Dr.Reddy's

SUBSIDIARY COMPANIES FINANCIALS 2018-19

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Independent Auditors' Report

To the Members of
Aurigene Discovery Technologies (M) SDN BHD.

We have audited the accompanying financial statements of **Aurigene Discovery Technologies (M) SDN BHD** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Aurigene Discovery Technologies (M) SDN BHD
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	2,699	3,307
Capital work in progress		9	10
Financial assets			
Other financial assets	2.2	983	978
Tax assets,net	2.3	133	61
Total non current assets		**3,824**	**4,356**
Current assets			
Financial assets			
Investments	2.4	22,869	19,819
Trade receivables	2.5	6,012	6,776
Cash and cash equivalents	2.6	3,492	2,738
Loans	2.7	174	168
Other current assets	2.8	1,027	1,558
Total current assets		**33,574**	**31,059**
Total assets		**37,398**	**35,415**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.9	15,604	15,604
Other equity			
Retained earnings		19,540	17,428
Total equity		**35,144**	**33,032**
Current liabilities			
Financial Liabilities			
Other current financial liabilities	2.10	2,254	2,246
Other current liabilities	2.11	-	137
Total Liabilities		**2,254**	**2,383**
Total equity and liabilities		**37,398**	**35,415**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies (M) SDN BHD**

Palanivel Sathasivan
Director

Ashish Lath
Director

Aurigene Discovery Technologies (M) SDN BHD
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from operations	2.12	26,499	25,156
Other Income	2.13	2	3,401
Total Income		**26,501**	**28,557**
Expenses			
Employee benefits expense	2.14	15,334	13,012
Depreciation and amortisation expense	2.15	1,011	924
Other expenses	2.16	7,904	8,689
Total expense		**24,249**	**22,625**
Profit before tax		**2,252**	**5,932**
Income tax expense	2.17	140	19
Profit for the year		**2,112**	**5,913**
Earnings per share			
Basic - Par value MYR 1 per share		2.11	5.91
Diluted - Par value MYR 1 per share		2.11	5.91
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies (M) SDN BHD**

PSRVV Surya Rao
Partner
Membership No. 202367

Palanivel Sathasivan
Director

Place: Hyderabad
Date: 15 May 2019

Ashish Lath
Director

Aurigene Discovery Technologies (M) SDN BHD
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Profit / (Loss) before taxation	2,252	5,932
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	1,011	924
Finance Income	(2)	6
Net foreign exchange differences	442	(1,610)
Operating cash flows before working capital changes	**3,703**	**5,252**
Working capital adjustments:		
Trade receivables	847	(1,161)
Trade payables	(5)	(245)
Other assets & liabilities,net	364	(1,461)
	4,909	**2,385**
Income tax paid	(197)	8
Net cash flows from operating activities	**4,712**	**2,393**
Net cash flows used in investing activities		
Purchase of Property, plant and equipment	(403)	(74)
Interest received	8	(139)
Purchase of investments	(33,301)	(5,900)
Proceeds from sale of investments	29,664	-
	(4,032)	**(6,113)**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	680	(3,720)
Cash and cash equivalents at the beginning of the year	2,738	5,579
Effect of foreign exchange loss on cash and cash equivalents	74	879
Cash and cash equivalents at the end of the year	**3,492**	**2,738**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	3,492	2,738
Cash and bank balances at the end of the year	**3,492**	**2,738**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies (M) SDN BHD**

PSRVV Surya Rao
Partner
Membership No. 202367

Palanivel Sathasivan
Director

Place: Hyderabad
Date: 15 May 2019

Ashish Lath
Director

Aurigene Discovery Technologies (M) SDN BHD

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2017	**1,000,000**	**15,604**	**11,515**	**27,119**
Profit / (Loss) for the period	-	-	5,913	5,913
Balance as of 31 March 2018	**1,000,000**	**15,604**	**17,428**	**33,032**
Profit / (Loss) for the period	-	-	2,112	2,112
Balance as of 31 March 2019	**1,000,000**	**15,604**	**19,540**	**35,144**

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

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies (M) SDN BHD**

PSRVV Surya Rao
Partner
Membership No. 202367

Palanivel Sathasivan
Director

Place: Hyderabad
Date: 15 May 2019

Ashish Lath
Director

Aurigene Discovery Technologies (M) SDN BHD

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

Description of the Company

Aurigene Discovery Technologies (M) SDN BHD (" the Company") incorporated in Malaysia , is a 100% subsidiary of Aurigene Discovery Technologies Limited

Basis of preparation of financial statements :

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended.

Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

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

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

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

Financial assets:

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

Financial liabilities :

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Aurigene Discovery Technologies (M) SDN BHD

Significant Accounting Policies & Notes to financial statements

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

Income tax

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.
When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

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

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 30 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Aurigene Discovery Technologies (M) SDN BHD

Significant Accounting Policies & Notes to financial statements

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

j) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Provisions, contingent liabilities and contingent assets

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Contingent liabilities

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

Contingent assets

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Aurigene Discovery Technologies (M) SDN BHD

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales and services rendered to holding company or other group companies:		
Aurigene Discovery Technologies Limited	26,499	25,156

b. The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2019	As at 31 March 2018
Due from holding company and other group companies(included in trade receivables):		
Aurigene Discovery Technologies Limited	6,012	6,776

1.3 Taxation

a. Current Taxes

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

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Aurigene Discovery Technologies (M) SDN BHD
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

	Gross Block				Depreciation				Net Block	
Description	**As at 01.04.2018**	**Additions**	**Disposals**	**As at 31.03.2019**	**As at 01.04.2018**	**For the year**	**Disposals**	**As at 31.03.2019**	**As at 31.03.2019**	**As at 31.03.2018**
Electrical equipment	429	-	-	429	429	-	-	429	-	-
Laboratory equipment	23,316	219	-	23,535	20,009	827	-	20,836	2,699	3,307
Office equipment	6,094	184	-	6,278	6,094	184	-	6,278	-	-
TOTAL	**29,839**	**403**	**-**	**30,241**	**26,532**	**1,011**	**-**	**27,543**	**2,699**	**3,307**
Previous Year	**29,839**	**-**	**-**	**29,838**	**25,607**	**924**	**-**	**26,532**	**3,307**	

Aurigene Discovery Technologies (M) SDN BHD

Notes to Financial Statements

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

Non Current Assets

A. Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.2 : Other Non current assets		
Security Deposits	983	978
	983	**978**

B. Other Assets

	As at 31 March 2019	As at 31 March 2018
2.3 : Tax Assets, net		
Advance income tax, net of provision	133	61
	133	**61**

Current Assets

A. Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.4 : Current investments		
Investments carried at amortised cost	22,869	19,819
	22,869	**19,819**

	As at 31 March 2019	As at 31 March 2018
2.5 : Trade receivables		
(Unsecured,considered good)		
Receivable from holding company and other group companies	6,012	6,776
Receivable from Others	-	-
	6,012	**6,776**

	As at 31 March 2019	As at 31 March 2018
2.6 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	3,492	2,738
	3,492	**2,738**

	As at 31 March 2019	As at 31 March 2018
2.7 : Loans and Advances		
Other advances	174	168
	174	**168**

B. Other Assets

	As at 31 March 2019	As at 31 March 2018
2.8: Other current assets		
Prepaid expenses	378	461
Balance with statutory agencies	442	547
Advances to material suppliers	207	550
	1,027	**1,558**

Aurigene Discovery Technologies (M) SDN BHD

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

Note 2: Notes to the financial statements

2.9 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
1,000,000 (31 March 2018: 1,000,000) shares of MYR 1 each	15,604	15,604
Issued equity capital		
1,000,000 (31 March 2018: 1,000,000) shares of MYR 1 each	15,604	15,604
Subscribed and fully paid-up		
1,000,000 (31 March 2018: 1,000,000) shares of MYR 1 each	15,604	15,604
	15,604	**15,604**

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

Particulars	As at 31 March 2019		As at 31 March 2018	
Number of shares outstanding at the beginning of the year	1,000,000	15,604	1,000,000	15,604
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**1,000,000**	**15,604**	**1,000,000**	**15,604**

(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**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Aurigene Discovery Technologies Limited	1,000,000	100%	1,000,000	100%

A. Financial Liabilities

2.10 : Other financial liabilities

	As at 31 March 2019	As at 31 March 2018
Other current financial liabilities		
Accrued expenses	2,254	2,246
Capital Creditors	-	-
Other liabilities	-	-
	2,254	**2,246**

B. Other Liabilities

	As at 31 March 2019	As at 31 March 2018
2.11 : Other Current Liabilities		
Due to statutory authorities	-	137
	-	**137**

Aurigene Discovery Technologies (M) SDN BHD

Notes to Financial Statements

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

Note 2: Notes to the financial statements

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.12 : Revenue from operations		
Service Income	26,499	25,156
	26,499	**25,156**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.13 : Other income		
Interest income		
On fixed deposits	2	-
Foreign exchange gain,net	-	3,401
	2	**3,401**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.14 : Employee benefits expense		
Salaries, wages and bonus	15,334	13,012
	15,334	**13,012**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.15 : Depreciation and amortisation expense		
Depreciation of property, plant and equipment	1,011	924
	1,011	**924**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.16 : Other expenses		
Other general expenses	7,904	8,689
	7,904	**8,689**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.17 : Tax expense		
Current tax expense	140	19
	140	**19**

Independent Auditors' Report

To the Members of
Aurigene Discovery Technologies Inc.

We have audited the accompanying financial statements of **Aurigene Discovery Technologies Inc.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Loss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Aurigene Discovery Technologies Inc.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Tax assets, net		-	-
		-	-
Current assets			
Cash and cash equivalents	2.1	698	980
		698	**980**
Total assets		**698**	**980**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.2	257,460	257,460
Other equity		(256,762)	(256,480)
		698	**980**
Total equity and liabilities		**698**	**980**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 15 May 2019

Aurigene Discovery Technologies Inc.
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 2019	For the year ended 31 March 2018
Income			
Income		-	-
Total income		-	-
Expenses			
Selling and other expenses	2.3	344	337
Total expenses		**344**	**337**
Loss before tax		**(344)**	**(337)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the year		**(344)**	**(337)**
Other comprehensive income (OCI)		62	4
Total comprehensive loss for the year		**(282)**	**(333)**
Earnings per share:			
Basic earnings per share of USD 1/- each		(0.07)	(0.06)
Diluted earnings per share of USD 1/- each		(0.07)	(0.06)

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 15 May 2019

Aurigene Discovery Technologies Inc.
Statement of Changes in Equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus	Other comprehensive income	
		Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2018	**257,460**	**(251,178)**	**(5,302)**	**980**
Foreign currency translation adjustments	-	-	62	62
Loss for the year	-	(344)	-	(344)
Balance as at 31 March 2019	**257,460**	**(251,522)**	**(5,240)**	**698**

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus	Other comprehensive income	
		Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2017	**257,460**	**(250,841)**	**(5,306)**	**1,313**
Foreign currency translation adjustments	-	-	4	4
Loss for the year	-	(337)	-	(337)
Balance as at 31 March 2018	**257,460**	**(251,178)**	**(5,302)**	**980**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of
Aurigene Discovery Technologies Inc.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 15 May 2019

Aurigene Discovery Technologies Inc.

Statement of Cash Flow

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

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flows from / (used in) operating activities		
Loss before tax	**(344)**	**(337)**
Adjustments:		
Foreign exchange loss / (gain), net	(4)	-
Changes in operating assets and liabilities:		
Other assets and liabilities, net	-	126
Cash generated from / (used in) operations	**(348)**	**(211)**
Income tax paid, net		-
Net cash from / (used in) operating activities	**(348)**	**(211)**
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	**-**	**-**
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	**-**	**-**
Net decrease in cash and cash equivalents	(348)	(211)
Effect of exchange rate changes on cash and cash equivalents	66	4
Cash and cash equivalents at the beginning of the year	980	1,187
Cash and cash equivalents at the end of the year	**698**	**980**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 15 May 2019

Aurigene Discovery Technologies Inc.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Aurigene Discovery Technologies Inc. (" the Company") incorporated in the United States of America , is a 100% subsidiary of Aurigene Discovery Technologies Limited.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

d) Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Aurigene Discovery Technologies Inc.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) Income tax

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

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

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

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

h) Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

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

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

Aurigene Discovery Technologies Inc.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

i) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

j) Provisions, contingent liabilities and contingent assets

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Contingent liabilities

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

Contingent assets

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

k) Financial instruments

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

Financial assets

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

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

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

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

Financial liabilities

Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

l) Cash and cash equivalents

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

m) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Aurigene Discovery Technologies Inc.

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

Note 2 Notes to the financial statements (continued)

2.1 Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	698	980
	698	**980**

2.2 Share capital

	As at 31 March 2018	As at 31 March 2017
Authorised share capital		
6,000,000 equity shares of USD 1/- each (31 March 2018: 6,000,000)	276,000	276,000
Issued equity capital		
5,215,000 equity shares of USD 1/- each (31 March 2018: 5,215,000)	257,460	257,460
Subscribed and fully paid-up		
5,215,000 equity shares of USD 1/- each (31 March 2018: 5,215,000)	257,460	257,460
	257,460	**257,460**

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

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	5,215,000	257,460	5,215,000	257,460
Add: Equity shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**5,215,000**	**257,460**	**5,215,000**	**257,460**

(b) **Terms / rights attached to the equity shares**

The Company has only one class of equity shares having a par value of USD 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 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Aurigene Discovery Technologies Limited	5,215,000	100.00	5,215,000	100.00

Aurigene Discovery Technologies Inc.

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

Note 2 Notes to the financial statements (continued)

2.3 Selling and other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Legal and professional	174	175
Rates and taxes	170	162
	344	**337**

2.4 Going Concern

The accounts have been prepared on Going Concern basis, despite having accumulated losses, as the company is supported by its parent company in its activities and financial affairs.

2.5 Income taxes

a. Current Taxes

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

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

2.6 Provisions, contingent liabilities and contingent assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

2.7 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Aurigene Discovery Technologies Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

K Satish Reddy
Director

G V Prasad
Director

Place: Hyderabad
Date: 15 May 2019

AURIGENE
Accelerating Discovery
Aurigene Discovery Technologies Limited
39-40, KIADB Industrial Area, Electronic City Phase II, Hosur Road, Bangalore 560 100, India
Phone : +91 80 7102 5444 Fax : +91 80 2852 6285
E mail : info@aurigene.com Web : www.aurigene.com
CIN : U24239KA2001PTC029391

Board's Report

Dear Members,

Your Directors present the 18th Board's Report of the Company for the year ended 31 March 2019.

Financial Highlights

The following table gives the financial highlights of the Company for the year ended 31 March 2019 as compared to previous financial year:

(Rs. in lacs)

Particulars	31-Mar-19	31-Mar-18
Revenue from contracts with customers	21,121	18,560
Other operating income	6	58
Other income	247	136
Finance Income	722	889
Total income	**22,096**	**19,643**
Profit before interest, depreciation, amortization and tax (EBITDA)	7,663	4,753
Depreciation and amortization	1,133	1,030
Interest on Income Tax	29	(404)
Profit before tax	**6,501**	**4,127**
Tax expense	1,895	350
Profit after tax	**4,606**	**3,777**
Add: Balance brought forward	7,472	3,695
Total Available for Appropriation	12,078	7,472
Appropriations:		
Dividend paid on equity shares in the year ended	-	-
Tax on dividend paid in the year ended	-	-
Balance carried forward to Balance Sheet	**12,078**	**7,471**

Company's Affairs

The Company's net revenue for the year was Rs. 21,121 lacs, up 14% over the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 61% to Rs. 7,663 lacs. Profit before taxes (PBT) was Rs 6,501 lacs, an increase of 58% over the previous year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2019.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

Share capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Accordingly, no disclosure or reporting provisions is required in respect of details relating to deposits.

