current tax

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

g) Provisions and contingent liabilities

The Group creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
50,000 shares of EUR 1.71 each	4,133	4,133
Issued		
16,033 shares of EUR 1.71 each	1,325	1,325
Subscribed and paid-up		
16,033 shares of EUR 1.71 each	1,325	1,325
Total	**1,325**	**1,325**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	16,033	1,325	16,033	1,325
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**16,033**	**1,325**	**16,033**	**1,325**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	16,033	100	16,033	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	617,602	30,682
Movement during the year	893,670	586,920
	1,511,272	617,602
Securities premium reserve		
Balance at the beginning of the year	16,098,639	15,380,800
Additions / deductions during the year	-	717,839
	16,098,639	16,098,639
Surplus		
Balance at the beginning of the year	1,628,160	1,340,790
Add: Current year profit	353,064	287,370
Balance carried forward	1,981,224	1,628,160
	19,591,135	**18,344,400**
2.3 : Other liabilities		
Other current liabilities		
Payable to holding company, other group companies	9,817,930	12,797,225
Other current liabilities	1,198	306
	9,819,128	**12,797,531**
2.4 : Short term provisions		
Other provisions	296,264	215,257
Taxation		
	296,264	**215,257**
2.5 : Non current investment		
Investment in subsidiaries	5,868,919	5,868,919
	5,868,919	**5,868,919**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.6 : Short term loans and advances		
Unsecured		
Considered good		
Advance tax	274,104	217,144
Advance from parent company	23,506,836	25,259,590
	23,780,940	25,476,734
Less: Provision for doubtful loans and advances	-	-
	23,780,940	**25,476,734**
2.7 : Cash and bank balances		
Bank balances	57,759	12,642
In current accounts		
	57,759	**12,642**
2.8 : Other current assets		
Considered good		
Other current assets	234	218
	234	**218**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.9 : Other income		
Interest income		
On other deposits	833,219	706,307
Profit on sale of fixed assets, net	-	-
	833,219	**706,307**
2.10 : Finance charges		
Interest expense		
Interest expense on borrowings from group companies	410,696	266,305
	410,696	266,305
Other borrowing costs	-	82,537
	410,696	**348,842**
2.11 : Other expense		
Legal and professional	4,564	1,623
Foreign exchange loss, net	306	4,962
Bank charges	158	1,040
	5,028	**7,625**

Note 2 : Notes to Accounts (Continued)

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

2.12: Contingencies and Commitments

There were no commitments and contingent liabilities as at 31 March 2012 (previous year: Nil)

2.13: Related party disclosures

The has following amounts due from/ to related parties:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in Borrowings):		
	Dr. Reddy's Laboratories Limited	694,838	3,686,695
	Reddy Holding GmbH	-	658,235
	Dr. Reddy's Laboratories SA	9,123,092	8,452,294
ii.	Due from related parties(included in Advances)		
	Reddy Holding GmbH	22,509,523	24,435,934
	Reddy Pharma Italia	997,313	823,656

2.14: Comparative figures

On applicability of revised Schedule VI from current year, the has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.15: Comparative figures

The Company, incorportated in Cyprus, is a 100% subsidary of Dr.Reddy's Laboratories Limited by virtue of 100% shareholding.

As per our report attached

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

for **Lacock Holdings Limited**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Milorad Vujnovic
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(574)	(75)
Balance brought forward	817	892
Balance carried forward to Balance Sheet	243	817

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	718	718
Reserves and surplus	2.2	243	817
		961	**1,535**
Non-current liabilities			
Long term borrowings	2.3	-	94
		-	**94**
Current liablities			
Trade payables	2.4	64,076	44,099
Other current liabilities	2.5	8,291	5,902
Short term provisions	2.6	1,008	380
		73,375	**50,381**
TOTAL		**74,335**	**52,010**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	305	219
Long term loans and advances	2.8	612	423
Deferred tax assets, net		1,969	1,690
		2,886	**2,332**
Current assets			
Inventories	2.10	15,044	11,616
Trade receivables	2.11	51,321	30,155
Cash and bank balances	2.12	2,497	4,315
Short term loans and advances	2.9	1,825	2,898
Other current assets	2.13	763	694
		71,450	**49,678**
TOTAL		**74,335**	**52,010**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.
As per our report attached

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

A. Ramachandra Rao
Partner
Membership No. 9750

for **OOO Dr. Reddy's Laboratories Limited**

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		110,561	88,853
Less: Excise duty		-	-
Sales, net		**110,561**	**88,853**
Service income		-	-
License fees		-	-
Other operating revenue	2.14	8,804	4,375
Revenue from operations		**119,365**	**93,228**
Other income	2.15	36	913
Total revenue		**119,401**	**94,141**
Expenses			
Cost of material consumed (including packing material consumed)		-	-
Purchase of stock-in-trade (traded goods)		109,129	91,578
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	2.18	(3,426)	(7,826)
Employee benefits expense	2.16	2,473	1,575
Finance costs	2.17	9	8
Depreciation and amortization expense	2.7	167	123
Other expenses	2.19	11,153	8,615
Total expenses		**119,505**	**94,074**
Profit before exceptional and extraordinary items and tax		**(104)**	**67**
Exceptional items		-	-
Profit before extraordinary items and tax		**(104)**	**67**
Extraordinary Items		-	-
Profit before tax		**(104)**	**67**
Tax expense			
Current tax		580	695
Deferred tax		(111)	(552)
Profit/ (Loss) for the year		**(574)**	**(75)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **OOO Dr. Reddy's Laboratories Limited**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

Satish Reddy
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

d) 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.

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

Note 1: Significant accounting policies (Continued)

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

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:

Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3
Vehicles	3 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

Note 1: Significant accounting policies (Continued)

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

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) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
46,294,632 equity shares of RUB 1 each	718	718
Issued		
46,294,632 equity shares of RUB 1 each	718	718
Subscribed and paid-up		
46,294,632 equity shares of RUB 1 each	718	718
Total	**718**	**718**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	46,294,632	718	46,294,632	718
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**46,294,632**	**718**	**46,294,632**	**718**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of RUB 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Ltd.	46,294,632	100	46,294,632	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	817	892
Add: Current year profit	(574)	(75)
Balance carried forward	**243**	**817**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	-	94
	-	**94**
2.4 : Trade Payables		
Trade Payables		
Others	918	-
Payable to holding company, other group companies	63,158	44,099
	64,076	**44,099**
2.5 : Other liabilities		
Other current liabilities		
Other current liabilities	8,291	5,902
	8,291	**5,902**
2.6 : Short term provisions		
Provision for employee benefits	101	88
Other provisions		
Taxation	907	292
	1,008	**380**

Note 2 : Notes to Accounts (Continued)

2.7 : Fixed assets

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

Description	Gross Block				Depreciation					Net Block	
	01.04.2011	Additions	Deletions/ Adjustments	31.03.2012	01.04.2011	For the Year	Deletions	Forex	31.03.2012	31.03.2012	31.03.2011
Buildings	-	-	-	-	-	-	-	-	-	-	-
Plant and Machinery	5	-	-	5	4	-	-	-	4	1	1
Furniture, fixtures & Office equipment	18	96	11	103	14	12	-	-	25	78	4
Vehicles	194	168	59	303	71	102	56	-	117	186	123
Computer equipment	259	3	1	261	168	53	1	-	220	41	91
Total	**477**	**267**	**71**	**672**	**258**	**167**	**57**	**-**	**367**	**305**	**219**
Previous Year	358	121	3	477	137	123	3	-	258	219	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8: Long term loans and advances		
(Unsecured)		
Considered good		
Loans to holding company, other group companies	516	423
Security Deposits	96	-
	612	**423**
2.9 : Short term loans and advances		
(Unsecured)		
Considered good		
Advances to material suppliers	170	-
Staff loans and advances	17	13
Advance tax	781	761
Balances with statutory/ government authorities	777	1,958
Prepaid expenses	17	74
Other Advances	63	92
	1,825	2,898
Less: Provision for doubtful loans and advances	-	-
	1,825	**2,898**
2.10 : Inventories		
(Valued on weighted average basis)		
Work-in-process	83	-
Less: Provison for obsolete and slow moving	-	-
Net	**83**	**-**
Stock-in-trade (in respect of goods acquired for trading)	15,406	11,939
Less: Provison for obsolete and slow moving	(446)	(323)
Net	**14,960**	**11,616**
Packing materials	1	-
Less: Provison for obsolete and slow moving	-	-
Net	**1**	**-**
	15,044	**11,616**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.11: Trade Receivables		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered doubtful	1,617	1,471
Other debts		
Considered good	51,321	30,155
	52,938	31,626
Less: Provision for doubtful debts	(1,617)	(1,471)
	51,321	**30,155**
2.12 : Cash and bank balances		
Cash on hand	5	3
Bank balances		
In current accounts	2,492	4,312
	2,497	**4,315**
2.13 : Other current assets		
Considered good		
Advances to holding company, other group companies	763	694
	763	**694**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.14 : Other operating revenue		
Miscellaneous income	8,804	4,375
	8,804	**4,375**
2.15 : Other income		
Interest income		
On other deposits	31	28
Foreign exchange gain, net	-	885
Profit on sale of fixed assets, net	5	-
	36	**913**
2.16 : Employee benefits expense		
Salaries, wages and bonus	2,002	1,332
Contribution to provident and other funds	366	182
Staff welfare expenses	105	61
	2,473	**1,575**
2.17 : Finance costs		
Interest expense		
Interest expense inter unit	9	8
	9	8
Other borrowing costs	-	-
	9	**8**