Change in the Nature Of Business, If Any

During the year, there was no change in the nature of business of the company or any of its subsidiaries.

Material Changes and Commitments Affecting the Financial Position of the Company

None.

Subsidiaries and Associates

The Company has two wholly owned subsidiaries as on 31 March 2019 - Aurigene Discovery Technologies (Malaysia) SDN BHD., Malaysia and Aurigene Discovery Technologies Inc., USA. No company has become or ceased to be subsidiary, joint ventures or associate during the year.

Pursuant to Section 129(3) of the Companies Act, 2013 and Rule 6 of the Companies (Accounts) Rules, 2014, where the Company has one or more subsidiaries or associate companies, it shall, in addition to its financial statements, prepare a consolidated financial statement of the company and of all subsidiaries and associates in the same form and manner as that of its own and also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiaries and associates.

However, the Ministry of Corporate Affairs vide its circular dated July 27, 2016 has clarified that the provisions pertaining to manner of consolidation of accounts shall not be applicable to the companies which meet the following conditions:

a) All the members of the Company have been intimated in writing for not presenting the financial statements and the members do not object to the same;
b) It is not a listed company nor in the process of listing; and
c) The Company's ultimate holding company files the consolidated financial statements with the Registrar which are in compliance with the applicable accounting standards.

Dr. Reddy's Laboratories Limited (ultimate holding company) files consolidated financial statements with the Registrar of Companies in compliance with accounting standards, the Company is neither listed nor in the process of listing and all the members of the Company have intimated in writing that they do not have objection to the Company not presenting consolidated financial statements.

Therefore, the relevant provisions regarding manner of consolidation of accounts are not applicable to the Company and the Company complies with the said circular.

A statement containing the salient features of the financial statement of its subsidiaries in prescribed Form AOC-1 is attached as **'Annexure – I'** to the Board's Report.

Particulars of Loans, Guarantees or Investments

Details of Loans, Guarantees and Investments covered under Section 186 of the Companies Act, 2013 form part of the notes to financial statements provided in this Annual Report.

Number of Board meetings

The Board of Directors met four times during the year on: May 11, 2018, July 31, 2018, October 24, 2018 and January 30, 2019.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN 06471520), retires by rotation at the ensuing AGM and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing AGM. Brief profile of Mr. Saumen Chakraborty forms a part of the statement annexed to the Notice convening the Annual General Meeting for reference of the shareholders.

Mr. Julius John Sheldon Knowles resigned as a director of the Company on May 15, 2019 on account of his personal commitments. Further, Mr. C S N Murthy tendered his resignation as Chief Executive Officer – Key Managerial Personnel on May 15, 2019 to be effective from June 30, 2019. Dr. Muralidhara Ramachandra, Chief Scientific Officer has been appointed as the Chief Executive Officer – Key Managerial Personnel on May 15, 2019 to be effective from July 1, 2019.

During the year, there is no other change in the composition of directors on the Board and Company's Key Managerial Personnel.

Declaration given by the Independent Directors

In accordance with Section 149(7) of the Companies Act, 2013, Mr. Hariharnath Buggana and Dr. Bruce L.A. Carter, Independent Directors have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

Secretarial Standards

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

Appointment of Directors and Remuneration Policy

The Nomination and Remuneration Committee of the Board assess candidates for the Board on a combination of parameters. These include experience, personal and professional stature, domain expertise, specific qualification for the position and his/her independence as defined in Section 149(6) of the Companies Act, 2013. The Committee then places the details of shortlisted candidates to the Board for consideration. If the Board approves, the person gets appointed as an Additional Director, subject to the approval of members in the Company's General Meeting.

In accordance with Section 178(3) of the Companies Act, 2013, the policy for remuneration to Directors, Key Management Personnel (KMPs), Senior Management and other employees is attached as '**Annexure – II'.**

Board Evaluation

The evaluation of the performance of the Board, its Committees and individual directors was undertaken during the year, on the basis of parameters pre-determined by the Nomination and Remuneration Committee.

For the Board evaluation, each director completed a questionnaire that involved peer evaluation and feedback on the processes of the board and its committees. The contribution and impact of individual members was evaluated on a number of parameters, such as level of engagement, independence of judgment, conflicts resolution and contributions to enhance the board's overall effectiveness. Peer ratings on certain parameters, positive attributes and improvement areas for each director were provided to them on a confidential basis.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;

2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2018-19 and of the profit of the Company for that period;

3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. annual accounts have been prepared on a going concern basis; and

5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Audit Committee

The Audit Committee comprises of Mr. Hariharnath Buggana (Independent Director) as Chairman, Dr. Bruce L.A. Carter (Independent Director) and Mr. Saumen Chakraborty as members of the Committee. The Audit Committee met four times during the year on May 8, 2018, July 24, 2018, October 22, 2018 and January 24, 2019.

The Board has accepted all recommendations made by the Audit Committee during the year.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of Mr. Hariharnath Buggana (Independent Director) as Chairman, Dr. Bruce L.A. Carter (Independent Director) and Mr. G V Prasad as members of the Committee. The Nomination and Remuneration Committee met twice during the year on October 22, 2018 and January 30, 2019.

The Board has accepted all recommendations made by the Nomination and Remuneration Committee during the year.

Corporate Social Responsibility

The Company's Corporate Social Responsibility (CSR) Committee constituted in terms of Section 135 of the Companies Act, 2013, comprises of Mr. Hariharnath Buggana (Independent Director) as Chairman, Mr. G V Prasad and Mr. Saumen Chakraborty as members of the Committee.

The CSR Committee met twice during the year on May 11, 2018 and October 22, 2018.

The Board has accepted all recommendations made by the Corporate Social Responsibility Committee during the year.

The Company's CSR policy indicates the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013. During the year, the Company followed the guidelines of its CSR policy, while pursuing its social initiatives.

Details about the CSR policy is also available on Company's website, and can be accessed at the weblink: http://www.aurigene.com/about-aurigene-biotech/csr-policy-drug-discovery-process/.

The Annual Report on CSR activities of the Company is attached as '**Annexure - III'** to this report.

Internal Auditor

Ms. Seema Grover, Chief Internal Auditor of Dr. Reddy's Laboratories Limited, Holding Company and her team continues to perform the internal audit of various process of the Company. The Audit Committee periodically reviews the findings of the internal audit and monitors implementation of corrective actions suggested. An update on such matters is thereafter presented to the Board as well.

Risk Management

Your Company has developed a risk management framework (commensurate with its size and business objectives) to identify, prioritise and mitigate the risks that could threaten the existence of the Company. As per the Risk Management Policy of the Company, key risks and progress on their mitigation are regularly presented and discussed at the Company's Board meeting.

Adequacy of Internal Financial Controls with reference to Financial Statements

The Company has in place adequate internal financial controls with reference to financial statements. These controls ensure the accuracy and completeness of the accounting records and preparation of reliable financial statements.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract(s) or arrangement(s) entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as **"Annexure - IV"**.

All such contracts or arrangements are in the interest of the company. The details of related party disclosures form part of the notes to the financial statements provided along with this Annual Report.

Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, M/s. R & A Associates, Company Secretaries, Hyderabad, (Membership No. FCS 4448, Certificate of Practice no. 2820 and Firm Registration no. 590) were appointed to conduct the Secretarial Audit of the Company for the financial year ended

31 March 2019. The Secretarial Audit Report for the financial year ended on 31 March 2019 is attached as **"Annexure - V"** to this Report.

Statutory Auditors

M/s. S. R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004) were appointed as statutory auditors at the 15th AGM of the Company held on July 15, 2016 for a period of five years commencing from the conclusion of the 15th AGM till conclusion of the 20th AGM, subject to ratification by the shareholders every year, as may be applicable.

However, the Ministry of Corporate Affairs (MCA) vide its notification dated 7 May 2018 has omitted the requirement under first proviso to Section 139 of the Companies Act, 2013 and Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of statutory auditors by shareholders at every subsequent AGM.

Consequently, M/s. S R Batliboi & Associates LLP, chartered accountants, continues to be the statutory auditors of the company till the conclusion of 20th AGM, as approved by shareholders at 15th AGM held on July 15, 2016.

Cost Audit

The Company is not required to maintain cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 and accordingly the accounts and records are not made and maintained.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report or by the Secretarial Auditor in the Secretarial Audit Report.

During the year, there were no instances of frauds reported by auditors under Section 143(12) of the Companies Act, 2013.

Significant and Material Orders passed by the Court/Regulators

None.

Particulars of Employees

Disclosures pertaining to remuneration and other details as required under section 197(12) of the Companies Act, 2013, read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as "**Annexure VI".**

In terms of section 197(12) of the Companies Act, 2013, read with rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of limits set out in said rules forms part of the annual report.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Rule 8(3) of the Companies (Accounts) Rules, 2014 relating to conservation of energy, research and development, technology absorption is given as under:

(A) Conservation of energy

(i) The steps taken or impact on conservation of energy:

The major energy conservation initiatives taken by the Company during the year are:

a) Installation of energy efficient oil free Scroll compressor in place of oil compressor;
b) Replacement of forward curve blowers with energy efficient backward curve blowers for ACU;
c) Regular replacement of coil, filters and other equipments for optimum output from chiller pumps;
d) Replace old metal belt driven blower by PP FRP direct drive blower;
e) Installation of LED lightings to save power;

(ii) The steps taken by the company for utilizing alternate sources of energy:
The Company has installed rooftop solar energy system of 250KW.

(iii) The capital investment on energy conservation equipments: Rs. 189 lacs.

(B) Technology Absorption, Adoption and Innovation:
No technology was imported by the Company during the year.

(C) Foreign exchange earnings and outgo:
The details of foreign exchange earnings and expenditure are as under:

(Rs. In Lacs)

Particulars	**For the year ended March 31, 2019**	**For the year ended March 31, 2018**
Earnings in foreign currency	20,544	17,531
Expenditure in foreign currency	2,354	2,038

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are enclosed as **"Annexure VII"** to this Report.

Disclosure on Sexual Harassment of Women at Workplace

The Company has an Internal Complaints Committee for providing a redressal mechanism of complaints pertaining to Sexual Harassment of Women at Workplace. There was no case of sexual harassment reported during the year under the review.

Acknowledgement

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

For and on behalf of the Board of Directors

Sd/- Sd/-

Date: May 15, 2019 **G V Prasad** **K. Satish Reddy**
Place: Hyderabad **Director** **Director**

Annexure-I

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Amount in Rs.)

Sl. No.	Particulars	Details	Details
1.	Name of the subsidiary	Aurigene Discovery Technologies (Malaysia) SDN BHD	Aurigene Discovery Technologies Inc., USA
2.	Reporting period for the subsidiary concerned	31-03-2019	31-03-2019
3.	Date of incorporation/acquisition	26-09-2007	29-04-2002
4.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Malaysian Ringgits (MYR) 16.94	United States Dollar (USD) 69.16
5.	Share capital	16,940,000	360,669,400
6.	Reserves & surplus	17,241,820	-359,971,714
7.	Total assets	36,421,203	697,686
8.	Total Liabilities	2,239,383	-
9.	Investments	-	-
10.	Turnover	26,230,421	-
11.	Profit before taxation	2,268,554	-342,688
12.	Provision for taxation	139,077	-
13.	Profit after taxation	2,129,477	-342,688
14.	Proposed Dividend	-	-
15.	% of shareholding	100%	100%

There was no subsidiary which is yet to commence the operations. Further, none of the subsidiary have been liquidated or sold during the year.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures: NA

Name of associates/Joint Ventures	NA
1. Latest audited Balance Sheet Date	
2. Shares of Associate/Joint Ventures held by the company on the year end	
No.	
Amount of Investment in Associates/Joint Venture	
Extend of Holding%	
3. Description of how there is significant influence	
4. Reason why the associate/joint venture is not consolidated	
5. Net worth attributable to shareholding as per latest audited Balance Sheet	
6. Profit/Loss for the year	
i. Considered in Consolidation	
ii. Not Considered in Consolidation	

For and on behalf of the Board of Directors

Sd/- Sd/-

Date: May 15, 2019
Place: Hyderabad

G V Prasad
Director

Satish Reddy
Director

Sd/-
CSN Murthy
Chief Executive Officer

Sd/-
Ashish Lath
Chief Financial Officer

Sd/-
Sudipta V
Company Secretary

ANNEXURE - II

REMUNERATION POLICY

I. CONTEXT

The purpose of this Policy is to guide the Board in regard to:

a) Evaluate the performance of the members of the Board;
b) The remuneration of the Board, Key Managerial Personnel and other employees to reflect short and long term performance objectives; and
c) Overall compensation approach to retain and attract talent.

II. DEFINITIONS

"Board" means Board of Directors of the Company.

"Committee" means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.

"Company" means Aurigene Discovery Technologies Limited.

"Director" means Directors of the Company.

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

"Independent Director" shall mean a director referred to in Section 149 (6) of the Companies Act, 2013.

"Key Managerial Personnel" is as defined under the Companies Act, 2013 and means

a) the Chief Executive Officer or the Managing Director or the Manager [having ultimate controls over affairs of the company];
b) the Company Secretary;
c) the Whole-Time Director;
d) the Chief Financial Officer; and
e) such other officer as may be prescribed under the applicable statutory provisions/regulations from time to time.

"Senior Management" means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads.

III. APPLICABILITY

This policy is applicable to the following:

• Directors (Non-Executive and Independent)
• Key Managerial Personnel (KMPs)
• Senior Management Personnel
• Other Employees

IV. EVALUATION OF DIRECTORS

The Committee shall carry out performance evaluation of every Director annually, on such parameters as it may deem fit.

V. REMUNERATION OF DIRECTORS, KMPs AND OTHER EMPLOYEES

The Committee shall recommend to the Board for their approval, any remuneration to be paid the Directors. The Committee will separately review and approve the remuneration to be paid to KMPs.

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

Directors -The Directors shall receive remuneration by way of sitting fees and reimbursement of expenses for attending meetings of Board or Committee thereof. In addition, the Directors shall be eligible to receive profit related commission, as may be approved by the shareholders of the Company. Independent Directors shall not be entitled to any stock options.

KMPs/Senior Management Personnel/Other Employees – The Remuneration to be paid to KMPs/Senior Management Personnel/Other Employees shall be based on the experience, qualification and expertise of the talent. The compensation will be the balance of fixed pay, variable pay and/or Performance Based Incentive Plans.

The Company may periodically review the compensation and benefits at all levels to ensure that the company remains competitive and is able to attract and retain desirable talent. The Committee may review the overall compensation approach for employees and suggest changes, if required.

VI. CONFIDENTIALITY

The members of the Nomination and Remuneration Committee may not disclose, in particular, the information contained in the confidential reports they receive or the contents of confidential discussions.

They shall also ensure that any employees appointed to support them likewise comply with this rule.

VII. REVIEW

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

For and on behalf of the Board of Directors

	Sd/-	Sd/-
Date: May 15, 2019	**G V Prasad**	**Satish Reddy**
Place: Hyderabad	**Director**	**Director**

ANNEXURE III

Annual Report Corporate Social Responsibility (CSR)

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

   The CSR Policy as approved by the Board of Directors of the Company can be viewed at http://www.aurigene.com/about-aurigene-biotech/csr-policy-drug-discovery-process/

2. The Composition of the CSR Committee.

   As per Section 135 of the Companies Act, 2013, your Company has constituted a Corporate Social Responsibility (CSR) Committee of its Board of Directors on March 30, 2016. The Committee comprises of: Mr. Hariharnath Buggana (Independent Director) as Chairman, Mr. G V Prasad and Mr. Saumen Chakraborty.