2.18 : Changes in inventories of finished goods, work in progress and stock in trade				
Net (increase) / decrease in stock				
Opening				
Work-in-progress	-		-	
Stock in trade	11,616		3,790	
		11,616		3,790
Closing				
Work-in-progress	83		-	
Stock in trade	14,960	15,043	11,616	11,616
Net (increase)		**(3,426)**		**(7,826)**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.19 : Other expense		
Legal and professional	152	204
Carriage outward	91	42
Other selling expenses	650	1,630
Travelling and conveyance	200	59
Foreign exchange loss, net	1,429	-
Communication	54	34
Rent	666	442
Bad debts written-off	-	1,025
Printing and stationery	48	12
Insurance	75	36
Bank charges	43	91
Advertisement	7,495	4,938
Miscellaneous	250	102
	11,153	**8,615**

2.20: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012 (previous year: Nil).

2.21: Related party disclosures

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in Borrowings):		
	OOO Reddy Bomed Ltd.	-	94
ii.	Due from related parties (included in Trade Payables):		
	Dr. Reddy's Laboratories Ltd.	26,134	15,725
	Dr. Reddy's Laboratories SA	37,024	28,373
iii.	Due from related parties (included in Advances and other assets):		
	OOO DRS LLC	516	1,117
	Dr. Reddy’s Laboratories Limited	54	-
	Dr. Reddy’s Laboratories SA	709	-

Note 2 : Notes to Accounts (Continued)

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

2.22: Deferred taxation

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

Deferred tax assets		
Trade receivables	5	294
Inventories	111	97
Other Current Assets	194	183
Current Liabilities	1,666	1,132
Fixed assets	(7)	(16)
Deferred tax asset, net	**1,969**	**1,690**

2.23: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.24: 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.

2.25: The Company, incorporated in Russia, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

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 : 09 May 2012

for **OOO Dr. Reddy's Laboratories Limited**

Satish Reddy
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(17,613)	(6,246)
Balance brought forward	(16,040)	(9,794)
Balance carried forward to Balance Sheet	(33,653)	(16,040)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

M.V. Ramana
Director

AUDITORS' REPORT

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

e have audited the attached Balance Sheet of M/s. **OOO DRS LLC Limited** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	29,520	29,520
Reserves and surplus	2.2	89,001	106,614
		118,521	**136,134**
Non-current liabilities			
Long term borrowings	2.3	85,680	71,212
		85,680	**71,212**
Current liablities			
Other current liabilities	2.4	43,501	39,597
		43,501	**39,597**
TOTAL		**247,702**	**246,943**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	222,587	222,974
Capital work-in-progress		6,815	6,815
		229,402	**229,789**
Current assets			
Cash and bank balances	2.6	575	1,154
Short term loans and advances	2.7	17,725	16,000
		18,300	**17,154**
TOTAL		**247,702**	**246,943**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **OOO DRS LLC**

M.V. Ramana
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income		-	-
Total revenue		**-**	**-**
Expenses			
Finance costs	2.8	3,083	2,780
Depreciation and amortization expense	2.5	388	358
Other expenses	2.9	14,142	3,108
Total expenses		**17,613**	**6,246**
Profit before exceptional and extraordinary items and tax		**(17,613)**	**(6,246)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(17,613)**	**(6,246)**
Extraordinary Items		-	-
Profit before tax		**(17,613)**	**(6,246)**
Tax expense		-	-
Profit/ (Loss) for the period		**(17,613)**	**(6,246)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **OOO DRS LLC**

A. Ramachandra Rao
Partner
Membership No. 9750

M.V. Ramana
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital RUB 18,420,000*	29,520	29,520
Issued		
Issued capital RUB 18,420,000*	29,520	29,520
Subscribed and paid-up		
Sssued capital RUB 18,420,000*	29,520	29,520
* No concept of nature and number of shares in this company		
Total	**29,520**	**29,520**
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	122	122
Movement during the year	-	-
	122	122
Securities premium reserve		
Balance at the beginning of the year	122,532	122,532
Additions / deductions during the year	-	-
	122,532	122,532
Surplus		
Balance at the beginning of the year	(16,040)	(9,794)
Add: Current year profit	(17,613)	(6,246)
Balance carried forward	(33,653)	(16,040)
	89,001	**106,614**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	85,680	71,212
	85,680	**71,212**
2.4 : Other liabilities		
Other current liabilities		
Other current liabilities	43,501	39,597
	43,501	**39,597**

Note 2 : Notes to Accounts (Continued)

2.5 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 1 April 2011	Additions	Deductions/ Adjustments	Forex	As at 31 March 12	As at 1 April 11	For the year	Deductions/ Adjustments	Forex	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Land	219,851	-	-	-	219,851	-	-	-	-	-	219,851	219,851
Buildings	3,846	1	-	-	3,847	723	388	-	-	1,111	2,736	3,123
Total Tangible Assets	**223,697**	**1**	**-**	**-**	**223,698**	**723**	**388**	**-**	**-**	**1,111**	**222,587**	**222,974**
Previous Year	223,695	4	-	-	223,699	367	358	-	-	725	222,974	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.6 : Cash and bank balances		
Bank balances		
In current accounts	575	1,154
	575	**1,154**
2.7 : Short term loans and advances		
Unsecured		
Considered good		
Balances with statutory/ government authorities	688	501
Other Advances	17,037	15,499
	17,725	16,000
Less: Provision for doubtful loans and advances	-	-
	17,725	**16,000**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.8 : Finance charges		
Interest expense		
Interest expense on loans from group companies	3,083	2,780
	3,083	**2,780**
2.9 : Other expense		
Legal and professional	723	596
Rates and taxes	1,407	1,455
Foreign exchange loss, net	12,011	919
Bank charges	1	7
Miscellaneous	-	131
	14,142	**3,108**

Note 2 : Notes to Accounts (Continued)

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

2.10 : Related party Transactions:

The company has the following related party transactions:

	Particulars	As at 31 March 2012	As at 31 March 2011
i)	Due to related parties (included in Long term borrowings):		
	OOO Dr. Reddy's Laboratories Limited	51,562	42,341
	Reddy Antilles NV	34,118	28,871

2.11 : Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31st March 2012 (previous year: Rs. Nil).

2.12: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.13 : The Company, incorporated under the laws of Russia, is a 100% subsidiary of Eurobridge Consulting B.V.

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 : 09 May 2012

for **OOO DRS LLC**

M.V. Ramana
Director

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(23,966)	900
Balance brought forward	22,913	22,013
Balance carried forward to Balance Sheet	(1,053)	22,913

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place: Hyderabad
Date: 09 May 2012

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 Alfa, Russia** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	4,509	4,509
Reserves and surplus	2.2	(1,053)	22,913
		3,456	**27,422**
Other current liabilities	2.3	29	-
		29	**-**
TOTAL		**3,485**	**27,422**
ASSETS			
Non current assets			
Long term loans and advances	2.5	-	9,434
		-	**9,434**
Current assets			
Cash and bank balances	2.4	3,178	17,707
Short term loans and advances	2.5	307	281
		3,485	**17,988**
TOTAL		**3,485**	**27,422**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **OOO Alfa**

Satish Reddy
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Revenue from operations		**-**	**-**
Other income	2.6	3,297	1,743
Total revenue		**3,297**	**1,743**
Expenses			
Employee benefits expense	2.7	179	209
Depreciation and amortization expense		2	3
Other expenses	2.8	27,082	627
Total expenses		**27,263**	**839**
Profit before exceptional and extraordinary items and tax		**(23,966)**	**904**
Exceptional items		-	-
Profit before extraordinary items and tax		**(23,966)**	**904**
Extraordinary Items		-	-
Profit before tax		**(23,966)**	**904**
Tax expense			
Current tax		-	4
Deferred tax		-	-
Profit/ (Loss) for the year		**(23,966)**	**900**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **OOO Alfa**

Satish Reddy
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

e) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
500,000 shares of RUB 1 each	4,509	4,509
Issued		
500,000 shares of RUB 1 each	4,509	4,509
Subscribed and paid-up		
500,000 shares of RUB 1 each	4,509	4,509
Total	**4,509**	**4,509**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	500,000	4,509	500,000	4,509
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**500,000**	**4,509**	**500,000**	**4,509**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of RUB 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	500,000	100	500,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	22,913	22,013
Add: Current year profit	(23,966)	900
Balance carried forward	**(1,053)**	**22,913**
2.3 : Other liabilities		
Other current liabilities		
Other current liabilities	29	-
	29	**-**
2.4 : Cash and bank balances		
Cash on hand	-	3
Bank balances		
In current accounts	3,178	17,704
	3,178	**17,707**
2.5 : Loans and advances		
Long term loans and advances		
Considered good		
Loans to holding company, other group companies	-	9,434
	-	**9,434**
Short term loans and advances		
Unsecured		
Considered good		
Advance tax	160	146
Balances with statutory/ government authorities	58	24
Prepaid expenses	89	111
Other Advances	-	-
	307	**281**
Less: Provision for doubtful loans and advances	-	-
	307	**281**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.6 : Other income		
Interest income		
On other deposits	825	814
Foreign exchange gain, net	2,472	929
	3,297	**1,743**
2.7 : Employee benefits expense		
Salaries, wages and bonus	179	209
	179	**209**
2.8 : Other expense		
Legal and professional	21	35
Rates and taxes	4,113	101
Communication	17	52
Bank charges	193	39
Miscellaneous	22,738	400
	27,082	**627**

Note 2 : Notes to Accounts (Continued)

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

2.9: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012 (previous year Nil).

2.10: 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.

2.11: Related Party Disclosures:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (Included in Advances)		
	OOO Dr. Reddy's Laboratories Limited	-	9,434

2.12: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.13: The Company, incorporated in Russia, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

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 : 09 May 2012

for **OOO Alfa**

Satish Reddy
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Lakhs)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(4,540)	(8,117)
Balance brought forward	(19,608)	(11,491)
Balance carried forward to Balance Sheet	(24,148)	(19,608)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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. **Promius Pharma LLC.** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	17,123	1,227
Reserves and surplus	2.2	(23,390)	(18,543)
		(6,267)	**(17,316)**
Non-current liabilities			
Long term borrowings	2.3	15	-
Other long term liabilities	2.4	1,475	1,512
		1,490	**1,512**
Current liablities			
Short term borrowings	2.3	12	-
Trade payables	2.5	55	49
Other current liabilities	2.4	24,158	36,889
Short term provisions	2.6	799	132
		25,024	**37,070**
TOTAL		**20,247**	**21,266**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	28	36
Intangible assets	2.7	17,822	18,997
Capital work-in-progress		83	-
		17,933	**19,033**
Current assets			
Inventories	2.8	493	463
Trade receivables	2.9	952	288
Cash and bank balances	2.10	227	-
Short term loans and advances	2.11	524	861
Other current assets	2.12	118	621
		2,314	**2,233**
TOTAL		**20,247**	**21,266**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Promius Pharma LLC**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		10,776	5,226
Less: Excise duty		-	-
Sales, net		**10,776**	**5,226**
Service income		-	-
License fees		-	-
Other operating revenue	2.13	446	-
Revenue from operations		**11,222**	**5,226**
Other income		-	-
Total revenue		**11,222**	**5,226**
Expenses			
Cost of material consumed		1,725	1,374
Conversion charges		3	-
Employee benefits expense	2.14	4,883	4,062
Depreciation and amortization expense	2.7	2,686	637
Research and development		332	344
Other expenses	2.15	6,133	6,925
Total expenses		**15,762**	**13,343**
Profit before exceptional and extraordinary items and tax		**(4,540)**	**(8,117)**
Exceptional items		**-**	**-**
Profit before extraordinary items and tax		**(4,540)**	**(8,117)**
Extraordinary Items		**-**	**-**
Profit before tax		**(4,540)**	**(8,117)**
Tax expense		**-**	**-**
Profit/ (Loss) for the year		**(4,540)**	**(8,117)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Promius Pharma LLC**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act 1956.

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) 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.

Effective as of 1 April 2011, the Company has changed its policy on valuation of inventory from the first-in first-out method to the weighted average cost method. Using the weighted average method will produce more accurate, reasonable and relevant information on the amounts of inventory reported in the balance sheet and, in turn, more accurate material consumption reported in the statement of profit and loss. The effect of this change in the methodology of valuation of inventory is immaterial and, accordingly, no further disclosures have been made in these financial statements.

Note 1: Significant accounting policies (Continued)

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

f) 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
Furniture, fixtures and office equipment (other than computer equipment)	3 to 5
Computer equipment	3

g) 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, trademarks, etc. (including marketing/ distribution rights)	3 to 16

h) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

i) Revenue recognition

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Note 1: Significant accounting policies (Continued)

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

j) Research and development

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

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

- Development costs can be measured reliably,
- The product or process is technically and commercially feasible,
- Future economic benefits are probable and ascertainable, and
- The Company intends to and has sufficient resources to complete development and has the ability to use or sell the asset.

Expenditure incurred on fixed assets used for research and development is capitalised and depreciated in accordance with the depreciation policy of the Company.

k) Leases

The lease arrangement is classified as either a finance lease or an operating lease, at the inception of the lease, based on the substance of the lease arrangement.

Finance leases

A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital USD 38,760,000(Previous year USD 2,760,000)*	17,123	1,227
Issued		
Issued capital USD 38,760,000(Previous year USD 2,760,000)*	17,123	1,227
Subscribed and paid-up		
Subscribed & paid up capital USD 38,760,000 (Previous year USD 2,760,000)*	17,123	1,227
* No concept of nature and number of shares in this company		
Total	**17,123**	**1,227**
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	1,060	701
Movement during the year	(307)	359
	753	1,060
Securities premium reserve		
Balance at the beginning of the year	5	5
Additions / deductions during the year	-	-
	5	5
Surplus		
Balance at the beginning of the year	(19,608)	(11,491)
Add: Current year profit	(4,540)	(8,117)
Balance carried forward	(24,148)	(19,608)
	23,390	**18,543**
2.3 : Borrowings		
A) Long term borrowings		
Secured		
Long term maturities of finance lease obligations	15	-
	15	**-**
B) Short term borrowings		
Unsecured		
Other short-term loans	12	-
	12	**-**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.4 : Other liabilities		
A) Other long term liabilities		
Other liabilities - non current	1,475	1,512
	1,475	**1,512**
B) Other current liabilities		
Payable to holding company, other group companies	22,263	18,037
Accrued expenses	1,256	2,265
Salary and bonus payable	482	432
Due to statutory authorities	-	1
Other current liabilities	157	16,154
	24,158	**36,889**
2.5 : Trade Payables		
Trade Payables		
Others	55	49
	55	**49**
2.6 : Short term provisions		
Provision for employee benefits	14	11
Other provisions		
Allowance for sales returns	785	121
	799	**132**

Note 2 : Notes to Accounts (continued)

2.7 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 1 April 2011	Additions	Deductions/ Adjustments	Forex	As at 31 March 12	As at 1 April 11	For the year	Deductions/ Adjustments	Forex	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Computers	157	39	-	22	218	123	47	22	-	192	26	35
Electrical/ Office equipment	2	-	-	-	2	-	-	-	-	-	2	1
Total Tangible Assets (A)	**159**	**39**	**-**	**22**	**220**	**123**	**-**	**22**	**-**	**192**	**28**	**36**
Intangibles	20,779	969	-	986	22,734	1,781	2,639	492	4,912		17,822	18,997
Total Intangible Assets (B)	**20,779**	**969**	**-**	**986**	**22,734**	**1,781**	**2,639**	**-**	**492**	**4,912**	**17,822**	**18,997**
Total (A+B)	**20,938**	**1,008**	**-**	**1,008**	**22,954**	**1,904**	**2,686**	**-**	**514**	**5,104**	**17,850**	**19,033**
Previous Year	1,171	19,775	-	(8)	20,938	432	637	(839)	(4)	1,904	19,033	-

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Inventories		
(Valued on weighted average basis)		
Raw materials	89	275
Goods-in-transit	-	-
Less: Provison for obsolete and slow moving	(89)	-
Net	**-**	**275**
Stock-in-trade (in respect of goods acquired for trading)	710	408
Less: Provison for obsolete and slow moving	(217)	(220)
Net	**493**	**188**
	493	**463**
2.9: Trade Receivables		
(Unsecured)		
Other debts		
Considered good	952	288
	952	288
Less: Provision for doubtful debts	-	-
	952	**288**
2.10 : Cash and bank balances		
Bank balances		
In current accounts	227	-
	227	**-**
2.11 : Short term loans and advances		
(Unsecured)		
Considered good		
Advances to material suppliers	248	12
Advance tax	6	5
Prepaid expenses	98	93
Other Advances	172	751
	524	861
Less: Provision for doubtful loans and advances	-	-
	524	**861**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.12 : Other current assets		
Considered good		
Advances to holding company, other group companies	118	621
	118	**621**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.13 : Other operating revenue		
Miscellaneous income	446	-
	446	-
2.14 : Employee benefits expense		
Salaries, wages and bonus	4,212	3,837
Contribution to provident and other funds	372	180
Staff welfare expenses	299	45
	4,883	**4,062**
2.15 : Other expense		
Legal and professional	722	917
Carriage outward	17	20
Rates and taxes	49	9
Other selling expenses	3,287	2,830
Travelling and conveyance	276	408
Foreign exchange loss, net	1	-
Communication	74	116
Rent	282	143
Donations	5	0
Provision for doubtful advances, net	80	-
Printing and stationery	19	22
Insurance	45	36
Advertisement	41	-
Miscellaneous	1,235	2,424
	6,133	**6,925**

Note 2 : Notes to Accounts (continued)

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

2.16: Related Party Transactions:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (included in Advances and other assets):		
	Dr. Reddy's Laboratories Limited	118	621
ii.	Due to related parties included in Other liabilities):		
	Dr. Reddy's Laboratories Inc.	22,251	18,037
	Dr. Reddy's Laboratories SA	12	-

2.17: Commitments and Contingent Liabilities : There were no commitments and contingent liabilities as at 31 March 2012. (previous year : Nil)

2.18: The company has taken laptops under finance lease during the current year. Future minimum lease payments under finance leases as at 31 March 2012 are as follows:

	Present value of minimum lease payments	Future interest	Minimum lease payments
Not later than 1 year	12	-	12
Later than 1 year and not later than 5 years	15	-	15
Beyond 5 years	-	-	-
Total	**27**	**-**	**27**

2.19: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.20: 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.