3. Average net profit of the company for last three financial years

   Rs. 3,981 Lakhs

4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)

   Rs. 79.6 Lakhs

5. Details of CSR spent during the financial year.

   (a) Total amount to be spent for the financial year;

   Rs. 79.6 Lakhs

   (b) Amount unspent, if any;

   Rs. 6.8 Lakhs

(c) Manner in which the amount spent during the financial year is detailed below.

(Amount in Lakhs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR PROJECT OR ACTIVITIES IDENTIFIED	SECTOR IN WHICH THE PROJECT IS COVERED	PROJECTS OR PROGRAMS (1) LOCAL AREA OR OTHER (2) SPECIFY THE STATE & DISTRICTS WHERE PROJECTS OR PROGRAMS WAS UNDERTAKEN	AMOUNT OUTLAY (BUDGET) PROJECT OR PROGRAM WISE FOR THE FY2019	AMOUNT SPENT ON THE PROJECTS OR PROGRAMS	CUMULATIVE EXPENDITURE UPTO THE REPORTING PERIOD	AMOUNT SPENT: DIRECT OR THROUGH IMPLEMENTING AGENCY
1	Extending scholarship to economically weaker students to peruse education	Improving the quality of education	Local Area Karnataka-Bangalore	5	5	5	Direct- Sri Ananth Nagar Vidyaniketan School
2	Improving the infrastructure in school and providing drinking water facility	Improving the quality of education	Local Area Karnataka-Bangalore	10	10	10	Direct- Sri Ananth Nagar Vidyaniketan School
3	Development of a computer literacy centre in village areas	Improving the quality of education	West Bengal – Punia Village	10	10	10	Direct - Punia Toruntirtha Club
4	Skill Development under National Employability Enhancement Mission (NEEM) through Team Lease Skill University	Skill Development	Local Area Karnataka-Bangalore	37	36.6	36.6	Direct - In association with Team Lease University

5	Maintenance of Park at Electronic City Phase-2, Bangalore-560100	Swachh Bharath	Local Area Karnataka-Bangalore	8	8.5	8.5	Direct – In association with National Highway Authority
6	Awareness campaign in pathology and toxicology focused conference in India	Improving healthcare	Hyderabad	2	1.5	1.5	In association with Society of Toxicologic Pathology India
7	Workshop on Team Building & Distribution of Bicycles to Girl students	Women Empowerment	Local Area - Bangalore	1	1.2	1.2	Direct- Sri Ananth Nagar Vidyaniketa n School
8	Installation of E-toilet at Park at Electronic City Phase 2 *	Swatch Bharath	Local Area - Bangalore	6.6	NA	NA	Direct – in Association with NHAI
	TOTAL			**79.6**	**72.8**	**72.8**	

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

   During the financial year 2018-19, the Company was engaged in gestating new projects in line with CSR policy. Also, partnership building with social institutions and identification of projects took longer than expected.

   ** The Company has agreed with National Highway Authority of India (NHAI) for installation of 1 E-toilet near the park constructed by the Company at Electronic City Phase 2. However, during the execution, NHAI advised the Company to go for construction of regular toilets (7 nos) and to maintain them for next 5 years. Since the contract for construction and maintenance could not be finalized in FY2019, this initiative was deferred to FY2020..*

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company. **The implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.**

Sd/-	Sd/-
Mr. C S N Murthy **Chief Executive Officer**	**Hariharnath Bugganna** **Chairman CSR Committee**

Annexure- IV

FORM NO. AOC – 2
(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

(a)	Name(s) of the related party and nature of relationship	**Not Applicable**
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. **Details of material contracts or arrangement or transactions at arm's length basis:**

(a)	Names(s) of the related party and nature of relationship	**Not Applicable**
(b)	Nature of contracts/arrangements/ transactions	
(c)	Duration of the contracts/arrangements transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Date(s) of approval by the Board, if any	
(f)	Amount paid as advances, if any	

For and on behalf of the Board of Directors

Sd/-
G V Prasad
Director

Sd/-
Satish Reddy
Director

Date: May 15, 2019
Place: Hyderabad

Hyderabad | Gurgaon | Chennai | Mumbai | Amravathi

R & A Associates
T 202, Technopolis, 3-10-74/B,
Above Ratnadeep Super Market,
Chikoti Gardens, Begumpet,
Hyderabad - 500016, India.
+91 40 4003 2244 - 47
info@RnA-cs.com | www.RnA-cs.com

FORM MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2019
[Pursuant to Section 204(1) of the Companies Act, 2013 and RuleNo.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To
The Members
AURIGENE DISCOVERY TECHNOLOGIES LIMITED
39/49(P), Kiadb Industrial Area, Electronics City, Phase II
Bangalore – 560100 Karnataka, India.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Aurigene Discovery Technologies Limited** (herein after called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Company for the financial year ended on 31st March, 2019 according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;
ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under (Not applicable to the Company during the Audit Period);

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder (Not applicable to the Company during the Audit Period);
iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
   a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011(Not applicable to the Company during the Audit Period);
   b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Not applicable to the Company during the Audit Period);
   c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
   d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during the Audit Period);
   e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
   f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not applicable to the Company during the Audit Period);
   g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009(Not applicable to the Company during the Audit Period); and
   h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period).

vi. We further report that the Company is engaged into research and development activity, drug discovery, development activities and licensing arrangements, as such there are no specific industry laws which are applicable to the Company.

We have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by The Institute of Company Secretaries of India;
ii. The Listing Agreements entered into by the Company with Stock Exchanges **(Not applicable to the Company during the Audit Period)**.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. Adequate notice is given to all

the Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent atleast seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors and Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For R & A Associates

Sd/-
G. Raghu Babu
Partner
FCS No: 4448, **CP No**. 2820

Date:
Place: Hyderabad

[This report is to be read with our letter of even date, which is annexed as "Annexure – A" and forms an integral part of this report.]

"Annexure – A"

To
The Members
AURIGENE DISCOVERY TECHNOLOGIES LIMITED,
39/49(P), Kiadb Industrial Area, Electronics City, Phase II
Bangalore – 560100 Karnataka, India.

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of M/s. Aurigene Discovery Technologies Limited ("the Company"). Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For R & A Associates

Sd/-
G. Raghu Babu
Partner
FCS No: 4448, **CP No**. 2820

Date:
Place: Hyderabad

Annexure VI

Statement of Particulars of Remuneration of top 10 employees in terms of remuneration and Employees (Employed for full year) in receipt of Remuneration in Excess of 1.02 Crores lakhs per annum / Employed for part of the fi
(Pursuant to Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

Sl No.	Name of the Employee	Age	Designation	Percentage of Equity Shares held	Whether employee is relative of any director or manager	Gross Remuneration (in Rs. In lacs)	Qualification	Experience in Years	Date of Commencement of Employment	Particulars of Last Employment
1	CSN Murthy	52	CEO	0	No	192.33	B Tech, MBA	29	April 1, 2005	Dr. Reddy's Laboratories Limited
2	Murali Ramachandra	58	Chief Scientific Officer	0	No	144.05	PhD	30	February 14, 2005	Schering Plough Corporation, USA
3	Chetan Pandit	58	Sr. Vice President - Medicinal	0	No	88.09	PhD	26	April 2, 2007	Naeja Pharmaceuticals
4	Susanta Samajdar	48	Vice President - Medicinal Chemistry	0	No	68.41	PhD	19	March 5, 2012	Jubilant Biosys
5	Rajshree K T	45	Sr. Director-Strategic Alliances	0	No	61.72	MBA	15	October 8, 2012	UBS.Service (INDIA) Private Limited.
6	Ashish Lath	41	Vice President - Finance	0	No	71.88	B Com, CA	19	October 29, 2012	Mahindra Reva Electric Vehicle pvt.
7	Shekar Chelur	46	Director - Toxicology	0	No	42.77	M.VSc	20	February 18, 2004	Zydus Cadila
8	Veerendra Patil	41	Sr. Director - HR	0	No	45.25	MBA	15	February 18, 2011	GMR Energy Ltd.
9	Sanjeev Giri	40	Sr. Director - DMPK	0	No	65.10	PhD	17	March 10, 2014	Jubilant Biosys
10	Rajesh Eswarappa	47	Director - Toxicology	0	No	63.02	PhD	24	April 17, 2014	Kemin Industries

Notes:

1) All the above employments are non-contractual.

2) None of the above employees are related to any Director or manager of the Company.

3) None of the above employees, by himself/herself or along with his/her spouse and dependent children holds 2% or more of the equity shares of the Company.

For and on behalf of the Board

	Sd/-	Sd/-
Date: May 15, 2019	G V Prasad	Satish Reddy
Place: Hyderabad	Director	Director

ANNEXURE VII

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2019
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sr. No.	Particulars	Details
i)	CIN	U24239KA2001PLC029391
ii)	Registration Date	August 10, 2001
iii)	Name of the Company	Aurigene Discovery Technologies Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	39/40(P), KIADB Industrial Area, Electronics City Phase II, Bengaluru, Karnataka - 560 100 Tel: +91-80-7102 5444 Fax: +91-80-2852 6285 Email id: ashish_l@aurigene.com
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sr. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
1	Research and scientific services not classified elsewhere such as those rendered by institutions and laboratories engaged in research in the biological, physical and social sciences, meteorological institutes and medical research organisations etc.	922	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500 034	L85195TG1984PLC004507	Holding	100	2(46)
2	Aurigene Discovery Technologies Inc., USA	107, College Road (E), Princeton, New Jersey - 08540, USA.	NA	Subsidiary	100	2(87)(ii)
3	Aurigene Discovery Technologies (Malaysia) SDN BHD	Aras 2, kompleks Pengurusan Penyelidikan & Inovasi (Level 2, Research Management & Innovation complex), University of Malaya, lembah Pantai 50603, Kuala Lumpur, Malaysia.	NA	Subsidiary	100	2(87)(ii)

* Represents aggregate % of shares held.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	90,544,104	90,544,104	100	0	90,544,104	90,544,104	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	90,544,104	90,544,104	100	0	90,544,104	90,544,104	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	**0**	**90,544,104**	**90,544,104**	**100**	**0**	**90,544,104**	**90,544,104**	**100**	**0**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0

Grand Total (A+B+C)	**0**	**90,544,104**	**90,544,104(*)**	**100**	**0**	**90,544,104**	**90,544,104 (*)**	**100**	**0**

(*) Out of 90,544,104 equity shares, 15 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	90,544,104	100	0	90,544,104	100	0	0
		90,544,104	**100**	**0**	**90,544,104**	**100**	**0**	**0**

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		**Cumulative Shareholding during the year**	
	No. of Shares	**% of total shares of the company**	**No. of Shares**	**% of total shares of the company**
At the beginning of the year	90,544,104	100	90,544,104	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc):	No change during the year			
At the End of the year	90,544,104	100	90,544,104	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	**Shareholding at the beginning of the year**		**Shareholding at the end of the year**	
	No. of shares	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	**Name**	**Date**	**Shareholding at the beginning of the year**		**Increase / (Decrease) in Shareholding, if any**	**Reason**	**Cumulative Shareholding during the year**	
			No. of Shares (*)	**% of total shares of the company**			**No. of Shares**	**% of total shares of the company**
A. DIRECTORS								
1	Mr. Satish Reddy (Director)	01.04.2018	1	0	0	0	0	0
		31.03.2019	1	0	0	0	0	0
2	Mr. G V Prasad (Director)	01.04.2018	1	0	0	0	0	0
		31.03.2019	1	0	0	0	0	0
3	Mr. Saumen Chakraborty (Director)	01.04.2018	1	0	0	0	0	0
		31.03.2019	1	0	0	0	0	0
4	Mr. Hariharnath Buggana (Independent Director)	01.04.2018	0	0	0	0	0	0
		31.03.2019	0	0	0	0	0	0
5	Dr. Bruce L A Carter (Independent Director)	01.04.2018	0	0	0	0	0	0
		31.03.2019	0	0	0	0	0	0
6	Mr. Julius John Sheldon Knowles (Non-Executive Director) (resigned wef May 15, 2019)	01.04.2018	0	0	0	0	0	0
		31.03.2019	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
7	Mr. CSN Murthy ** (Chief Executive Officer)	01.04.2018	10	0	0	0	0	0
		31.03.2019	10	0	0	0	0	0

8	Dr. Muralidhara Ramachandra *** (Chief Executive Officer)	01.04.2018	-	-	-	-	-	-
		31.03.2019	-	-	-	-	-	-
9	Mr. Ashish Lath (Chief Financial Officer)	01.04.2018	1	0	0	0	0	0
		31.03.2019	1	0	0	0	0	0
10	Ms. Sudipta V (Company Secretary)	01.04.2018	0	0	0	0	0	0
		31.03.2019	0	0	0	0	0	0

* Held as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.
** Resigned as a Chief Executive Officer – KMP on May 15, 2019 to be effective from June 30, 2019.
*** Appointed as a Chief Executive Officer – KMP on May 15, 2019 to be effective from July 1, 2019.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2018)				
i) Principal Amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	0	0	0
Change in Indebtedness during the financial year				
Addition	0	0	0	0
Reduction	0	0	0	0
Net Change	0	0	0	0
Indebtedness at the end of the financial year (March 31, 2019)				
i) Principal Amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	0	0	0

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager: NIL

B) Remuneration of other directors –

Sl. No.	Particulars of Remuneration	Hariharnath Bugganna	Dr. Bruce L A Carter	Julius John Sheldon Knowles	Total Amount
	Independent Directors · Fee for attending meetings · Commission · Others, please specify	 - - -	 - 1,000,000 -	 - - -	 - **1,000,000** -
	Total (1)	**-**	**1,000,000**	**-**	**1,000,000**
	Other Non-Executive Directors · Fee for attending meetings · Commission · Others, please specify	 - - -	 - - -	 - 1,000,000	 - **1,000,000**
	Total (2)	-	-	**1,000,000**	**1,000,000**
	Total (B)=(1+2)	**-**	**1,000,000**	**1,000,000**	**1,000,000**
	Total Managerial Remuneration	**-**	**1,000,000**	**1,000,000**	**2,000,000**
	Overall Ceiling as per the Act	**Rs. 62.55 Lakhs**			

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager

Sr. no.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CEO	CFO	Company Secretary	
		CSN Murthy	Ashish Lath	Sudipta V #	
1	**Gross Salary**				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	18,503,330	6,782,596	0	25,285,926
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5,000	26,600	0	31,600
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission	0	0	0	0
	- as a % of profit	0	0	0	0
	- others	0	0	0	0
5	Others, please specify - Company's contribution to PF	720,000	288,000	0	945,600
	Total	**19,228,330**	**7,097,196**	**0**	**26,263,126**

(#) Paid by Dr. Reddy's Laboratories Limited, Holding Company.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES –

Nil

For and on behalf of the Board of Directors

Sd/-
G V Prasad
Director

Sd/-
K Satish Reddy
Director

Date: May 15, 2019
Place: Hyderabad

INDEPENDENT AUDITOR'S REPORT

To the Members of Aurigene Discovery Technologies Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Aurigene Discovery Technologies Limited ("the Company"), which comprise the Balance sheet as at March 31 2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, but does not include the Ind AS financial statements and our auditor's report thereon.

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

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended 2018. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

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

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended 2018;

   (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

   (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 23 to the Ind AS financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per S. Balasubrahmanyam
Partner
Membership Number: 53315
Place of Signature: Hyderabad
Date: May 15, 2019

Annexure 1 referred to in our report of even date
Re: Aurigene Discovery Technologies Limited ("the Company")

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) All property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/ services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, income-tax, duty of custom, goods and service tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities. The provisions relating to employees' state insurance are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, duty of customs, goods and service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance are not applicable to the Company.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Amount in Lacs

Name of the Statute	Nature of the dues	Amount of demand	Amount paid under protest	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	118.79	17.82	AY 2013-14	Commissioner of Income Tax (Appeals)-1, Bangalore
Income Tax Act, 1961	Income tax	439.08	65.90	AY 2014-15	Commissioner of Income Tax (Appeals)-1, Bangalore
Income Tax Act, 1961	Income tax	142.70	28.60	AY 2015-16	Commissioner of Income Tax (Appeals)-1, Bangalore
Income Tax Act, 1961	Income tax	273.02	53	AY 2016-17	Commissioner of Income Tax (Appeals)-1, Bangalore
Finance Act, 1994	Service tax	57.95	4.35	Financial year 2003-04	CESTAT, Bangalore
Karnataka Value Added Tax Act, 2003	VAT	7.53	-	AY 2015-16	Commissioner of Commercial Taxes Karnataka

(viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandate by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per S. Balasubrahmanyam
Partner
Membership Number: 53315

Place: Hyderabad
Date: May 15, 2019

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF AURIGENE DISCOVERY TECHNOLOGIES LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Aurigene Discovery Technologies Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting with reference to these Ind AS financial statements.

Meaning of Internal Financial Controls over Financial Reporting with reference to these Ind AS financial statements

A company's internal financial control over financial reporting with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with

generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting with Reference to these Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per S. Balasubrahmanyam
Partner
Membership Number: 53315

Place: Hyderabad
Date: May 15, 2019

Aurigene Discovery Technologies Limited
Balance sheet as at March 31, 2019
All amounts in Indian Rupees lacs, except share data and where otherwise stated

Particulars	Note	As at March 31, 2019	As at March 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	3	6,900	6,338
Capital work in progress		-	1
Financial assets			
Investments	4	7,678	11,792
Other financial assets	5	48	48
Deferred tax assets (net)	33	-	4,124
Current tax assets (net)		206	134
Other assets	6	105	22
		14,937	**22,459**
Current assets			
Inventories	7	110	123
Financial assets			
Investments	4	8,233	11,634
Trade receivables	8	2,739	2,085
Cash and cash equivalent	9	386	350
Other financial assets	5	372	95
Other assets	6	1,304	1,529
		13,144	**15,816**
Total assets		**28,081**	**38,275**
Equity and liabilities			
Equity			
Equity share capital	10	9,054	9,054
Other equity			
Share premium		288	288
General reserve		321	321
Capital redemption reserve		1,475	1,475
Capital reserve		18	18
Retained earnings		12,078	7,472
Other reserves		(19,529)	(11,256)
Total equity		**3,705**	**7,372**
Non-current liabilities			
Deferred tax liabilities (net)	33	90	-
Other liabilities	11	16,809	23,502
		16,899	**23,502**
Current liabilities			
Financial Liabilities			
Trade payables	12	1,178	1,592
Other payables	13	130	159
Other liabilities	11	6,169	5,650
		7,477	**7,401**
Total liabilities		**24,376**	**30,903**
Total equity and liabilities		**28,081**	**38,275**
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

S Balasubrahmanyam
Partner
Membership no.: 53315

Place: Hyderabad
Date : May 15, 2019

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

G.V. Prasad
Director

Place: Hyderabad
Date : May 15, 2019

Satish Reddy
Director

Place: Hyderabad
Date : May 15, 2019

CSN Murthy
Chief Executive Officer

Place: Hyderabad
Date : May 15, 2019

Ashish Lath
Chief Financial Officer

Place: Hyderabad
Date : May 15, 2019

Sudipta V
Company Secretary

Place: Hyderabad
Date : May 15, 2019

Aurigene Discovery Technologies Limited
Statement of profit and loss for the year ended March 31, 2019
All amounts in Indian Rupees lacs, except share data and where otherwise stated

Particulars	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from contracts with customers	14	21,121	18,560
Other operating income		6	58
Other income	15	247	136
Finance income	16	722	889
Total income		**22,096**	**19,643**
Expenses			
Employee benefits expense	17	6,173	6,124
Depreciation and amortization expense	3	1,133	1,030
Other expenses	18	8,260	8,766
Finance costs	19	29	(404)
Total expense		**15,595**	**15,516**
Profit before tax		**6,501**	**4,127**
(1) Current tax	33	1,769	843
(2) Adjustment of tax relating to earlier periods	33	31	(929)
(3) Deferred tax	33	95	436
Income tax expense		**1,895**	**350**
Profit for the year		**4,606**	**3,777**
Other comprehensive income			
Items that are not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/ (losses) on defined benefit plans	28	(40)	75
Income tax effect		(4)	(27)
		(44)	48
Net gain/ (loss) on fair values through other comprehensive income for equity shares		(4,114)	(37,632)
Income Tax effect		(4,115)	8,926
		(8,229)	(28,706)
Other comprehensive income for the year, net of tax		(8,273)	(28,658)
Total comprehensive income for the year, net of tax		**(3,667)**	**(24,881)**
Earnings per share	31		
Basic, computed on the basis of profit from operations attributable to equity shareholders		5.09	4.17
Diluted, computed on the basis of profit from operations attributable to equity shareholders		5.09	4.17
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

S Balasubrahmanyam
Partner
Membership no.: 53315

Place: Hyderabad
Date : May 15, 2019

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

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Place: Hyderabad
Date : May 15, 2019

Sudipta V
Company Secretary

Place: Hyderabad
Date : May 15, 2019

Aurigene Discovery Technologies Limited
Cash flow statement for the year ended March 31, 2019
All amounts in Indian Rupees lacs, except share data and where otherwise stated

Particulars	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
Cash flows from operating activities			
Profit before tax		6,501	4,127
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment		1,133	1,030
Unrealised foreign currency (gain)/ loss		16	(25)
Gain on disposal of property, plant and equipment		(1)	(12)
Finance income (including fair value changes)		(722)	(889)
Finance expense (including fair value changes)		29	(404)
Operating cash flow before working capital changes		**6,956**	**3,827**
Working capital adjustments:			
Inventories		13	(59)
Trade receivables and unbilled revenue		(957)	(215)
Financial assets and other assets		151	(824)
Trade payables		(413)	933
Deferred revenue		(6,016)	(3,082)
Other liabilities		(189)	(837)
		(455)	**(257)**
Income tax paid		(1,911)	(952)
Net cash flows generated by/ (used in) operating activities (A)		**(2,366)**	**(1,209)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1	15
Purchase of property, plant and equipment		(1,721)	(1,573)
Purchase of mutual funds		(7,006)	(18,950)
Proceeds from sale of mutual funds		11,114	7,847
Interest on fixed deposits received		14	863
Investment in term deposits having original maturity of more than 3 months		-	12,443
Net cash flows generated by/ (used in) investing activities (B)		**2,402**	**645**
Cash flows from financing activities			
Dividends paid		-	-
Dividend distribution tax		-	-
Net cash flows used in financing activities (C)		**-**	**-**
Net decrease in cash and cash equivalents (A+B+C)		**36**	**(564)**
Net foreign exchange difference		-	(1)
Cash and cash equivalents at the beginning of the year		180	745
Cash and cash equivalents at year end	9	**216**	**180**
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

S Balasubrahmanyam
Partner
Membership no.: 53315

Place: Hyderabad
Date : May 15, 2019

G.V. Prasad
Director

Place: Hyderabad
Date : May 15, 2019

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Director

Place: Hyderabad
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Place: Hyderabad
Date : May 15, 2019

Ashish Lath
Chief Financial Officer

Place: Hyderabad
Date : May 15, 2019

Sudipta V
Company Secretary

Place: Hyderabad
Date : May 15, 2019

Aurigene Discovery Technologies Limited
Statement of changes in equity for the year ended March 31, 2019
All amounts in Indian Rupees lacs, except share data and where otherwise stated

Particulars	Equity share capital	Reserves and Surplus					Items of OCI		Total equity
		Share premium	General Reserve	Capital redemption reserve	Capital reserve	Retained earnings	Equity instruments through OCI	Actuarial gains/ (losses)	
As at April 1, 2017	**9,054**	**288**	**321**	**1,475**	**18**	**3,695**	**17,471**	**(69)**	**32,253**
Profit for the year	-	-	-	-	-	3,777	-	-	3,777
Remeasurement of net defined benefit liability, net of tax	-	-	-	-	-	-	-	48	48
Equity instruments through OCI, net of tax	-	-	-	-	-	-	(28,706)	-	(28,706)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**3,777**	**(28,706)**	**48**	**(24,881)**
As at March 31, 2018	**9,054**	**288**	**321**	**1,475**	**18**	**7,472**	**(11,235)**	**(21)**	**7,372**
Profit for the year	-	-	-	-	-	4,606	-	-	4,606
Remeasurement of net defined benefit liability, net of tax	-	-	-	-	-	-	-	(44)	(44)
Equity instruments through OCI, net of tax	-	-	-	-	-	-	(8,229)	-	(8,229)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**4,606**	**(8,229)**	**(44)**	**(3,667)**
As at March 31, 2019	**9,054**	**288**	**321**	**1,475**	**18**	**12,078**	**(19,464)**	**(65)**	**3,705**

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

S Balasubrahmanyam
Partner
Membership no.: 53315

Place: Hyderabad
Date : May 15, 2019

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

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CSN Murthy
Chief Executive Officer

Place: Hyderabad
Date : May 15, 2019

Ashish Lath
Chief Financial Officer

Place: Hyderabad
Date : May 15, 2019

Sudipta V
Company Secretary

Place: Hyderabad
Date : May 15, 2019

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2019

1. Corporate information

Aurigene Discovery Technologies Limited (‘Aurigene’ or ‘the Company’) was incorporated as a Private Limited Company on August 10, 2001. Subsequently, on November 13, 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, long term collaboration with customers for drug discovery and licensing of intellectual property rights. The Company commenced its commercial operations from April 1, 2003.

The financial statements are approved for issue by the Company's Board of Directors on May 15, 2019.

2. Significant accounting policies

2.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values and the provisions of the Companies Act, 2013 (`Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2018. Refer note 36 for other details.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The financial statements are presented in Indian rupees, which is the functional currency of the Company, and all values are rounded to the nearest lacs (INR 00,000), except when otherwise indicated.

Functional currency of an entity is the currency of the primary economic environment in which the entity operates.

2.2. Use of estimate

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and use of assumptions in these financial statements have been disclosed in note 41.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements

2.3. New Standards adopted by the Company

a) Ind AS 115, Revenue from contracts with customers

Effective April 1, 2018 the Company has adopted Ind AS 115, "Revenue from Contracts with Customers". This comprehensive new standard supersedes Ind AS 18, "Revenue", Ind AS 11, "Construction contracts" and related interpretations.

The Company applied the modified retrospective method upon adoption of Ind AS 115 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying Ind AS 115 to retained earnings and the comparatives have not been retrospectively adjusted. The effect on adoption of Ind AS 115 was insignificant. The impacts of the adoption of the new standard are summarized below:

Sale of goods

Revenue from sale of goods is recognized where control is transferred to the Company's customers at the time of shipment to or receipt of goods by the customers. There was no change in the point of recognition of revenue upon adoption of Ind AS 115.

Service income

Service income, which primarily relates to revenue from contract research, is recognized as and when the underlying services are performed. There was no change in the point of recognition of revenue upon adoption of Ind AS 115. Upfront non-refundable payments received under these arrangements continue to be deferred and are recognized over the expected period that related services are to be performed.

License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognized when control transfers to the third party and the Company's performance obligations are satisfied. The adoption of Ind AS 115 did not significantly change the timing or amount of revenue recognized from these arrangements. Upfront non-refundable payments received under these arrangements continue to be deferred and are recognized over the expected period that related services are to be performed.

2.4. Current and non-current classification

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule III to the Companies Act, 2013.

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

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

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

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

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

2.5. Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Foreign-currency denominated monetary assets and liabilities are translated into the functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

2.6. Revenue from contracts with customers

The following is a summary of significant accounting policies related to revenue recognition effective from April 1, 2018. Refer Note 2 "Significant Accounting Policies," in the Company's 2018 Annual Report for the policies in effect for revenue prior to April 1, 2018.

The Company derives its revenue mainly from research services relating to drug discovery for its customers, collaboration with customers for drug discovery and licensing. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Service income

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

Sale of goods

Revenue is recognized when control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either on shipment or on receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.
Product sales represent net invoice value less estimated rebates and returns, which are considered to be key estimates. Revenue from the sale of goods includes relevant taxes and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Out licensing arrangements, milestone payments and royalties

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue on delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues on achievement of such milestones over the performance period depending on the terms of the contract. Royalty income earned through a license is recognized when the underlying sales have occurred.

2.7. Interest income

Interest income is recognised using the effective interest method. Effective interest is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit and loss.

2.8. Rental income

Rental income from operating leases are recognized in the statement of profit and loss on a straight-line basis over the term of the lease.

2.9. 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 in the balance sheet by setting up the grant as deferred income. Grants related to income are deducted in reporting the related expense in the statement of profit and loss.

2.10. Income tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect of changes in tax rates on deferred tax assets and liabilities is recognized in the statement of profit and loss in the period that includes the enactment or the substantive enactment date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries where it is expected that the earnings of the subsidiary will not be distributed in the foreseeable future. The Company recognises deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

a) When the Company is able to control the timing of the reversal of the temporary difference; and
b) it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

2.11. 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
- the Company intends to and has sufficient resources to complete development and to use or sell the asset.

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

2.12. Property, plant and equipment

Recognition and measurement

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

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the statement of profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Depreciation

Depreciation is recognized in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated.
Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Asset Description	**Useful life**
Buildings	30 years
Laboratory equipment	8 years
Electrical equipment	8 years
Plant and machinery	8 years
Computers	3 years
Office equipment	5 - 8 years
Furniture and fixtures	8 years
Vehicles	5 years
Technical know-how	3 years

In terms of proviso to clause 3(i) of Part A of Schedule II to the Companies Act, 2013 (the Act), the Company based on its technical evaluation concluded that its existing useful life determined hitherto is appropriate and accordingly has decided to retain the same adopted for various categories of fixed assets, which in certain cases, differ from those prescribed in Schedule II to the Companies Act, 2013.

Cost of property, plant and equipment not ready to use as of the reporting date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

2.13. Inventories

Inventories primarily consist of laboratory consumables and work-in-progress and are measured at lower of cost and net realisable value. Cost is based on the weighted average method. Cost includes expenditures incurred in acquiring, production or converting the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving and obsolete inventory include estimated shelf life and ageing of inventory. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

2.14. Leases

Company as lessee

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

Finance leases

A finance lease is 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 the statement of profit and loss on a straight-line basis over the term of the lease.

Operating lease incentives received from the landlord are recognized as a reduction of rental expense on a straight-line basis over the lease term.

Company as lessor

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

Finance leases

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Operating leases

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

2.15. Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) attributable to ordinary equity holders of the Company by weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.16. Employee benefits

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

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

Defined benefit plans
The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on the prevailing market yields on Indian Government securities. The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in the statement of profit and loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits
Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Other long-term employee benefits
The Company's net obligation in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognized in the statement of profit and loss in the period in which they arise.

Compensated absences
The Company provides for encashment of compensated absences payable to employees at the end of each financial year. The employees can also carry forward a portion of the unutilized compensated absences and utilize it in the subsequent year or receive cash compensation on termination of employment in the subsequent year. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement.