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 : 09 May 2012

for **Promius Pharma LLC**

Satish Reddy
Director

G.V. Prasad
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(30,465)	583
Balance brought forward	174,372	173,789
Balance carried forward to Balance Sheet	143,907	174,372

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

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 Antilles N.V**. as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	17,969	17,969
Reserves and surplus	2.2	170,612	174,372
		188,581	**192,341**
Non-current liabilities			
Long term borrowings	2.3	264,121	242,728
		264,121	**242,728**
Current liablities			
Trade payables	2.4	-	66
Other current liabilities	2.5	16,425	15,041
Short term provisions	2.6	26	22
		16,451	**15,129**
TOTAL		**469,153**	**450,198**
ASSETS			
Non current assets			
Non current investments	2.7	371,024	359,579
Long term loans and advances	2.9	58,302	49,776
		429,326	**409,355**
Current assets			
Cash and bank balances	2.8	79	339
Short term loans and advances	2.9	39,748	40,504
Other current assets		-	-
		39,827	**40,843**
TOTAL		**469,153**	**450,198**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Reddy Antilles N.V.**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K. Anji Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Revenue from operations		-	-
Other income	2.10	-	1,342
Total revenue		**-**	**1,342**
Expenses			
Other expenses	2.11	30,465	759
Total expenses		**30,465**	**759**
Profit before exceptional and extraordinary items and tax		**(30,465)**	**583**
Exceptional items		-	-
Profit before extraordinary items and tax		**(30,465)**	**583**
Extraordinary Items		-	-
Profit before tax		**(30,465)**	**583**
Tax expense		-	-
Profit/ (Loss) for the year		**(30,465)**	**583**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Reddy Antilles N.V.**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K. Anji Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of the Companies Act, 1956.

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

Non-current investments, other than investments in associates, are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term 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 investment.

e) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
1,000,000 shares of USD 1 each	35,938	35,938
Issued		
500,000 shares of USD 1 each	17,969	17,969
Subscribed and paid-up		
500,000 shares of USD 1 each	17,969	17,969
Total	**17,969**	**17,969**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	500,000	17,969	500,000	17,969
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**500,000**	**17,969**	**500,000**	**17,969**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of U.S.$ 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	500,000	100	500,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Securities premium reserve		
Balance at the beginning of the year	-	
Additions / deductions during the year	26,705	-
	26,705	-
Surplus		
Balance at the beginning of the year	174,372	173,789
Add: Current year profit	(30,465)	583
Balance carried forward	143,907	174,372
	170,612	**174,372**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	264,121	242,728
	264,121	**242,728**
2.4 : Trade Payables		
Trade Payables		
Others	-	66
	-	**66**
2.5 : Other liabilities		
Other current liabilities		
Payable to holding company, other group companies	15,828	14,599
Accrued expenses	-	288
Other current liabilities	597	154
	16,425	**15,041**
2.6 : Short term provisions		
Other provisions		
Taxation	26	22
	26	**22**
2.7 : Non current investment		
Investment in subsidiaries	371,024	359,579
Less: Provision for decline, other than temporary, in the value of non current investments	-	-
	371,024	**359,579**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8 : Cash and bank balances		
Bank balances		
In current accounts	79	339
	79	**339**
2.9 : Loans and advances		
Long term loans and advances		
Considered good		
Loans to holding company, other group companies	58,302	49,776
	58,302	**49,776**
Short term loans and advances		
Unsecured		
Considered good		
Advances to material suppliers	771	676
Prepaid expenses	61	60
Other Advances	38,916	39,768
	39,748	40,504
Less: Provision for doubtful loans and advances	-	-
	39,748	**40,504**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.10 : Other income		
Foreign exchange gain, net	-	1,342
	-	**1,342**
2.11 : Other expense		
Legal and professional	905	664
Foreign exchange loss, net	29,360	-
Non Executive Directors' remuneration	30	27
Miscellaneous	170	68
	30,465	**759**

Note 2 : Notes to Accounts (Continued)

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

2.12: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012 (previous year Nil).

2.13: Related Party Disclosures :

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (Advances)		
	Reddy Netherlands B.V.	24,184	20,934
	OOO DRS LLC	34,118	28,842
ii.	Due to related parties (Borrowings and Other liabilities):		
	Dr. Reddy's Laboratories SA	-	11,208
	Dr. Reddy's Laboratories Ltd.	279,949	246,119

2.14: 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.

2.15: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet**.**

2.16: The Company, incorporated in Antilles (Netherlands), is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

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 : 09 May 2012

for **Reddy Antilles N.V.**

Dr. K. Anji Reddy
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(`₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(4)	(3)
Balance brought forward	(2,020)	(2,017)
Balance carried forward to Balance Sheet	(2,024)	(2,020)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Dr. K Anji Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

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 SA** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,958	1,958
Reserves and surplus	2.2	(2,024)	(2,020)
		(66)	**(62)**
Current liablities			
Trade payables	2.3	5,204	4,859
		5,204	**4,859**
TOTAL		**5,138**	**4,797**
ASSETS			
Current assets			
Cash and bank balances	2.4	29	27
Short term loans and advances	2.5	2,245	2,097
Other current assets	2.6	2,864	2,673
		5,138	**4,797**
TOTAL		**5,138**	**4,797**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Reddy Cheminor SA**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K Anji Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Total revenue		**-**	**-**
Expenses			
Other expenses	2.7	4	3
Total expenses		**4**	**3**
Profit before exceptional and extraordinary items and tax		**(4)**	**(3)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(4)**	**(3)**
Extraordinary Items		-	-
Profit before tax		**(4)**	**(3)**
Tax expense		-	-
Profit/ (Loss) for the year		**(4)**	**(3)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Reddy Cheminor SA**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K Anji Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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.

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) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
25,000 shares of EUR 16 each	1,958	1,958
Issued		
25,000 shares of EUR 16 each	1,958	1,958
Subscribed and paid-up		
25,000 shares of EUR 16 each	1,958	1,958
Total	1,958	1,958

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	2,500	1,958	2,500	1,958
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**2,500**	**1,958**	**2,500**	**1,958**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	**2,500**	**100**	**2,500**	**100**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	(2,020)	(2,017)
Add: Current year profit	(4)	(3)
Balance carried forward	(2,024)	(2,020)
	(2,024)	**(2,020)**
2.3 : Trade Payables		
Trade Payables		
Others	5,204	4,859
	5,204	**4,859**
2.4 : Cash and bank balances		
Cash on hand	29	27
	29	**27**
2.5 : Short term loans and advances		
Unsecured		
Considered good		
Other Advances	2,245	2,097
	2,245	2,097
Less: Provision for doubtful loans and advances	-	-
	2,245	**2,097**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.6 : Other current assets		
Considered good		
Other current assets	2,864	2,673
	2,864	**2,673**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.7 : Other expense		
Foreign exchange loss, net	4	3
	4	**3**

Note 2 : Notes to Accounts (Continued)

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

2.8: Commitments and contingent liabilities

There are no commitments or contingent liabilities as at 31 March 2012 (previous year Nil).