2.17. Provisions, contingent liabilities and contingent assets

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

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

Reimbursement rights

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

Contingent liabilities

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

Contingent assets

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

2.18. Cash and cash equivalent

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.19. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the company is segregated.
Deposits with original maturity of greater than 3 months from the date of creation of the deposits are not considered as cash equivalents for the purpose of cash flow statement.

2.20. Dividends

Final dividends on shares are recorded as a liability on the date of approval by the shareholders.

2.21. Financial instruments

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

a) **Financial assets**:

Initial recognition and measurement

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

Subsequent measurement

i) Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

ii) Financial assets at fair value through other comprehensive income

All equity investments in scope of Ind AS 109 are measured at fair value. For all equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

iii) Investments in subsidiaries

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of profit and loss.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109.

Impairment of financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognized as an impairment gain or loss in profit or loss.

b) Financial liabilities:

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities primarily include trade and other payables.

Subsequent measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

ii) Trade and other payables

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate the fair value due to the short maturity of these instruments.

Derecognition
A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

2.22. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

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

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2019
All amounts in Indian Rupees lacs, except share data and where otherwise stated

3) Property, plant and equipment

Particulars	Freehold land	Buildings	Laboratory equipment	Electrical equipment	Plant & machinery	Computers & software	Furniture & Fixture	Vehicles	Office Equipment	Total
Gross block										
As at March 31, 2017	**530**	**3,470**	**9,422**	**1,836**	**208**	**914**	**784**	**112**	**273**	**17,549**
Additions	-	-	984	21	-	217	41	30	14	1,307
Disposals	-	-	(248)	-	-	(161)	-	(32)	(36)	(477)
As at March 31, 2018	**530**	**3,470**	**10,158**	**1,857**	**208**	**970**	**825**	**110**	**251**	**18,379**
Additions	-	68	1,201	216	14	139	46	-	11	1,695
Disposals	-	-	(176)	(1)	-	(13)	-	-	-	(190)
As at March 31, 2019	**530**	**3,538**	**11,183**	**2,072**	**222**	**1,096**	**871**	**110**	**262**	**19,884**
Accumulated Depreciation										
As at March 31, 2017	**-**	**1,241**	**6,829**	**1,424**	**190**	**820**	**668**	**72**	**241**	**11,485**
Depreciation charge for the year	-	115	678	91	6	77	31	13	19	1,030
Disposals	-	-	(248)	-	-	(161)	-	(29)	(36)	(474)
As at March 31, 2018	**-**	**1,356**	**7,259**	**1,515**	**196**	**736**	**699**	**56**	**224**	**12,041**
Depreciation charge for the year	-	116	731	95	5	118	34	13	21	1,133
Disposals	-	-	(176)	(1)	-	(13)	-	-	-	(190)
As at March 31, 2019	**-**	**1,472**	**7,814**	**1,609**	**201**	**841**	**733**	**69**	**245**	**12,984**
Net block										
As at March 31, 2017	**530**	**2,229**	**2,593**	**412**	**18**	**94**	**116**	**40**	**32**	**6,064**
As at March 31, 2018	**530**	**2,114**	**2,899**	**342**	**12**	**234**	**126**	**54**	**27**	**6,338**
As at March 31, 2019	**530**	**2,066**	**3,369**	**463**	**21**	**255**	**138**	**41**	**17**	**6,900**

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2019
All amounts in Indian Rupees lacs, except share data and where otherwise stated

4) Investments

Particulars	As at March 31, 2019	As at March 31, 2018
Non-current		
Equity instruments of subsidiaries (unquoted, at cost)	2,621	2,621
Less: Provision for diminution in value of investment in subsidiaries	(2,465)	(2,465)
Equity instruments of others (quoted, at fair value through OCI)	7,522	11,636
	7,678	**11,792**
Current		
Units of mutual funds (unquoted, at fair value through profit and loss) (refer note 27)	8,233	11,634
	8,233	**11,634**
	15,911	**23,426**

Investments in subsidiaries (carried at cost)		
Unquoted equity shares of subsidiary companies		
5,215,000 (Previous year: 5,215,000) common stock of USD 1 each, fully paid up, of Aurigene Discovery Technologies Inc., U.S.A., representing 100% ownership interest and voting rights	2,465	2,465
1,000,000 (Previous year : 1,000,000) common stock of Malaysian Ringgits 1 each, fully paid up, of Aurigene Discovery Technologies Sdn Bhd, Malaysia, representing 100% ownership interest and voting rights	156	156
Total investments in subsidiaries	**2,621**	**2,621**
Less: Provision for diminution in value of investments	(2,465)	(2,465)
Net investments in subsidiaries	**156**	**156**
Investments in equity instruments of others (at fair value through OCI)		
5,465,693 (31 March 2018: 27,328,464) common stock of USD 0.05 each (31 March 2018: USD 0.01), fully paid up, of Curis Inc., USA, listed on the NASDAQ (Refer Note 34)	7,522	11,636
	7,522	**11,636**
Aggregate book value of quoted investments	7,522	11,636
Aggregate market value of quoted investments	7,522	11,636
Aggregate value of unquoted investments	10,854	14,255
Aggregate amount of impairment in value of investments in unquoted investments	(2,465)	(2,465)

5) Other financial assets

Particulars	As at March 31, 2019	As at March 31, 2018
Non current		
(Unsecured, considered good)		
Security deposits	48	48
	48	**48**
Current		
(Unsecured, considered good)		
Contract assets	345	60
Due from related parties (Refer Note 35)	24	25
Interest accrued but not due	1	2
Loans and advances to employees	2	8
	372	**95**
	420	**143**

Aurigene Discovery Technologies Limited
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6) Other assets

Particulars	As at March 31, 2019	As at March 31, 2018
Non current		
(Unsecured, considered good)		
Balances with statutory authorities	5	5
Capital advances	83	-
Other receivables (Refer note 35)	17	17
	105	**22**
Current		
(Unsecured, considered good)		
Advance to suppliers	203	288
Prepaid expenses (Refer note 35)	178	182
Balances with statutory authorities	923	1,058
Other receivables	-	1
	1,304	**1,529**
	1,409	**1,551**

7) Inventories

Particulars	As at March 31, 2019	As at March 31, 2018
Consumables at cost	113	81
Work-in-progress at cost	-	42
Less: Provision for inventories	(3)	-
	110	**123**

8) Trade receivables

Particulars	As at March 31, 2019	As at March 31, 2018
Trade receivables	2,707	1,952
Receivables from other related parties (Refer note 35) *	32	133
	2,739	**2,085**
Break-up for security details:		
Unsecured, considered good	2,739	2,085
	2,739	**2,085**

* Dues from related parties represents receivables from companies in which Director(s) of the Company are Directors.

Trade receivables are non-interest bearing and are generally on credit terms of 30 to 90 days.

9) Cash and cash equivalent

Particulars	As at March 31, 2019	As at March 31, 2018
Balances with banks:		
– In current accounts	216	179
Cash in hand	-	1
	216	**180**
Other bank balances (due to mature within 12 month of the reporting date)*	170	170
	386	**350**

* Includes deposit of Rs. 170 (31 March 2018: Rs. 170) under lien against certain facilities from bank. As at March 31, 2019 and March 31, 2018, the Company had not drawn any amount against these facilities. Accordingly, these deposits are considered as cash and cash equivalents.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Balances with banks:		
– In current accounts	216	179
Cash on hand	-	1
	216	**180**

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2019
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10) Share capital

Particulars	As at March 31, 2019	As at March 31, 2018
Authorised shares		
95,000,000 (Previous year : 95,000,000) equity shares of Rs. 10 each	9,500	9,500
45,000,000 (Previous year : 45,000,000) 8% cumulative redeemable preference shares of Rs. 10 each	4,500	4,500
	14,000	**14,000**
Issued, subscribed and fully paid-up shares		
90,544,104 (March 31, 2018: 90,544,104) equity shares of Rs. 10 each, fully paid up	9,054	9,054
	9,054	**9,054**

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

	March 31, 2019		March 31, 2018	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
At the beginning of the year	90,544,104	9,054	90,544,104	9,054
Add: Issued during the year	-	-	-	-
Outstanding at the end of the year	**90,544,104**	**9,054**	**90,544,104**	**9,054**

(b) Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. The dividend proposed by the Board of Directors is subject to shareholder's approval at the ensuing Annual General Meeting. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

(c) Shares held by holding/ultimate holding company and/ or their subsidiaries/ associates

Out of equity shares issued by the Company, shares held by its holding company, ultimate holding company & their subsidiaries/ associates are as below:

Particulars	As at March 31, 2019	As at March 31, 2018
Dr. Reddy's Laboratories Limited (Holding company) *		
90,544,089 (March 31, 2018: 90,544,089), fully paid up equity shares of Rs. 10/- each	9,054	9,054

* Apart from the above, 15 (March 31, 2018: 15) fully paid up equity shares of Rs 10/- each are held by the nominees of Dr. Reddy's Laboratories Limited (Holding company)

(d) Details of shareholders holding more than 5% shares in the Company

Name of shareholder	March 31, 2019		March 31, 2018	
	No. of shares	% holding	No. of shares	% holding
Equity shares				
Dr. Reddy's Laboratories Limited (Holding company)	90,544,089	99.99%	90,544,089	99.99%

(e) During the five year period ended on March 31, 2019, no shares were issued for consideration other than cash or as bonus shares.

(f) During the five-year period ended on March 31, 2019, no shares have been bought back.

(g) No shares have been reserved for issue under options, contracts, commitments for sale of shares or divestment including the terms and the amounts.

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11) Other liabilities

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Non current		
Employee benefit liabilities		
Net employee defined benefit liabilities (Refer note 28)	-	63
Contract liability	16,809	23,439
	16,809	**23,502**
Current		
Employee benefit liabilities		
Net employee defined benefit liabilities (Refer note 28)	140	118
Compensated absences (Refer note 30)	247	240
Accrued compensation	412	538
Withholding taxes and other statutory dues payable	153	152
Contract liability	5,217	4,602
	6,169	**5,650**
Total other liabilities	**22,978**	**29,152**

12) Trade payables

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Due to related parties (Refer Note 35)	217	245
Due to other than related parties (Refer note 32 for dues to MSMED)	961	1,347
	1,178	**1,592**
Total outstanding dues of micro enterprises and small enterprises; and	**-**	**-**
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,178	1,592
	1,178	**1,592**

13) Other payables

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Creditors for capital goods	130	159
	130	**159**

14) Revenue from contracts with customers

Disaggregated revenue information

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Research services	9,079	6,961
Discovery and collaboration	5,896	4,976
Licensing	6,146	6,623
	21,121	**18,560**

From 1 July 2017 onwards the excise duty and most indirect taxes in India have been replaced Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in revenue from contracts with customers.

Analysis of revenues by geography:

The following table shows the distribution of the Company's revenues by country, based on the location of the customers:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from customers in India	577	1,029
	577	1,029
Revenue from customers outside India:		
United States of America	16,263	13,835
Finland	2,126	2,471
Germany	666	668
Others	1,489	557
	20,544	17,531
	21,121	**18,560**

Information about major customers

Revenues from two customers of the Company were Rs 6,557 and Rs 5,320, representing approximately 31% and 25%, respectively, of the Company's total revenues for the year ended 31 March 2019.

Revenues from two customers of the Company were Rs 6,120 and Rs 3,394 , representing approximately 33% and 18%, respectively, of the Company's total revenues for the year ended 31 March 2019.

Details of contract asset:

Contract assets are initially recognised for revenue earned from services as receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As on March 31, 2019 and March 31, 2018, the Company has Rs 345 and Rs 60, respectively as contract asset. The increase in contract assets as on March 31, 2019 is the result of the increase in ongoing services at the end of the year. In March 31, 2019, Rs nil (March 31, 2018: Rs nil) was recognised as provision for expected credit losses on contract assets.

Details of contract liabilities:

Details of deferred revenue:

Tabulated below is the reconciliation of deferred and unearned revenue for the years ended March 31, 2019 and March 31, 2018.

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Balance as at April 1	**27,813**	**30,931**
Revenue recognised during the year	(6,295)	(5,728)
Milestone payment received during the year	139	2,610
Balance as at March 31	**21,657**	**27,813**
Current	4,848	4,374
Non-current	16,809	23,439
	21,657	**27,813**

Details of advance from customers:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Advance from customers	369	228
	369	**228**
Current	5,217	4,602
Non-current	16,809	23,439
Total contract liabilities	**22,026**	**28,041**

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15) Other income

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Rental income (Refer note 25)	124	124
Exchange differences (net)	122	-
Net gain on disposal of property, plant and equipment	1	12
	247	**136**

16) Finance income

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest income on fixed deposits	13	357
Profit/ (loss) on sale of mutual funds	464	99
Fair value gain on financial instruments at fair value through profit or loss	245	433
	722	**889**

17) Employee benefits expense

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries, wages and bonus	5,604	5,488
Contribution to provident and other funds (Refer note 29)	294	281
Gratuity expense (Refer note 28)	117	118
Staff welfare expenses	158	237
	6,173	**6,124**

18) Other expenses

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Consumables and clinical studies cost	5,241	5,578
Power and fuel	566	528
Rent (Refer note 25)	168	167
Repairs and maintenance		
Buildings	35	55
Plant and machinery	527	491
Others	444	436
Travelling and conveyance	242	331
Legal and professional fees (Refer note 20 for details on payment to auditors)	282	321
Business development expenses	86	244
Communication costs	51	51
Membership and subscription	129	113
Rates and taxes	30	22
Insurance	24	23
Bank Charges	10	16
Freight and forwarding charges	88	89
Science software expense	81	69
Recruitment	36	14
Security	67	66
Environmental and safety expenses	43	37
Printing and stationery	17	20
Exchange differences (net)	-	12
CSR expenditure (Refer note 21)	73	63
Directors remuneration (Refer note 35)	20	20
	8,260	**8,766**

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended March 31, 2019
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19) Finance cost

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest on income tax (net)	29	(404)
	29	**(404)**

20) Payment to Auditors

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
(Included in legal and professional fees under other expenses)		
Statutory audit fee	11	11
Reimbursement of expenses	1	1
Certification	1	1
	13	**13**

The amounts are excluding applicable taxes.

21) Details of CSR expenditure:

As per Section 135 of the Companies Act 2013, the Company has identified areas including activities for promoting programs that benefit the communities in and around Aurigene's work centre and further results in enhancing the quality of life and economic well-being of the local populace, express commitment to the social development through responsible business practices and good governance, engage with state and its agencies in pursuing the development agenda for sustainable changes for its CSR activities. These areas will be pursued in phases and in a manner aligned with the CSR rules and regulations. The funds have been contributed to trusts/organisations involved in the above activities and will be utilised on the activities which are specified in Schedule VII of the Companies Act 2013.

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Gross amount required to be spent by the Company during the year	80	63
Amount spent during the year		
- Construction/acquisition of any asset	10	37
- Donations to prescribed trusts/ organisation engaged in CSR activities	15	16
- Purposes other than above	48	10
	73	**63**

22) Dividend distribution made and proposed during the year

No dividend has been proposed by the Board of Directors for the year ended March 31, 2019 and March 31, 2018.

23) Contingent liabilities

(a) 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 March 31, 2019 the Company has a positive Net Foreign Exchange Earning, as defined in the Foreign Trade Policy 2009-2014 and 2015-2020 wherever applicable.

(b) The Company has received an order from the Commissioner of Service Tax, Bengaluru demanding Service Tax of Rs 57.94 on difference between income declared in Income tax return for 2003-04 vs Service tax return for the same period. As per the order of the Commissioner of Service Tax, Company is also liable to pay penalty of Rs. 57.94 plus interest thereon on the tax and penalty amount. The Company is a 100% EOU and export of services are exempted from payment of Service tax. The Company has filed an appeal on 18 June 2015 against the Order of the Department to the Customs, Excise and Service Tax Tribunal after paying a tax of Rs 4.35 under protest.

(c) The Company has received an order from the Deputy Commissioner of Income Tax, Bangalore demanding income tax of Rs 118 on income pertaining to the assessment year 2013-14 due to non-deduction of withholding taxes on certain foreign payments. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 17.82 under protest.

(d) The Company has received an order from the Office of the Income Tax Officer, Ward 1(1)(2), Bangalore demanding income tax of Rs 439 on income pertaining to the assessment year 2014-15 due to non-deduction of withholding taxes on certain foreign payments. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 65.90 under protest.

(e) The Company has received order from Deputy Commissioner of Income Tax, Circle 1, Bangalore demanding income tax of Rs 143 on income pertaining to the assessment year 2015-16 due to non-deduction of withholding taxes on certain foreign payments and disallowance of certain patent filing expenses. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 28.60 under protest.

(f) The Company has received order from the Office of the Assistant Commissioner of Income Tax, Circle 1(1)(1), Bangalore demanding income tax of Rs 273 on income pertaining to the assessment year 2016-17 due to non-deduction of withholding taxes on certain foreign payments and disallowance of certain patent filing expenses. The Company has filed an appeal against the Order with the Commissioner of Income Tax (Appeals) after paying a tax of Rs 53 under protest.

(g) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated 28th February, 2019. The Company may be liable to pay a sum of Rs. 1 on a prospective basis from the date of the SC order. The company will update its provision, on receiving further clarity on the subject.

24) Capital commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for is Rs. 20 (March 31, 2018: Rs. 401).

25) Operating lease

The Company has leased office and guest house facilities under cancellable lease agreements for periods ranging from 1 year to 5 years. These leases can be renewed on mutual agreement between the lessor and lessee at the end of the lease term. The total rental expenses debited to the statement of profit and loss is Rs. 168 (March 31, 2018: Rs. 167)

The Company has entered into a deed of lease with Dr.Reddy's Laboratories Limited for one of its premises for lease term of 5 years. The lease may be renewed for further period of 5 years by entering into a fresh lease deed. There is no escalation clause in the lease agreement and sub-letting is not permitted. Total lease rental received by the Company during the year amounts to Rs 124 (Previous year: Rs 124). The carrying amount of the building given on operating lease and depreciation thereon for the period are:

Particulars	**March 31, 2019**	**March 31, 2018**
Gross carrying amount	735	735
Accumulative depreciation	(132)	(108)
Net carrying amount	**603**	**627**
Depreciation for the year ended	24	24

26) Segment information

The main business activity of the Company is to undertake research services relating to drug discovery for its customers, long term collaboration with customers for drug discovery and out-licensing inhouse intellectual property rights. The Board of Directors reviews the results when making decisions about allocating resources and assessing performance of the Company as a whole, hence the Company has only one reportable segment.

a) Revenue from external customers based on nature of services

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Research services	9,079	6,961
Discovery and collaboration	5,896	4,976
Licensing	6,146	6,623
	21,121	**18,560**

b) Revenue amounting to 10 percent or more of total revenue from single customers

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Research services	5,731	3,859
Discovery and collaboration	2,126	2,471
Licensing	6,146	5,655
	14,003	**11,985**

c) Revenue from external customers based on geography

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from customers in India	577	1,029
	577	1,029
Revenue from customers outside India:		
United States of America	16,263	13,835
Finland	2,126	2,471
Germany	666	668
Others	1,489	557
	20,544	17,531
	21,121	**18,560**

The revenue information above is based on the locations of the customers.

27) Investment in unquoted mutual fund (refer note 4)

Particulars	As at March 31, 2019	As at March 31, 2018
Cost	7,988	11,201
Gain recognised directly in statement of profit and loss	245	433
Fair Value	**8,233**	**11,634**

Details of such mutual funds and their fair values are as follows:

Particulars	As at March 31, 2019		As at March 31, 2018	
	No of units	Amount	No of units	Amount
Birla Sun Life Savings Fund - Direct Plan - Growth	1,478,408	5,496	1,802,821	6,200
Birla Cash Manager Fund - Direct Plan - Growth	-	-	253,807	1,107
IDFC Ultra Short Term Fund - Direct Plan - Growth	720,333	193	6,316,131	1,566
L&T Ultra Short Term Fund - Direct Plan - Growth	632,559	197	632,559	182
Reliance Medium Term Fund - Direct Plan - Growth	-	-	6,931,835	2,579
Reliance Money Market Fund - Direct Plan - Growth	82,686	2,347	-	-
	2,913,986	**8,233**	**15,937,153**	**11,634**

28) Net Employee defined benefit liabilities

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of completed service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at the time of separation.

The Company has a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure at 15 days of last drawn salary for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

a) Details of the employee benefits obligations and plan assets:

Particulars	As at March 31, 2019	As at March 31, 2018
Present value of defined benefits obligation	(985)	(817)
Fair value of plan asset	845	636
Net liability	**(140)**	**(181)**

b) Details of gratuity cost charged to statement of profit and loss:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Current service cost	109	106
Net interest on net defined benefit liability/ (asset)	8	12
	117	**118**

c) Details of remeasurement (gains)/ losses in other comprehensive income:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Due to changes in financial assumptions	24	(51)
Due to changes in demographic assumptions	28	(34)
Due to experience adjustments	(13)	19
Due to actual return on plan assets less interest on plan assets	1	(9)
Net remeasurement of net defined benefit liability/ (asset)	**40**	**(75)**

d) Change in the present value of the defined benefit obligation:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Defined benefit obligation as at the beginning of the year	817	756
Current service cost	109	106
Interest on defined benefit obligation	56	49
Remeasurement gains/ (losses) in other comprehensive income		
Due to changes in financial assumptions	24	(51)
Due to changes in demographic assumptions	28	(34)
Due to experience adjustments	(13)	19
Benefits paid	(36)	(28)
Defined benefit obligation as at the end of the year	**985**	**817**

e) Change in the fair value of the plan assets:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Fair value of plan assets as at the beginning of the year	636	553
Employer Contribution	198	65
Interest on plan assets	48	37
Remeasurement gains/ (losses) in other comprehensive income		
Due to actual returns on plan assets less interest on plan assets	(1)	9
Benefits paid	(36)	(28)
Fair value of plan assets as at the end of the year	**845**	**636**

f) The principal assumptions used in determining gratuity obligations:

Particulars	As at March 31, 2019	As at March 31, 2018
Discount rate	7.40%	7.70%
Expected rate of return on plan assets **	7.40%	7.70%
Salary escalation rate	10.00%	10.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) (modified) Ult Table*	
Withdrawal rate:		
Up to age 21	0%	0%
Between age 22 to 30	27%	29%
Between age 31 to 40	12%	15%
Between age 41 to 50	7%	10%
Between age 51 to 57	11%	12%

* As published by IRDA and adopted as Standard Mortality Table as recommended by Institute of Actuaries of India effective April 1, 2013.

** The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

g) Quantitative sensitivity analysis for significant assumption:

Particulars	As at March 31, 2019	As at March 31, 2018
Defined benefit obligation without effect of projected salary growth	499	454
Add: Effect of salary growth	486	363
Defined benefit obligation with projected salary growth	985	817
Defined benefit obligation, using discount rate minus 50 basis points	1,029	847
Defined benefit obligation, using discount rate plus 50 basis points	947	789
Defined benefit obligation, using salary growth rate minus 50 basis points	948	790
Defined benefit obligation, using salary growth rate plus 50 basis points	1,027	846

h) Expected future cash flows in respect of gratuity in future years:

Particulars	As at March 31, 2019	As at March 31, 2018
Within the next 12 months (next annual reporting period)	130	135
Between 2 and 5 years	307	333
Between 6 and 9 years	325	289
Beyond 9 years	1,300	829

29) Provident fund

Certain categories of employees of the Company receive benefits from a provident fund, a defined contribution plan. Both the employee and employer each make monthly contributions to a government administered fund at specified rate on the covered employee's qualifying salary. Monthly contribution made by the Company are recognised as expense in the statement of profit and loss. The Company has no further obligations under the plan beyond its monthly contributions. Details of contribution made by the Company to the provident fund are as follows:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Contribution made during the year	294	281

30) Compensated absences

The Company provides for accumulation of compensated absences for its employees. These employees can carry forward a portion of the unutilized compensated absences and utilise it in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. Details of total liability recorded by the Company towards this obligation is as follows:

Particulars	As at March 31, 2019	As at March 31, 2018
Provision for compensated absences - non-current	-	-
Provision for compensated absences - current	247	240
	247	**240**

31) Earnings per share (EPS)

The following reflects the profit/(loss) and details of share data used in computation of basic and diluted EPS:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Net profit after tax as per statement of profit and loss	4,606	3,777
Weighted average number of equity shares used in calculating basic and diluted EPS (nos.)	90,544,104	90,544,104
Basic/ diluted earnings per share (amount in Rs)	**5.09**	**4.17**

32) Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Official Memorandum dated 26 August 2008, prescribes that Micro and Small Enterprises should mention in their correspondence with their customer the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Based on the information available with the Company, there are no dues (previous year: nil) to enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under the Micro Small and Medium Enterprises Development Act, 2006 ('MSMED').

33) Income taxes

a) Income tax expense/ (benefit) for the year

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

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Current tax *	1,769	843
Adjustment of current tax relating to earlier periods	31	(929)
	1,800	(86)
Deferred tax **	95	436
Income tax expense	**1,895**	**350**

* Current tax for the financial year 2018-19 includes Rs Nil (previous financial year 2017-18; reversal of Rs 41) current tax liability pertaining to relevant financial year.

** Deferred tax for the financial year 2018-19 and 2017-18 includes tax effects of earlier periods amounting to Rs 33 (previous year: 33).

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

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Tax effect on actuarial gains on defined benefit obligations	4	27
Tax effect on changes in fair value of other investments	4,115	(8,926)
	4,119	**(8,899)**

c) Reconciliation of effective tax rate

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit before income taxes	6,501	4,127
Enacted tax rate in India	29.12%	34.61%
Computed expected tax expense	1,893	1,428
Effect of:		
Deferred tax on Land	(5)	(5)
Expenses/ income not deductible for tax purposes, net	(25)	(121)
Adjustment of tax relating to earlier periods	31	(929)
Utilisation of previously disallowed expenses, net	-	(8)
Effect of change of income tax rate	-	(7)
Other adjustments	1	(8)
Income tax expenses	**1,895**	**350**

d) Details of deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	As at March 31, 2019	As at March 31, 2018
Deferred tax assets		
Fixed assets	61	93
Compensated absences	23	18
Accrued compensation	24	20
Net employee defined benefit liabilities	-	4
Changes in fair valuation of investments	-	4,115
	108	4,250
Deferred tax liabilities		
Changes in fair valuation of investments	-	-
Fair value gain on financial instruments at fair value through profit or loss	(198)	(126)
	(198)	(126)
Net deferred tax asset/ (liability)	**(90)**	**4,124**

In assessing whether the deferred income tax assets will be realized, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences. Recoverability of deferred tax assets is based on estimates of future taxable income. Any changes in such future taxable income would impact the recoverability of deferred tax assets.

e) Movement in deferred tax assets and liabilities

For the year ended March 31, 2019

Particulars	As at March 31, 2018	Recognized in profit and loss	Recognized in equity	As at March 31, 2019
Deferred tax assets				
Fixed assets	93	(32)	-	61
Compensated absences	18	5	-	23
Accrued compensation	20	4	-	24
Net employee defined benefit liabilities	4	-	(4)	-
Changes in fair valuation of investments	4,115	-	(4,115)	-
	4,250	**(23)**	**(4,119)**	**108**
Deferred tax liabilities				
Fair value gain on financial instruments at FVTPL	(126)	(72)	-	(198)
	(126)	**(72)**	**-**	**(198)**
Net deferred tax asset/ (liability)	**4,124**	**(95)**	**(4,119)**	**(90)**

For the year ended March 31, 2018

Particulars	As at March 31, 2017	Recognized in profit and loss	Recognized in equity	As at March 31, 2018
Deferred tax assets				
Fixed assets	168	(75)	-	93
Accrued compensation	199	(199)	-	-
Compensated absences	57	(39)	-	18
Accrued compensation	17	3	-	20
Net employee defined benefit liabilities	31	-	(27)	4
	472	**(310)**	**(27)**	**135**
Deferred tax liabilities				-
Changes in fair valuation of investments	(4,811)	-	8,926	4,115
Fair value gain on financial instruments at FVTPL	-	(126)	-	(126)
	(4,811)	**(126)**	**8,926**	**3,989**
Net deferred tax asset/ (liability)	**(4,339)**	**(436)**	**8,899**	**4,124**

34) Collaboration agreement with Curis, Inc.

On January 18, 2015, Aurigene Discovery Technologies Limited ("Aurigene") entered into a Collaboration, License and Option Agreement (the "Collaboration Agreement") with Curis, Inc. ("Curis") to discover, develop and commercialize small molecule antagonists for immuno-oncology and precision oncology targets.

Under the Collaboration Agreement, Aurigene has the responsibility for conducting all discovery and preclinical activities, including Investigational New Drug ("IND") enabling studies and providing Phase 1 clinical trial supply, and Curis is responsible for all clinical development, regulatory and commercialization efforts worldwide, excluding India and Russia. The Collaboration Agreement provides that the parties will collaborate exclusively in immuno-oncology for an initial period of approximately two years, with the option for Curis to extend the broad immuno-oncology exclusivity.

As partial consideration for the collaboration, pursuant to a Stock Purchase Agreement dated January 18, 2015, Curis issued to Aurigene 171.20 lacs shares of its common stock, representing 19.9% of its outstanding common stock immediately prior to the transaction (approximately 16.6% of its outstanding common stock immediately after the transaction). The shares issued to Aurigene are subject to a lock-up agreement until January 18, 2017, with the shares being released from such lock-up in 25% increments on each of July 18, 2015, January 18, 2016, July 18, 2016 and January 18, 2017, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of March 31, 2019, lock-up restrictions were released on all of the 171.20 lacs shares of Curis common stock. In connection with the issuance of such shares, Curis and Aurigene entered into a Registration Rights Agreement dated January 18, 2015 which provides for certain registration rights with respect to resale of the shares. The common stock of Curis is listed for quotation on the NASDAQ Global Market.

The fair value of the shares of Curis common stock on the date of the Stock Purchase Agreement was Rs.14,517 ($23.5 million).

Revenues under the Collaboration Agreement consist of upfront consideration (including the shares of Curis common stock) and the development and commercial milestone payments described below, which are deferred and recognized as revenue over the period for which Aurigene has continuing performance obligations.

Under the Collaboration Agreement, Aurigene is entitled to development and commercial milestone payments as follows:

- for the first two programs: up to U.S.$52.5 million per program, including U.S.$42.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any;
- for the third and fourth programs: up to U.S.$50 million per program, including U.S.$42.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any; and
- for any program thereafter: up to U.S.$140.5 million per program, including U.S.$87.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

In addition, Curis has agreed to pay Aurigene royalties, ranging between high single digits to 10%, on its net sales in territories where it commercializes products. Furthermore, Aurigene is entitled to receive a share of Curis' revenues from sublicenses, which share varies based upon specified factors such as the sublicensed territory, whether the sublicense revenue is royalty based or non-royalty based and, in some cases, the stage of the applicable molecule and product at the time the sublicense is granted.