2.9: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.10: The Company, incorporated in France, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

As per our report attached

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

for **Reddy Cheminor SA**

A. Ramachandra Rao
Partner
Membership No. 9750

Dr. K Anji Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(1,792,519)	(825,421)
Balance brought forward	(6,886,138)	(6,060,717)
Balance carried forward to Balance Sheet	(8,678,657)	(6,886,138)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

G V Prasad
Director

Michael Ewers
Director

Place : Hyderabad
Date : 09 May 2012

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 Holdings GmbH**. as at **31 March 2012** and also the Statement of Profit and Loss 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 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 Statement of Profit and Loss 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 2012** and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,350	1,350
Reserves and surplus	2.2	(1,633,712)	(418,831)
		(1,632,362)	**(417,481)**
Non-current liabilities			
Long term borrowings	2.3	23,731,100	25,526,022
		23,731,100	**25,526,022**
Current liablities			
Short term borrowings	2.3	3,054,959	483
Other current liabilities	2.4	1,507,591	1,302,812
Short term provisions	2.5	174,509	473,911
		4,737,059	**1,777,207**
TOTAL		**26,835,798**	**26,885,747**
ASSETS			
Non current assets			
Non current investments	2.6	26,063,322	26,067,424
Long term loans and advances	2.7	450	420
Deferred tax assets, net		412,671	399,675
		26,476,443	**26,467,518**
Current assets			
Trade receivables	2.8	24,610	22,991
Cash and bank balances	2.9	45,706	14,605
Short term loans and advances	2.10	152,182	142,107
Other current assets	2.11	136,857	238,526
		359,355	**418,229**
TOTAL		**26,835,798**	**26,885,747**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Reddy Holding GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Michael Ewers
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		-	862
Less: Excise duty		-	-
Sales, net		-	862
Other income	2.12	154,855	492,287
Total revenue		**154,855**	**493,149**
Expenses			
Conversion charges		83	149
Employee benefits expense	2.13	142,299	172,672
Finance costs	2.14	895,384	721,587
Other expenses	2.15	945,322	325,399
Total expenses		**1,983,088**	**1,219,807**
Profit before exceptional and extraordinary items and tax		**(1,828,233)**	**(726,658)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(1,828,233)**	**(726,658)**
Extraordinary Items		-	-
Profit before tax		**(1,828,233)**	**(726,658)**
Tax expense			
Current tax		(54,787)	47,807
Deferred tax		19,072	50,957
Profit/ (Loss) for the year		**(1,792,519)**	**(825,421)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Reddy Holding GmbH**

A. Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Michael Ewers
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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.

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.

Note 1: Significant accounting policies

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

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) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
Authorised capital of 25,000 EUR	1,350	1,350
Issued		
Issued capital of 25,000 EUR	1,350	1,350
Subscribed and paid-up		
Subscribed and paid-up capital of 25,000 EUR	1,350	1,350
Total	**1,350**	**1,350**
* No concept of nature and number of shares in this company		
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	512,601	3,864,573
Movement during the year	577,638	(3,351,972)
	1,090,239	512,601
Securities premium reserve		
Balance at the beginning of the year	5,954,706	5,954,516
Additions / deductions during the year	-	190
	5,954,706	5,954,706
Surplus		
Balance at the beginning of the year	(6,886,138)	(6,060,717)
Add: Current year profit	(1,792,519)	(825,421)
Balance carried forward	(8,678,657)	(6,886,138)
	(1,633,712)	**(418,831)**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.3 : Borrowings		
A) Long term borrowings		
Secured		
Long term maturities of finance lease obligations	259,749	248,791
Long-term loans from Holding company, other group companies	23,471,351	25,277,231
Total Long term borrowings (A)	**23,731,100**	**25,526,022**
B) Short term borrowings		
Secured		
Loan from banks	3,054,038	-
Other short-term loans	921	483
Total Short term borrowings (B)	**3,054,959**	**483**
2.4 : Other liabilities		
Accrued expenses	1,181,601	139,608
Deferred revenue- current	-	39,926
Other current liabilities	228,782	1,123,278
Payable to holding company, other group companies	97,208	-
	1,507,591	**1,302,812**
2.5 : Short term provisions		
Taxation	174,509	473,911
	174,509	**473,911**
2.6 : Non current investment		
Investment in subsidiaries	26,063,322	26,067,424
	26,063,322	**26,067,424**
2.7 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	450	420
	450	**420**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.8: Trade Receivables		
(Unsecured)		
Other debts		
Considered good	24,610	22,991
Less: Provision for doubtful debts	-	-
	24,610	**22,991**
2.9 : Cash and bank balances		
Bank balances		
In current accounts	45,706	14,605
	45,706	**14,605**
2.10 : Short term loans and advances		
Considered good		
Staff loans and advances	136	127
Advance tax	1,999	1,938
Prepaid expenses	150,047	140,042
	152,182	142,107
Less: Provision for doubtful loans and advances	-	-
	152,182	**142,107**
2.11 : Other current assets		
Considered good		
Other current assets	136,857	238,526
	136,857	**238,526**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.12 : Other income		
Interest income		
On others	-	19,714
Foreign exchange gain, net	453	-
Profit on sale of fixed assets, net	212	1,134
Miscellaneous	154,190	471,439
	154,855	**492,287**
2.13 : Employee benefits expense		
Salaries, wages and bonus	121,087	125,751
Contribution to provident and other funds	15,737	15,218
Staff welfare expenses	5,475	31,703
	142,299	**172,672**
2.14 : Finance costs		
Interest expense on borrowings from group companies	833,126	706,300
Other borrowing costs	62,258	15,287
	895,384	**721,587**
2.15 : Other expense		
Consumption of Stores and spare parts	33	7
Legal and professional	28,759	35,204
Carriage outward	894	-
Travelling and conveyance	5,070	3,833
Foreign exchange loss, net	-	13
Communication	12,281	11,010
Printing and stationery	1,264	1,380
Insurance	2,290	-
Bank charges	155	134
Provision for doubtful debts, net	-	149
Advertisement	2,079	-
Miscellaneous	892,497	273,669
	945,322	**325,399**

Note 2 : Notes to Accounts (Continued)

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

2.16: Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2012 (previous year: Nil)

2.17: Deferred taxation

Particulars	As at 31 March 2012	As at 31 March 2011
Deferred tax Asset / Liability		
Other Current assets	165,064	170,474
Loss carry forward	312,156	306,872
Trade receivables	46,827	43,732
Current Liabilities	30,948	22,677
Inventory	(3,747)	(3,614)
Fixed assets	(138,577)	(140,466)
Deferred tax assets, net	**412,671**	**399,675**

2.18: Related party disclosures

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

i. Due to related parties (included in Borrowings)		
Dr. Reddy's Laboratories SA	961,833	884,949
Lacock Holdings Limited	22,509,518	24,392,282

2.19: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.20: The Company, incorporated in Germany, is a 100% Subsidiary of Lacock Holdings Limited.

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 : 09 May 2012

for **Reddy Holding GmbH**

G.V. Prasad Director

Michael Ewers Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(3,499)	(2,708)
Balance brought forward	(25,487)	(22,779)
Balance carried forward to Balance Sheet	(28,986)	(25,487)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Dr. K. Anji Reddy
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6,626	1,820
Reserves and surplus	2.2	(28,986)	(25,487)
		(22,360)	**(23,667)**
Non-current liabilities			
Long term borrowings	2.3	24,184	24,866
		24,184	**24,866**
Current liablities			
Other current liabilities	2.4	-	747
		-	**747**
TOTAL		**1,824**	**1,946**
ASSETS			
Current assets			
Trade receivables	2.5	1,556	1,277
Cash and bank balances	2.6	268	669
		1,824	**1,946**
TOTAL		**1,824**	**1,946**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Reddy Netherlands B.V.**

Dr. K. Anji Reddy
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Revenue from operations		**-**	**-**
Other income	2.8	290	23
Total revenue		**290**	**23**
Expenses			
Finance costs	2.7	41	-
Other expenses	2.9	3,748	2,731
Total expenses		**3,789**	**2,731**
Profit before exceptional and extraordinary items and tax		**(3,499)**	**(2,708)**
Exceptional items		**-**	**-**
Profit before extraordinary items and tax		**(3,499)**	**(2,708)**
Extraordinary Items		**-**	**-**
Profit before tax		**(3,499)**	**(2,708)**
Tax expense		**-**	**-**
Profit/ (Loss) for the year		**(3,499)**	**(2,708)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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 : 09 May 2012

for **Reddy Netherlands B.V.**

Dr. K. Anji Reddy
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

e) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
3,200 shares of EUR 50 each (Previous year 1,820 shares)	6,626	3,770
Issued		
3,200 shares of EUR 50 each (Previous year 704 shares)	6,626	1,820
Subscribed and paid-up		
3,200 shares of EUR 50 each (Previous year 704 shares)	6,626	1,820
Total	**6,626**	**1,820**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	704	1,820	704	1,820
Add: Share issued during the year	2,496	4,806	-	-
Number of shares outstanding at the end of the year	3,200	6,626	704	1,820

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 50 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Reddy Antilles N V	3,200	100	704	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Surplus		
Balance at the beginning of the year	(25,487)	(22,779)
Add: Current year profit	(3,499)	(2,708)
Balance carried forward	**(28,986)**	**(25,487)**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	24,184	24,866
	24,184	**24,866**
2.4 : Other liabilities		
Other current liabilities		
Other current liabilities	-	747
	-	**747**
2.5: Trade Receivables		
(Unsecured)		
Other debts		
Considered good	1,556	1,277
Less: Provision for doubtful debts	-	-
	1,556	**1,277**
2.6 : Cash and bank balances		
Bank balances		
In current accounts	268	669
	268	**669**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.7 : Finance costs		
Other borrowing costs	41	-
	41	**-**
2.8 : Other income		
Interest income		
On others	-	23
Foreign exchange gain, net	290	-
	290	**23**
2.9 : Other expense		
Foreign exchange loss, net	-	2,710
Bank charges	51	-
Miscellaneous	3,697	21
	3,748	**2,731**

Note 2 : Notes to Accounts (Continued)

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

2.10: Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31 March 2012 (previous year Nil).