On September 7, 2016, the Collaboration Agreement was amended to provide for the issuance to Aurigene of approximately 102 lacs shares of Curis common stock in lieu of receiving up to U.S.$24.5 million of milestone and other payments from Curis that could have become due under the Collaboration Agreement. These shares of Curis common stock are recorded at U.S.$1.84 per share, which is equal to the market price of such shares of common stock on the date of issuance, amounting to an aggregate market value of Rs. 12,468 ($18.8 million).

These additional shares are also subject to a lock-up agreement which is similar to the lock-up for the original Curis shares the Company received. However, this lock-up remains effective until September 7, 2018, with shares being released from such lock-up in 25% increments on each of March 7, 2017, September 7, 2017, March 7, 2018 and September 7, 2018, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of March 31, 2019, lock-up restrictions were released on all of the 102 lacs shares of Curis common stock.

The Company has evaluated the transaction under Ind AS 28, "Investments in associates and Joint Ventures," and believes that the Company does not have any significant influence with respect to Curis. The Company, has irrevocably elected to recognise the fair value changes in the statement of other comprehensive income. Accordingly, such invesments are recognised as FVTOCI investments.

Consequently, gain/ (loss) of Rs (4,114) (previous year: Rs (37,632)) arising from changes in the fair value of such shares of common stock was recorded in other comprehensive income.

35) Related party disclosures

Names of related parties and related party relationship

(a) Related parties where control exists

Holding company	:	Dr. Reddy's Laboratories Limited, Hyderabad
Wholly owned subsidiary ('WOS')	:	Aurigene Discovery Technologies Inc., U.S.A Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia

(b) Related parties under IND AS 24 with whom transactions have taken place during the year

Holding company	:	Dr. Reddy's Laboratories Limited, Hyderabad
Wholly owned subsidiary ('WOS')	:	Aurigene Discovery Technologies Inc., U.S.A Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia
Fellow subsidiaries	:	Promius Pharma LLC
Enterprise controlled by relative of Director	:	Green Park Hospitality Services Private Limited
Key management personnel	:	Mr. CSN Murthy – Chief Executive Officer Mr. Ashish Lath – Chief Financial Officer
Independent Directors	:	Dr. Bruce L. A. Carter Mr. Hariharnath Buggana
Non-executive Directors	:	Mr. Julius John Sheldon Knowles

c) Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Name	Nature of transactions	For the year ended March 31, 2019	For the year ended March 31, 2018
Dr. Reddy's Laboratories Limited	Revenue from operations	543	778
Promius Pharma, LLC.	Revenue from operations	-	9
Dr. Reddy's Laboratories Limited	Rental income	124	124
Dr. Reddy's Laboratories Limited	Rental expenses	138	138
Dr. Reddy's Laboratories Limited	Reimbursement of expenses received	91	72
Dr. Reddy's Laboratories Limited	Reimbursement of expenses paid	388	310
Aurigene Discovery Technologies (M) Sdn Bhd	Laboratory consumables	265	253
Green Park Hospitality Services Private Limited	Staff welfare expenses	20	-
Dr. Reddy's Laboratories Limited	Dividend paid	-	-

d) Balances outstanding as at year end

Name	Nature of transactions	As at March 31, 2019	As at March 31, 2018
Dr. Reddy's Laboratories Limited	Trade payables	156	177
Aurigene Discovery Technologies (M) Sdn Bhd	Trade payables	61	68
Dr. Reddy's Laboratories Limited	Trade receivables	32	133
Dr. Reddy's Laboratories Limited	Other financial assets - due from related parties	24	25
Aurigene Discovery Technologies Inc., U.S.A.	Investment in associates and joint ventures	2,465	2,465
Aurigene Discovery Technologies (M) Sdn Bhd	Investment in associates and joint ventures	156	156
Aurigene Discovery Technologies Inc.	Provision for diminution in value of investment in subsidiaries	2,465	2,465
Dr. Reddy's Laboratories Limited	Prepaid expenses	49	16
Dr. Reddy's Laboratories Limited	Other receivables - non-current	17	17
Green Park Hospitality Services Private Limited	Trade payables	1	-

e) Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and reimbursement of expenses to/ from related parties is at actual cost. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2018: Nil).

f) Compensation of key management personnel of the Company

The following table describes the components of compensation paid or payable to key management personnel:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries, wages and bonus (including compensated absences)	263	252
Contribution to defined contribution plan	10	9
Long term incentives paid	-	429
	273	690

Some of the key management personnel of the Company are also covered under the Company's Gratuity Plan along with the other employees of the Company. Proportionate amounts of gratuity accrued under the Company's Gratuity Plan have not been separately computed or included in the above disclosure.

g) Remuneration to Independent Directors

The following table describes the remuneration paid or payable to the Independent Directors:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Remuneration for the year ended	20	20
	20	**20**

36) Standalone financial statement

The Company has used the exemption available to companies under Companies Act, 2013 and IndAS from preparing consolidated financial statements if certain criteria are met.

a) Details of holding company

Below is the details of the holding company whose consolidated financial statements comply with IndAS:

Holding company	: Dr. Reddy's Laboratories Ltd., Hyderabad
Principal place of business of the holding company	: 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034, India

The consolidated financial statement of the holding company prepared as per IndAS are obtainable from the above address.

b) Details of subsidiaries

Name	Principal place of business	% of ownership interest and voting	
		March 31, 2019	March 31, 2018
Aurigene Discovery Technologies Inc.	107 College Road E, Princeton, NJ 08540-6623,	100%	100%
Aurigene Discovery Technologies (M) Sdn Bhd	Level 2, Research Management & Innovation Complex, Universiti of Malaya, Lembah Pantai, 50603, Kuala Lumpur, Malaysia	100%	100%

37) Capital Management

The primary objective of the companies capital management is to maintain healthy capital ratios in order to support its business and maximise shareholder value. For the purpose of capital management of the company, capital includes issued equity capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the company.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

38) Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and evaluation of creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses (apart from the losses/provisions already recognised in the financial statements) from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific country risks.

The Company determines concentrations of credit risk by monitoring the economic and industry profile of its trade receivables on an ongoing basis. The credit concentration risk profile of the Company's trade receivables at the end of the reporting period is as follows:

Particulars	As at March 31, 2019	As at March 31, 2018
No of customers owing the company more than Rs. 100 lacs	6	7
Total receivables from each such customers	2,257	1,880
% of total trade receivables	82%	90%

Financial assets that are past due but not impaired

An impairment analysis is performed at each reporting date on an individual basis for all the customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

There is no other class of financial assets that is past due but not impaired except for trade receivables. The Company's credit period generally ranges from 30-60 days. The aging analysis of the receivables has been considered from the date the invoice falls due. The age wise break up of receivables, net of allowances that are past due, is given below.

Particulars	As at March 31, 2019	As at March 31, 2018
Past due 0 – 30 days	255	156
Past due 31 – 60 days	13	31
Past due 61 – 90 days	-	-
Past due over 90 days	-	51
Total - past due but not impaired	268	238

Other than trade and other receivables, the Company has no significant class of financial assets that is past due but not impaired.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Analysis of working capital:

Particulars	As at March 31, 2019	As at March 31, 2018
Total current assets	13,144	15,816
Total current liabilities	(7,477)	(7,401)
	5,667	**8,415**

The table below summarises the maturity profile of Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

As at March 31, 2019

	One year or less	One to five years	Over five years	Total
Trade payables	1,079	99	-	1,178
Other payables	130	-	-	130
Total undiscounted financial liabilities	**1,209**	**99**	**-**	**1,308**

As at March 31, 2018

	One year or less	One to five years	Over five years	Total
Trade payables	1,592	-	-	1,592
Other payables	159	-	-	159
Total undiscounted financial liabilities	**1,751**	**-**	**-**	**1,751**

c) Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing, revenue generating and operating activities in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their investment in fixed interest term deposits with banks and investments in units of mutual funds. The Company does not hedge its investments.

Foreign currency risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, Company's revenues measured in Indian rupees may decrease. The Company does not use derivative financial instruments, such as foreign exchange forward contracts, option contracts and currency swap contracts to mitigate the risk of changes in foreign currency.

The following table analyses foreign currency risk from non-derivative financial instruments as at March 31, 2019:

(Amount in Rupees in lacs)

Particulars	**US Dollars**	**Euro**	**GBP**	**Others ***
Non-derivative financials assets:				
Cash and cash equivalents	61	9	-	-
Trade receivables	2,623	70	-	-
Investments	7,522	-	-	-
	10,206	**79**	**-**	**-**
Non-derivative financials liabilities:				
Trade payables	220	1	4	190
Other payables	65	5	-	-
	285	**6**	**4**	**190**

The following table analyses foreign currency risk from non-derivative financial instruments as at March 31, 2018:

(Amount in Rupees in lacs)

Particulars	**US Dollars**	**Euro**	**GBP**	**Others ***
Non-derivative financials assets:				
Cash and cash equivalents	55	0	-	-
Trade receivables	1,926	-	-	-
Investments	11,636	-	-	-
	13,617	**0**	**-**	**-**
Non-derivative financials liabilities:				
Trade payables	142	11	13	70
Other payables	142	-	-	-
	284	**11**	**13**	**70**

* Others include currencies such as Canadian Dollars, Malaysian Ringgits, Swiss Franc etc.

As at March 31, 2019 and March 31, 2018, 10% increase or decrease in the exchange rate of Indian rupee with USD, EURO, GBP and others would result in approximately Rs. 980 and Rs. 1,324 increase or decrease, respectively in the fair value of the Company's net foreign currency monetary items.

39) Fair valuation

Set out below, is a comparison by class of the carrying amounts and fair value of the company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying value		**Fair value**	
	March 31, 2019	**March 31, 2018**	**March 31, 2019**	**March 31, 2018**
Financial assets				
Other financial assets	420	143	420	143
Investment in subsidiaries	156	156	156	156
Total	**576**	**299**	**576**	**299**

The management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of FVTOCI financial assets are derived from quoted market prices in active markets.
- The fair values of FVTPL financial assets are derived from closing Net Asset Values (NAV) of the fund.

40) Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis:

Particulars	As at	Level 1	Level 2	Level 3	Total
FVTOCI - Financial asset - Equity securities	March 31, 2019	7,522	-	-	**7,522**
FVTPL - Financial asset - Mutual funds	March 31, 2019	8,233	-	-	**8,233**
		15,755	**-**	**-**	**15,755**
FVTOCI - Financial asset - Equity securities	March 31, 2018	11,636	-	-	**11,636**
FVTPL - Financial asset - Mutual funds	March 31, 2018	11,634	-	-	**11,634**
		23,270	**-**	**-**	**23,270**

41) Use of estimates and judgments

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

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

Note 2.20 - Financial instruments;

Notes 2.11 - Useful lives of property, plant and equipment;

Note 2.15 - Assets and obligations relating to employee benefits;

Note 2.16 - Provisions;

Note 2.9 - Evaluation of recoverability of deferred tax assets; and

42) Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Investments in equity instruments

The fair value of marketable equity securities is determined by reference to their quoted market price at the reporting date.

(ii) Investments in units of mutual funds

In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors.

Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

43) Events after the reporting date

There are no significant events after the reporting date.

44) Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company:

a) Ind AS 116 Leases:

Ind AS 116 Leases was notified by MCA on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Company intends to adopt these standards from 1 April 2019. As the Company does not have any material leases, therefore the adoption of this standard is not likely to have a material impact in its Financial Statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm registration number: 101049W/E300004

S Balasubrahmanyam
Partner
Membership no.: 53315

Place: Hyderabad
Date : May 15, 2019

For and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

G.V. Prasad
Director

Place: Hyderabad
Date : May 15, 2019

Satish Reddy
Director

Place: Hyderabad
Date : May 15, 2019

CSN Murthy
Chief Executive Officer

Place: Hyderabad
Date : May 15, 2019

Ashish Lath
Chief Financial Officer

Place: Hyderabad
Date : May 15, 2019

Sudipta V
Company Secretary

Place: Hyderabad
Date : May 15, 2019

WIRTSCHAFTSPRÜFUNG Hall

beta Institut gemeinnützige GmbH,
Augsburg

Report on the voluntary audit of the
annual financial statements as at
March 31, 2019

Auditor
Bernhard Hall
Ravenspurgerstrasse 41
86150 Augsburg

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List of abbreviations

€	euro
Company	beta Institut gemeinnützige GmbH
HGB	Handelsgesetzbuch (German Commercial Code)
HR	Handelsregister (German Commercial Register)
IDW	Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf
IDW PS 400 (Revised)	IDW Audit Standard "Formation of an audit opinion and issue of the audit report"
IDW PS 450 (Revised)	IDW Audit Standard "Principles of proper preparation of audit reports"
ICS	Internal control system
AS	Auditing standard
k€	Thousands of euros
PY	Prior year

A. Audit mandate

The Management Board of beta Institut gemeinnützige GmbH, Augsburg, Germany – hereinafter also referred to as “beta Institut” or “Company” – has commissioned me to audit the annual financial statements as at March 31, 2019, including the underlying accounting records, for compliance with professional principles, and to report on the results of my audit in writing.

The auditing mandate was issued to me by the Management Board on January 28, 2019.

The Company is to be classified as a small company in accordance with the criteria set out in section 267, para. 1 HGB and is therefore not subject to audit pursuant to section 316 et seq. HGB. However, a voluntary audit of the financial statements is to be carried out.

I confirm, in accordance with section 321, para. 4a HGB, that I have observed the applicable rules on independence in carrying out my audit of the financial statements.

In the following report, which was prepared in accordance with the principles of proper preparation of audit reports (IDW PS 450 (Revised)), I report on the nature, extent and results of my audit.

In Section B, the report provides in advance my opinion on the Management Board’s assessment as well as statements in accordance with section 321, para. 1, sentence 3 HGB.

The audit procedure and audit results are described in detail in Sections C and D. The audit report with unmodified audit opinion issued on the basis of the audit is set forth in Section E.

I have attached the audited financial statements, consisting of the balance sheet (Annex 1), the income statement (Annex 2) and the notes to the financial statements (Annex 3) to my report.

The “General terms and conditions for auditors and auditing companies of January 1, 2017” that have been agreed upon and that are annexed to this report form the basis for the execution of the mandate and my responsibility, including in relation to third parties.

B. Basic determinations

I. Opinion on the assessment of the Management Board

In principle, the CEO must assess the economic situation of the Company in the management report. Small capital companies are not under a legal obligation to draw up a management report. Nor has the Management Board voluntarily prepared a management report. Consequently, as a statutory auditor, I do not have any obligation to comment on the assessment of the Company’s situation by the legal representatives, as would otherwise be expressed in the management report.

C. Object, nature and scope of the audit

The object of the audit included the accounting and annual financial statements as at March 31, 2019 (Annexes 1 to 3), and compliance with the relevant legal requirements regarding the accounting and the supplementary provisions of the articles of association.

Verification of compliance with other legal provisions only falls within the scope of the statutory audit to the extent that these other provisions normally impact the annual financial statements. In this respect, a review of the nature and appropriateness of the insurance coverage, in particular whether all risks were taken into account and sufficiently insured, was not included in my audit mandate.

The Management Board of the Company is responsible for the accounting and the preparation of the financial statements as well as the information provided to me. My task is to assess the documents submitted by the Management Board and the information provided in the context of my audit.

I conducted the audit work in the offices of the Company in Augsburg and at my office in Augsburg in April 2019. The audit report was then finalized. I did not carry out a preliminary audit this year because the volume of business hardly differs from the previous year.