2.11: Related Party Disclosures:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in Borrowings and other current liabilties)		
	Reddy Antilles N.V	24,184	20,974
	Dr. Reddy's Laboratories SA	-	3,882

2.12: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.13: 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.

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 : 09 May 2012

for **Reddy Netherlands B.V.**

Dr. K. Anji Reddy
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	74,424	71,649
Balance brought forward	(629,219)	(700,868)
Balance carried forward to Balance Sheet	(554,794)	(629,219)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Sameer Natu
Director

M. V. Narasimham
Director

Place : Hyderabad
Date : 09 May 2012

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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	321,090	321,090
Reserves and surplus	2.2	(546,310)	(601,972)
		(225,220)	**(280,882)**
Non-current liabilities			
Long term borrowings	2.3	373,311	348,641
Other long term liabilities	2.4	3,167	4,226
		376,478	**352,867**
Current liablities			
Trade payables	2.5	20,920	3,124
Other current liabilities	2.4	17,020	32,816
Short term provisions		-	-
		37,940	**35,940**
TOTAL		**189,198**	**107,925**
ASSETS			
Non current assets			
Long term loans and advances	2.6	-	968
		-	**968**
Current assets			
Trade receivables	2.7	71,127	52,399
Cash and bank balances	2.8	114,187	52,016
Short term loans and advances	2.9	3,884	2,542
		189,198	**106,957**
TOTAL		**189,198**	**107,925**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

M. V. Narasimham
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Sales, gross		172,920	152,654
Sales, net		**172,920**	**152,654**
License fees		19,842	-
Revenue from operations		**192,763**	**152,654**
Other income	2.10	22	64
Total revenue		**192,785**	**152,718**
Expenses			
Cost of material consumed (including packing material consumed)		66,402	39,127
Employee benefits expense	2.11	4,492	1,102
Finance costs	2.12	6,487	4,494
Other expenses	2.13	40,980	36,345
Total expenses		**118,361**	**81,068**
Profit before exceptional and extraordinary items and tax		**74,424**	**71,649**
Exceptional items		-	-
Profit before extraordinary items and tax		**74,424**	**71,649**
Extraordinary items		-	-
Profit / (Loss) before tax		**74,424**	**71,649**
Tax expense		-	-
Profit / (Loss) for the year		**74,424**	**71,649**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

M. V. Narasimham
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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.

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) 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.

License fee

The Company enters into licensing and supply arrangements with certain third parties. These arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Note 1: Significant accounting policies

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

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

f) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
5,566,000 shares of EUR 1 each	321,090	321,090
Issued		
5,566,000 shares of EUR 1 each	321,090	321,090
Subscribed and paid-up		
5,566,000 shares of EUR 1 each	321,090	321,090
Total	**321,090**	**321,090**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	5,566,000	321,090	5,566,000	321,090
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	5,566,000	321,090	5,566,000	321,090

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	5,566,000	100	5,566,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	27,206	39,919
Movement during the year	(18,763)	(12,713)
	8,443	27,206
Securities premium reserve		
Balance at the beginning of the year	41	41
Additions / deductions during the year	-	-
	41	41
Surplus		
Balance at the beginning of the year	(629,219)	(700,868)
Add: Current year profit	74,424	71,649
Balance carried forward	(554,794)	(629,219)
	(546,310)	**(601,972)**
2.4 : Other liabilities		
A) Other long term liabilities		
Deferred revenue income	3,167	4,226
	3,167	**4,226**
B) Other current liabilities		
Accrued expenses	15,026	13,275
Due to statutory authorities	679	558
Other current liabilities	1,315	18,983
	17,020	**32,816**
2.5 : Trade payables		
Trade payables		
Others	1,341	3,124
Payable to holding company, other group companies	19,579	-
	20,920	**3,124**
2.6 : Long term loans and advances (Unsecured)		
Considered good		
Security Deposits	-	968
	-	**968**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7: Trade Receivables		
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered doubtful	-	461
Other debts		
Considered good	71,127	52,399
	71,127	52,860
Less: Provision for doubtful debts	-	(461)
	71,127	**52,399**
2.8 : Cash and bank balances		
Bank balances		
In current accounts	114,187	52,016
	114,187	**52,016**
2.9 : Short term loans and advances		
(Unsecured)		
Considered good		
Other Advances	3,884	2,542
	3,884	**2,542**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.10 : Other income		
Interest income		
On other deposits	18	64
Foreign exchange gain, net	4	-
	22	**64**
2.11 : Employee benefits expense		
Salaries, wages and bonus	4,492	1,102
	4,492	**1,102**
2.12 : Finance costs		
Interest expense		
Interest expense inter unit	6,487	4,494
	6,487	4,494
Other borrowing costs	-	-
	6,487	**4,494**
2.13 : Other expense		
Legal and professional	7,393	3,209
Rates and taxes	10	2
Other selling expenses	30,752	30,142
Buildings	-	61
Power and fuel	-	1
Travelling and conveyance	647	512
Communication	177	322
Rent	837	1,436
Insurance	17	15
Bank charges	169	187
Provision for doubtful debts, net	-	458
Miscellaneous	978	-
	40,980	**36,345**

Note 2 : Notes to Accounts (Continued)

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

2.14: Commitments and contingent liabilities

There were no commitments or contingent liabilities as on 31 March 2012 (previous year Nil).

2.16: Related Party Disclosures:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in Borrowings):		
	Dr. Reddys Laboratories SA, Switzerland	373,271	348,605
	Dr. Reddy's Laboratories (UK) Limited	40	36
ii.	Due to related parties (included in Trade Payables):		
	Dr.Reddy's Laboratories Limited	19,579	-

2..17: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.18. The Company, incorporated in Iberia, Spain is a 100% Subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

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 : 09 May 2012

for **Reddy Pharma Iberia SA**

Sameer Natu Director

M. V. Narasimham Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(11,161)	(11,259)
Balance brought forward	(82,705)	(71,446)
Balance carried forward to Balance Sheet	(93,867)	(82,705)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

AUDITORS' REPORT

To
The Members 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 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	62,794	62,794
Reserves and surplus	2.2	(94,077)	(70,308)
		(31,283)	**(7,514)**
Non-current liabilities			
Long term borrowings	2.3	997,313	823,656
Other long term liabilities		10,881	-
		1,008,194	**823,656**
Current liablities			
Trade payables	2.5	11,002	3,448
Other current liabilities	2.4	18,833	8,973
Short term provisions		1,357	-
		31,192	**12,421**
TOTAL		**1,008,103**	**828,563**
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	270	906
Non current investments	2.8	172,878	159,836
Long term loans and advances	2.9	749,088	591,359
		922,236	**752,101**
Current assets			
Trade receivables	2.10	-	47,537
Cash and bank balances	2.11	3,082	1,576
Short term loans and advances	2.12	-	612
Other current assets	2.13	82,785	26,737
		85,867	**76,462**
TOTAL		**1,008,103**	**828,563**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

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

for **Reddy Pharma Italia S.P.A**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
License fees		4,365	-
Other operating revenue	2.14	24,339	24,489
Revenue from operations		**28,704**	**24,489**
Other income		-	-
Total revenue		**28,704**	**24,489**
Expenses			
Employee benefits expense	2.15	23,981	17,333
Depreciation and amortization expense	2.7	298	599
Other expenses	2.16	15,586	17,817
Total expenses		**39,865**	**35,748**
Profit before exceptional and extraordinary items and tax		**(11,161)**	**(11,259)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(11,161)**	**(11,259)**
Extraordinary items		-	-
Profit / (Loss) before tax		**(11,161)**	**(11,259)**
Tax expense		-	-
Profit / (Loss) for the year		**(11,161)**	**(11,259)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Reddy Pharma Italia S.P.A**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

Notes to Financial Statements

Note 1: Significant Accounting Policies

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

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 and provisions of the Companies Act, 1956.

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.

Leasehold land is depreciated over the period of the lease.

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) 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.

Note 1: Significant Accounting Policies (Continued)

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

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) 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.

Note 2 : Notes to Accounts (continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
120,000 equity share of 1 EUR each	62,794	62,794
Issued		
120,000 equity share of 1 EUR each	62,794	62,794
Subscribed and paid-up		
120,000 equity share of 1 EUR each	62,794	62,794
Total	**62,794**	**62,794**

(a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Number of shares at the beginning of the year	120,000	62,794	120,000	62,794
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**120,000**	**62,794**	**120,000**	**62,794**

(b) Terms/rights attached to shares

The company has only one class of equity shares having a par value of EUR 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Lacock Holdings Limited	120,000	100	120,000	100

Note 2 : Notes to Accounts (Continued)

2.2 : Reserves and surplus

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

	As at 31 March 2012	As at 31 March 2011
Foreign currency translation reserve		
Balance at the beginning of the year	12,398	21,645
Movement during the year	(12,608)	(9,247)
	(210)	12,398
Surplus		
Balance at the beginning of the year	(82,705)	(71,446)
Add: Current year profit	(11,161)	(11,259)
Balance carried forward	(93,867)	(82,705)
	(94,077)	**(70,308)**

2.3 : Borrowings

Long term borrowings		
Borrowings from holding company, other group companies	997,313	823,656
	997,313	**823,656**

2.4 : Other liabilities

A) Other long term liabilities		
Deferred revenue income	10,881	-
	10,881	**-**
B) Other current liabilities		
Accrued expenses	12,320	4,330
Other current liabilities	6,513	4,643
	18,833	**8,973**

2.5 : Trade Payables

Trade Payables		
Others	-	3,448
Payable to holding company, other group companies	11,002	-
	11,002	**3,448**

2.6 : Short term provisions

Other provisions		
Taxation, net of advance taxes	1,357	-
	1,357	**-**

Note 2 : Notes to Accounts (continued)

2.7 : Fixed assets

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

Description	Gross Block					Depreciation					Net Block	
	As at 1 April 2011	Additions	Deletions// Adjustments	Forex	As at 31 March 12	As at 1 April 11	For the year	Deletions// Adjustments	Forex	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Land - leasehold	1,866	-	338	-	1,528	960	298	-	-	1,258	270	906
Furniture and fixtures	307	-	-	-	307	307	-	-	-	307	-	-
Total Tangible Assets	**2,173**	**-**	**338**	**-**	**1,835**	**1,267**	**298**	**-**	**-**	**1,565**	**270**	**906**
Previous year	2,001	1,598	1,523	97	2,173	911	599	31	(212)	1,267	906	

Note 2 : Notes to Accounts (continued)

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

	As at 31 March 2012	As at 31 March 2011
2.8 : Non current investment		
Investment in subsidiaries	172,878	159,836
	172,878	**159,836**
2.9 : Long term loans and advances		
(Unsecured)		
Considered good		
Loans to holding company, other group companies	748,579	591,359
Security Deposits	509	-
	749,088	**591,359**
2.10: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	-	47,537
	-	47,537
Less: Provision for doubtful debts	-	-
	-	**47,537**
2.11 : Cash and bank balances		
Cash on hand	15	-
Bank balances		
In current accounts	3,067	1,576
	3,082	**1,576**
2.12 : Short term loans and advances		
(Unsecured)		
Considered good		
Other Advances	-	612
	-	**612**
2.13 : Other current assets		
Considered good		
Advances to holding company, other group companies	81,098	24,631
Other current assets	1,687	2,106
	82,785	**26,737**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.14 : Other operating revenue		
Miscellaneous income	24,339	24,489
	24,339	**24,489**
2.15 : Employee benefits expense		
Salaries, wages and bonus	23,981	17,333
	23,981	**17,333**
2.16 : Other expense		
Legal and professional	4,599	7,269
Rates and taxes	-	453
Other selling expenses	1,352	187
Travelling and conveyance	139	2,566
Communication	239	46
Rent	6,538	319
Printing and stationery	1,032	134
Bank charges	219	303
Miscellaneous	1,468	6,540
	15,586	**17,817**

Note 2 : Notes to Accounts (Continued)

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

2.17. Commitments and contingent liabilities

There were no commitments and contingent liabilities as at 31 March 2012.

2.18. Related party disclosures

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

		As at 31 March 2012	As at 31 March 2011
i.	Due to related parties (included in Borrowings):		
	Lacock Holdings Limited	997,313	823,656
ii.	Due from related parties (included in Advances):		
	Dr. Reddy's SRL	748,579	591,359
iii.	Due to related parties (included in Trade payables):		
	Dr. Reddy's SRL	11,002	-
iv.	Due from related parties (included in Other Current Assets):		
	Dr. Reddy's SRL	81,098	24,631
v.	Due from related parties (included in Trade receivables):		
vi.	Dr. Reddy's SRL	-	47,537

2.19. The Company, incorporated in Italy, is a 100% subsidiary of Lacock Holdings Limited. Lacock Holding Limited, incorporated in Cyprus, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

2.20. Comparative figures

On applicability of revised Schedule VI from current year, the has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

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

for **Reddy Pharma Italia S.P.A**

A. Ramachandra Rao
Partner
Membership No. 9750

G V Prasad
Director

Satish Reddy
Director

Place : Hyderabad
Date : 09 May 2012

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	(1,544)	-
Balance brought forward	(50,393)	(50,393)
Balance carried forward to Balance Sheet	(51,937)	(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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

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 Ltd.** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	58,021	58,021
Reserves and surplus	2.2	(51,921)	(50,377)
		6,100	**7,644**
Current liablities			
Trade payables	2.3	2,472	2,166
		2,472	**2,166**
TOTAL		**8,572**	**9,810**
ASSETS			
Non current assets			
Long term loans and advances	2.7	4,118	4,118
		4,118	**4,118**
Current assets			
Cash and bank balances	2.4	-	2,118
Short term loans and advances	2.5	3,574	3,574
Other current assets	2.6	880	-
		4,454	**5,692**
TOTAL		**8,572**	**9,810**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Reddy Pharmaceuticals Hong Kong Ltd.**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Total revenue		**-**	**-**
Expenses			
Other expenses	2.7	1,544	-
Total expenses		**1,544**	**-**
Profit before exceptional and extraordinary items and tax		**(1,544)**	**-**
Exceptional items		**-**	**-**
Profit before extraordinary items and tax		**(1,544)**	**-**
Extraordinary Items		**-**	**-**
Profit before tax		**(1,544)**	**-**
Tax expense		**-**	**-**
Profit/ (Loss) for the year		**(1,544)**	**-**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Reddy Pharmaceuticals Hong Kong Ltd.**

A. Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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.

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) 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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
12,000,000 shares of HK$ 1 each	59,893	59,893
Issued		
11,625,000 shares of HK$ 1 each	58,021	58,021
Subscribed and paid-up		
11,625,000 shares of HK$ 1 each	58,021	58,021
Total	**58,021**	**58,021**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	11,625,000	58,021	11,625,000	58,021
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**11,625,000**	**58,021**	**11,625,000**	**58,021**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of H.K.$ 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	11,625,000	100	11,625,000	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	16	16
Movement during the year	-	-
	16	16
Surplus		
Balance at the beginning of the year	(50,393)	(50,393)
Add: Current year profit	(1,544)	-
Balance carried forward	(51,937)	(50,393)
	(51,921)	**(50,377)**
2.3 : Trade Payables		
Trade Payables		
Due to medium and small enterprises		
Others	2,472	2,166
	2,472	**2,166**
2.4 : Cash and bank balances		
Bank balances		
In current accounts	-	2,118
	-	**2,118**
2.5 : Short term loans and advances		
Unsecured		
Considered good		
Other Advances	3,574	3,574
	3,574	3,574
Less: Provision for doubtful loans and advances	-	-
	3,574	**3,574**
2.6 : Other current assets		
Considered good		
Advances to holding company, other group companies	880	-
	880	**-**

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.7 : Long term loans and advances		
(Unsecured)		
Loans to holding company, other group companies	4,118	4,118
	4,118	**4,118**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.8 : Other expense		
Foreign exchange loss, net	25	-
Miscellaneous	1,519	-
	1,544	**-**

Note 2 : Notes to Accounts (Continued)

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

2.9: Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31st March 2012 (previous year Nil).

2.10: Related party disclosures

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (Included in Advances and other assets)		
	Dr. Reddy's Laboratories Limited	4,998	4,118

2.11: Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.12: The Company, incorporated in Hong Kong, is a 100% subsidiary of Dr. Reddy's Laboratories Limited by virtue of 100% shareholding.

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 : 09 May 2012

for **Reddy Pharmaceuticals Hong Kong Ltd.**

Satish Reddy
Director

G.V. Prasad
Director

DIRECTORS' REPORT

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	31 March 2012	31 March 2011
Profit/ (Loss) for the period after taxation	10,669	18,183
Balance brought forward	(84,445)	(102,628)
Balance carried forward to Balance Sheet	(73,775)	(84,445)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Dr. K Anji Reddy
Director

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

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 Inc.** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	93,652	93,652
Reserves and surplus	2.2	(70,940)	(84,186)
		22,712	**9,466**
Non-current liabilities			
Other long term liabilities	2.3	254	223
		254	**223**
Current liablities			
Other current liabilities	2.3	4,113	15,417
		4,113	**15,417**
TOTAL		**27,079**	**25,106**
ASSETS			
Non current assets			
Long term loans and advances	2.4	119	2,024
		119	**2,024**
Current assets			
Trade receivables	2.5	24,788	21,728
Cash and bank balances	2.6	2,172	1,354
		26,960	**23,082**
TOTAL		**27,079**	**25,106**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra 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

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Service income		5	-
Other operating revenue	2.7	14,123	22,570
Revenue from operations		**14,128**	**22,570**
Other income	2.8	100	-
Total revenue		**14,228**	**22,570**
Expenses			
Cost of material consumed (including packing material consumed)		-	26
Other expenses	2.9	3,559	4,361
Total expenses		**3,559**	**4,387**
Profit before exceptional and extraordinary items and tax		**10,669**	**18,183**
Exceptional items		**-**	**-**
Profit before extraordinary items and tax		**10,669**	**18,183**
Extraordinary Items		**-**	**-**
Profit before tax		**10,669**	**18,183**
Tax expense		**-**	**-**
Profit/ (Loss) for the year		**10,669**	**18,183**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

for **A. Ramachandra 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

G V Prasad
Director

Place : Hyderabad
Date : 09 May 2012

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

e) Provisions and contingent liabilities

The Company creates 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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
10,000,000 shares of USD 0.0001 each	95,646	95,646
Issued		
9,791,500 shares of USD 0.0001 each	93,652	93,652
Subscribed and paid-up		
9,791,500 shares of USD 0.0001 each	93,652	93,652
Total	**93,652**	**93,652**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	9,791,500	93,652	9,791,500	93,652
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**9,791,500**	**93,652**	**9,791,500**	**93,652**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of U.S.$ 0.0001 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Reddy Antilles N. V	9,791,500	100	9,791,500	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Foreign currency translation reserve		
Balance at the beginning of the year	259	465
Movement during the year	2,576	(206)
	2,835	259
Surplus		
Balance at the beginning of the year	(84,445)	(102,628)
Add: Current year profit	10,669	18,183
Balance carried forward	(73,775)	(84,445)
	(70,940)	**(84,186)**
2.3 : Other liabilities		
A) Other long term liabilities		
Other Liabilities - Non Current	254	223
	254	**223**
B) Other current liabilities		
Accrued expenses	309	11,768
Salary and Bonus payable	3,670	3,217
Other current liabilities	134	432
	4,113	**15,417**
2.4 : Long term loans and advances		
(Unsecured)		
Considered good		
Security Deposits	119	2,024
	119	**2,024**
2.5: Trade Receivables		
(Unsecured)		
Receivables from holding company, other group companies	24,788	21,728
	24,788	21,728
Less: Provision for doubtful debts	-	-
	24,788	**21,728**
2.6 : Cash and bank balances		
Bank balances		
In current accounts	2,172	1,354
	2,172	**1,354**

Note 2 : Notes to Accounts (Continued)

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

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.7 : Other operating revenue		
Miscellaneous income	14,123	22,570
	14,123	**22,570**
2.8 : Other income		
Interest income		
On other deposits	100	-
	100	**-**
2.9 : Other expense		
Legal and professional	218	737
Rates and taxes	19	46
Repairs and maintenance		
Plant and machinery	191	766
Others	-	45
Communication	-	112
Miscellaneous	3,131	2,655
	3,559	**4,361**

Note 2 : Notes to Accounts (continued)

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

2.10: Commitments and contingent liabilities

There are no commitments and contingent liabilities as on 31st March 2012 (previous year Nil).

2.11: Related Party Disclosures:

	Particulars	As at 31 March 2012	As at 31 March 2011
i.	Due from related parties (Included in Trade Receivables)		
	Dr. Reddy's Laboratories Limited	24,788	21,728

2.12: Comparative figures

On applicability of revised Schedule VI from current year, the has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.13 : 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.

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 : 09 May 2012

for **Reddy US Therapeutics Inc**

Dr. K Anji Reddy
Director

G V Prasad
Director

DIRECTORS' REPORT

Dear Members,

Your Directors present the Annual Report of the Company for the year ended 31 March 2012.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2011-12 as compared to previous financial year:

(₹ in Thousands)

Particulars	**31 March 2012**	**31 March 2011**
Profit/ (Loss) for the period after taxation	(1,127)	(1,006)
Balance brought forward	(239,504)	(238,498)
Balance carried forward to Balance Sheet	(240,631)	(239,504)

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 2011-12 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.

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

The particulars as prescribed under Section 217(1)(e) 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, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

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

Place: Hyderabad
Date: 09 May 2012

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. **Trigenesis Therapeutics Inc.** as at **31 March 2012** and also the Statement of Profit and Loss 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 Statement of Profit and Loss 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 2012**; and

   b. In the case of the Statement of Profit and Loss, 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 : 09 May 2012

Balance Sheet

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

Particulars	Note	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	9	9
Reserves and surplus	2.2	17,471	18,598
		17,480	**18,607**
Non-current liabilities			
Long term borrowings	2.3	216	189
		216	**189**
Current liablities			
TOTAL		**17,696**	**18,796**
ASSETS			
Non current assets			
Fixed assets			
Intangible assets	2.4	17,689	18,781
		17,689	**18,781**
Current assets			
Cash and bank balances	2.5	7	15
		7	**15**
TOTAL		**17,696**	**18,796**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Trigenesis Therapeutics Inc**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2012	For the year ended 31 March 2011
Income			
Revenue from operations		**-**	**-**
Other income	2.5	-	12
Total revenue		**-**	**12**
Expenses			
Depreciation and amortization expense	2.4	1,079	1,009
Other expenses	2.6	48	9
Total expenses		**1,127**	**1,018**
Profit before exceptional and extraordinary items and tax		**(1,127)**	**(1,006)**
Exceptional items		-	-
Profit before extraordinary items and tax		**(1,127)**	**(1,006)**
Extraordinary Items		-	-
Profit before tax		**(1,127)**	**(1,006)**
Tax expense		-	-
Profit/ (Loss) for the year		**(1,127)**	**(1,006)**
Significant accounting policies	1		
Notes to accounts	2		

The accompanying notes are an integral part of financial statements.

As per our report attached

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

for **Trigenesis Therapeutics Inc**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director

Note 1: Significant accounting policies

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

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 and provisions of Companies Act, 1956.

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) 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, trademarks, etc. (including marketing/ distribution rights)	16

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.

Note 2 : Notes to Accounts

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.1 : Share capital		
Authorised		
1000 shares of $1.01 each	45	45
Issued		
206 shares of $1.01 each	9	9
Subscribed and paid-up		
206 shares of $1.01 each	9	9
Total	**9**	**9**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares	Amount	No. of Equity shares	Amount
Number of shares outstanding at the beginning of the year	206	9	206	9
Add: Share issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**206**	**9**	**206**	**9**

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of U.S.$ 1.01 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Equity shares held	% equity shares held	No. of Equity shares held	% equity shares held
Dr. Reddy's Laboratories Limited	206	100	206	100

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.2 : Reserves and surplus		
Securities premium reserve		
Balance at the beginning of the year	258,102	258,102
Additions / deductions during the year	-	-
	258,102	258,102
Surplus		
Balance at the beginning of the year	(239,504)	(238,498)
Add: Current year profit	(1,127)	(1,006)
Balance carried forward	(240,631)	(239,504)
	17,471	**18,598**
2.3 : Borrowings		
Long term borrowings		
Borrowings from holding company, other group companies	216	189
	216	**189**

Note 2 : Notes to Accounts (Continued)

2.4 : Fixed assets

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

	Gross Block 01.04.11	Additions	Sale	Gross Block 31.3.12	Acc Dep 01.04.11	Depreiction for the year	Sale/Adj	FOREX	Acc Dep 31.3.12	Net Block 31.3.12	Net Block 31.3.11
Intangibles	228,319	-	-	228,319	209,538	1,079	-	13	210,630	**17,689**	18,781
TOTAL	**228,319**	-	-	**228,319**	**209,538**	**1,079**	**-**	**13**	**210,630**	**17,689**	18,781
Previous Year	228,319	-	-	228,319	208,539	1,009	-	(10)	209,538	18,781	

Note 2 : Notes to Accounts (Continued)

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

Particulars	As at 31 March 2012	As at 31 March 2011
2.5 : Cash and bank balances		
Bank balances		
In current accounts	7	15
	7	**15**

	For the year ended 31 March 2012	For the year ended 31 March 2011
2.6 : Other income		
Foreign exchange loss, net	-	12
	-	**12**
2.7 : Other expense		
Foreign exchange loss, net	37	-
Bank charges	11	9
	48	**9**

Note 2 : Notes to Accounts (Continued)

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

2.8 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2012 (previous year Nil).

2.9 : Related Party Transactions:

Particulars	As at 31 March 2012	As at 31 March 2011
i) Due from related parties (included in Long term borrowings):		
Dr. Reddy's Laboratories Limited	216	-
Dr. Reddy's Laboratories Inc.	-	189

2.10 : Comparative figures

On applicability of revised Schedule VI from current year, the Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of the financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance Sheet.

2.11 : The Company, incorporated in the United States of America, is a 100% subsidiary of Dr. Reddy's Laboratories Ltd.

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

for **Trigenesis Therapeutics Inc**

A. Ramachandra Rao
Partner
Membership No. 9750
Place : Hyderabad
Date : 09 May 2012

G V Prasad
Director

Satish Reddy
Director