The starting point for my audit was the annual financial statements prepared by the Company as at March 31, 2019. The annual financial statements as at March 31, 2018, were adopted as such by the shareholders' resolution of May 4, 2018.

I used the accounting records, the receipts and the files and documents of the Company as audit documents.

All information, explanations and documentary evidence requested by me have been willingly provided by the Management Board and the employees appointed to provide information. In addition to this, the Management Board has confirmed to me in the declaration of completeness that is standard for the profession that the accounts and the annual financial statements to be audited incorporate all assets, obligations, risks and accruals that are subject to accounting, including all expenses and income, that all necessary information has been provided and that all existing contingent liabilities have been disclosed to me. There were no significant events that occurred after the end of the fiscal year according to the information in the notes and none became known to me during my audit.

I conducted my audit of the financial statements in accordance with section 316 et seq. HGB and the generally accepted standards in Germany for the audit of financial statements set out by the IDW. Accordingly, I have planned and performed my audit with an orientation towards problems – but without any special focus on auditing for embezzlement – in such a way that irregularities and statutory violations materially affecting the presentation of the Company's net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices could have been detected with reasonable assurance.

The audit included assessing the accounting records used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the annual financial statements.

The audit was based on planning of the audit focal areas, taking into account my preliminary assessment of the Company's situation and an assessment of the effectiveness of the accounting-related internal control system (risk-oriented audit approach). The assessment was

based in particular on findings related to the legal and economic framework conditions. Industry risks, corporate strategy and the resulting business risks are known from discussions with the Management Board and employees of the Company.

The risk areas identified in the audit planning resulted in the following focal areas of the audit:

- Adjustment of receivables from and liabilities to affiliated companies.

On the basis of a provisional assessment of the internal control system (ICS), I have followed the principles of materiality and economic efficiency when defining the further audit procedures. The audit of the structure of the ICS was intended to ensure, in particular, the rules governing the regularity and reliability of the Company's accounts, the continued existence of the Company and the preservation of existing assets, including preventing or exposing asset misappropriation.

Both the analytical audit procedures and the individual case studies were therefore carried out on the basis of selected samples, taking into account the importance of the audit areas, the organization of the accounting and the findings of the audit of the ICS. The samples were consciously selected in such a way as to take account of the economic importance of the individual items in the annual financial statements and to enable adequate auditing for compliance with statutory accounting requirements.

To audit the Company's assets and liabilities, I have obtained, among other things, a confirmation from the bank with which the Company has business relations.

D. Findings and notes on accounting

I. Regularity of accounting

1. Accounting records and other audited documents

The accounting (financial and asset accounting records) as well as the preparation of the annual financial statements of the company are carried out by employees of an enterprise affiliated with the Company. The Company uses the programs of SAP in this process. Payroll accounting has been outsourced to an external service provider.

The accounting-related internal control system set up by the Company provides rules for the organization and control of work processes that are appropriate to the business purpose and scope. The accounting procedures did not undergo any significant organizational changes during the reporting period.

The organization of the accounting records system and the accounting-related internal control system make possible the complete, accurate, timely and orderly recording and booking of business transactions. The chart of accounts is adequately structured, and the document system is clearly organized. The books were appropriately opened with the figures from the previous year's balance sheet and were altogether kept properly during the entire fiscal year.

The information obtained from the other audited documents resulted in the proper presentation in the accounting records and the annual financial statements.

Overall, it can be stated that the accounting records and the other audited documents comply with legal requirements, including the principles of proper accounting and the supplementary provisions of the articles of association. The audit revealed no issues.

2. Annual financial statements

The present annual financial statements as at March 31, 2019, were drawn up in accordance with the provisions of German commercial law and the supplementary provisions of the articles of association. Partial use was made of the size-dependent simplifications for the preparation of annual financial statements.

The balance sheet and income statement are properly derived from the accounting records and other documents that were audited. The classification of the balance sheet is based on the provisions of section 266, para. 2 and 3 HGB. The income statement was prepared in accordance with section 275, para. 2 HGB using the total cost (nature of expense) method. If there are optional presentation methods in the balance sheet or the income statement, the corresponding disclosures are largely made in the notes.

The accounting and valuation methods applied to the balance sheet and the income statement are adequately explained in the notes prepared by the Company. All individual disclosures required by law as well as the optional disclosures on the balance sheet and the income statement, which are included in the notes, are completely and accurately presented.

The annual financial statements thus comply with legal requirements, including the principles of proper accounting and the supplementary provisions of the articles of association. The audit revealed no issues.

II. Overall presentation of the annual financial statements

1. Determinations of the overall presentation of the annual financial statements

Based on the findings of my audit, the annual financial statements as a whole, i.e. as an overall presentation of the annual financial statements – as determined by the combination of the balance sheet, the income statement and the notes to the financial statements – give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the principles of proper accounting.

2. Significant valuation policies and changes to those policies

The following accounting and valuation methods were used in preparing the annual financial statements of the Company:

- Accounting and valuation under the assumption of continuation of business activities.

The accounting and valuation policies were essentially unchanged from the prior year. In addition, please see the explanations in the notes to the financial statements.

3. Measures influencing individual items

The findings of my audit did not reveal any reportable facts resulting from substantive measures in the audit period with a significant impact on the overall presentation of the annual financial statements.

4. Classifications and notes

As stipulated in the audit mandate, no breakdown of the main items in the balance sheet and the income statement is required. The notes are as follows:

Receivables from affiliated companies are exclusively in relation to Reddy Holding GmbH and betapharm Arzneimittel GmbH. The accounts are matched with the disclosures in the other companies.

Other provisions include liabilities to employees and liabilities from outstanding purchase invoices.

The sales revenues mainly relate to revenues from sponsorship and proceeds from licenses. As in the previous year, 4 persons were employed; however, the qualifications of the employees and thus also their salary have increased. Management is also planning a higher performance bonus than in the previous year. The other operating expenses of the previous year were influenced by a new Internet presence.

E. Presentation of the audit report and auditor's opinion

After the conclusion of my audit, I have issued the following audit report with unmodified audit opinion on the annual financial statements as at March 31, 2019 (Annexes 1 to 3) of beta Institut gemeinnützige GmbH, Augsburg, Germany, dated April 30, 2019, which is reproduced here:

"Auditor's opinion of the independent auditor

To beta Institut gemeinnützige GmbH

Auditor's opinion

I have audited the annual financial statements of beta Institut gemeinnützige GmbH, comprising the balance sheet as at March 31, 2019 and the income statement for the fiscal year from April 1, 2018 to March 31, 2019 and the notes to the financial statements, together with a description of the accounting policies used.

In my opinion, based on the findings of my audit, the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at March 31, 2019 and of its results of operations for the fiscal year from April 1, 2018 to March 31, 2019 in accordance with the German principles of proper accounting.

Pursuant to section 322, para. 3, sentence 1 HGB, I declare that my audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the auditor's opinion

I conducted my audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). My responsibility under these requirements and standards is broadly described in the "Auditor's responsibility for the audit of the annual financial statements" section of my audit report. I am independent of the Company in accordance with the requirements of German commercial and professional law, and have fulfilled my other German professional responsibilities in accordance with these requirements. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my auditor's opinion on the annual financial statements.

Management's responsibility for the annual financial statements

Management is responsible for preparing the annual financial statements in compliance, in all material respects, with the requirements of German commercial law applicable to corporations and for ensuring that the annual financial statements give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the German principles of proper accounting. In addition, management is responsible for such internal controls as they have determined necessary in accordance with the German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, except to the extent that this is contrary to fact or law.

Responsibility of the auditor for the audit of the annual financial statements

My objective is to obtain reasonable assurance that the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of the internal control system relevant to the audit of the annual financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

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

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify my respective audit opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- assess the overall presentation, the structure and the content of the annual financial statements including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German principles of proper accounting."

I make the above audit report concerning beta Institut gemeinnützige GmbH in accordance with the legal provisions and the principles of proper reporting for audits of financial statements.

Any use of the above-mentioned audit opinion outside this audit report requires my prior consent. In the event of publications or dissemination of the financial statements in a form deviating from the confirmed version (including translation into other languages), it is first necessary to obtain my opinion again if my audit report is cited or reference is made to my audit; please see section 328 HGB.

Augsburg, April 30, 2019

DIPL.-KFM. BERNHARD HALL
WIRTSCHAFTS-PRÜFER
SIEGEL
AUGSBURG

Bernhard Hall
Auditor

ANNEXES

Annex 1

beta Institut gemeinnützige GmbH

BALANCE SHEET
as at
March 31, 2019

Assets

	Notes	March 31, 2019 EUR	March 31, 2018 EUR
A. Current assets			
I. Receivables	II.1		
1. Trade receivables		0.00	0.00
2. Receivables from affiliated companies	II.2	22,384.16	31,557.91
		92,962.01	97,754.78
II. Cash and bank balances			
Total assets		115,346.17	129,312.69

Liabilities

		March 31, 2019 EUR	March 31, 2018 EUR
A. Equity			
I. Subscribed capital		100,000.00	100,000.00
II. Loss carry-forward		-8,344.05	-11,358.23
III. Net loss for the year (previous year net profit)		-11,777.87	3,014.18
B. Provisions			
1. Other provisions		32,899.09	34,616.24
	II.3		
C. Liabilities			
1. Trade payables		534.60	1,444.50
2. Liabilities to affiliated companies	II.4	0.00	0.00
3. Other liabilities	II.5	2,034.40	1,596.00
Total liabilities		115,346.17	129,312.69

Annex 2

beta Institut gemeinnützige GmbH

INCOME STATEMENT
for the period from
April 1, 2018 to March 31, 2019

Notes	2018/2019 EUR	2017/2018 EUR
1. Sales revenues	271,329.00	278,957.61
2. Other operating income	8,794.76	8,216.85
3. Personnel expense		
a) Wages and salaries	-158,528.00	-149,256.33
b) Social security payments	-40,076.79	-33,504.66
4. Other operating expenses	-93,296.84	-101,399.29
5. Other taxes	0.00	0.00
6. Net loss for the year (prior year: net profit)	-11,777.87	3,014.18

NOTES TO THE FINANCIAL STATEMENTS
for fiscal year 2018/2019

I. General comments on accounting and valuation methods

The accounting and valuation methods used are explained below.

I.1 Receivables and other assets are recognized at nominal value, taking into consideration all identifiable risks.

I.2 Cash balances at financial institutions are recognized at nominal value.

I.3 Equity capital is recognized at nominal value.

I.4 Other provisions are recognized at the settlement amounts deemed necessary on the basis of a reasonable commercial assessment and taking into consideration all identifiable risks.

I.5 Liabilities are recognized at their settlement amount.

II. Notes to the balance sheet and income statement

II.1 All receivables are due within one year.

II.2 Receivables from affiliated companies include receivables from shareholders in the amount of €315.16 (previous year: €795.41).

II.3 All liabilities are due within one year.

II.4 Liabilities to affiliated companies include liabilities to shareholders in the amount of €0 (prior year: €0).

II.5 Other liabilities include liabilities for taxes in the amount of €2,034.40 (prior year: €1,748.10).

III. Other notes

III.1 beta Institut gemeinnützige GmbH with head office in Augsburg, Germany, is registered with the Augsburg District Court under HRB 17408. The Company is classified as a small capital company under section 267, para. 1 HGB.

III.2 Dr. Reddy's Laboratories Limited, Hyderabad, India, prepares the consolidated financial statements for the largest and smallest scope of consolidation.

III.3 An average of 4 persons were employed during the fiscal year (prior year: 4).

III.4 There were no significant events that occurred after the end of the fiscal year and were not taken into account in either the income statement or the balance sheet.

Augsburg, April 30, 2019

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Koteswara Rao Tanneru

CEO

AUDITOR'S OPINION OF THE INDEPENDENT AUDITOR

To beta Institut gemeinnützige GmbH

Auditor's opinion

I have audited the annual financial statements of beta Institut gemeinnützige GmbH, comprising the balance sheet as at March 31, 2019 and the income statement for the fiscal year from April 1, 2018 to March 31, 2019 and the notes to the financial statements, together with a description of the accounting policies used.

In my opinion, based on the findings of my audit, the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at March 31, 2019 and of its results of operations for the fiscal year from April 1, 2018 to March 31, 2019 in accordance with the German principles of proper accounting.

Pursuant to section 322, para. 3, sentence 1 HGB, I declare that my audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the auditor's opinion

I conducted my audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). My responsibility under these requirements and standards is broadly described in the "Auditor's responsibility for the audit of the annual financial statements" section of my audit report. I am independent of the Company in accordance with the requirements of German commercial and professional law, and have fulfilled my other German professional responsibilities in accordance with these requirements. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my auditor's opinion on the annual financial statements.

Management's responsibility for the annual financial statements

Management is responsible for preparing the annual financial statements in compliance, in all material respects, with the requirements of German commercial law applicable to corporations and for ensuring that the annual financial statements give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the German principles of proper accounting. In addition, management is responsible for such internal controls as they have determined necessary in accordance with the German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, except to the extent that this is contrary to fact or law.

Responsibility of the auditor for the audit of the annual financial statements

My objective is to obtain reasonable assurance that the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of the internal control system relevant to the audit of the annual financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

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

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify my respective audit opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- assess the overall presentation, the structure and the content of the annual financial statements including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

Augsburg, April 30, 2019

DIPL.-KFM. BERNHARD HALL
WIRTSCHAFTS-PRÜFER
SIEGEL
AUGSBURG

Bernhard Hall
Auditor

Any use of the above-mentioned audit opinion outside this audit report requires my prior consent. In the event of publications or dissemination of the financial statements in a form deviating from the confirmed version (including translation into other languages), it is first necessary to obtain my opinion again if my audit report is cited or reference is made to my audit; please see section 328 HGB.

General Conditions of Contract

for

Auditors and Auditing Companies

dated January 1, 2017

1. Scope

(1) The Conditions of Contract apply to agreements between auditors or auditing companies (hereinafter collectively referred to as "auditors") and their clients relating to audits, tax advice, consultations on economic affairs and other engagements, unless otherwise expressly agreed in writing or prescribed by law.

(2) Third parties may only derive claims from the agreement between the auditors and the client if this is expressly agreed or otherwise provided for in the statutory regulations. In respect of such claims, these Conditions of Contract also apply to such third parties.

2. Scope and execution of contract

(1) The subject of the contract is the service agreed rather than any specific economic success. The contract shall be executed in accordance with the principles of proper professional conduct. The auditors shall not take over any management tasks as part of their services. The auditors are not responsible for the use or implementation of the results of their services. The auditors are entitled to avail of the services of experts to execute the contract.

(2) The application of foreign law requires express written agreement – except for business checks.

(3) If the material or legal situation changes after the final professional statement has been issued, the auditors are not required to draw the client's attention to such changes or to the consequences thereof.

3. Client's duty to cooperate

(1) The client must ensure that the auditors are given all documentation and other information necessary to execute the contract in good time and made aware of all procedures and circumstances that could have a material impact on the execution of the contract. The same applies for documentation and other information, procedures and circumstances that come to light only while the auditors are carrying out their activities. The client shall put the auditors in touch with the appropriate people.

(2) At the auditors' request, the client must confirm in a written statement drafted by the auditors that the documentation and records submitted and the information and explanations provided are complete.

4. Safeguarding independence

(1) The client must refrain from doing anything that could jeopardize the independence of the auditors' employees. This applies for the duration of the contractual relationship and in particular to offers of employment and offers to undertake engagements on their own account.

(2) If the execution of the contract adversely affects the auditors' independence, their affiliated companies, their network companies or other associated companies to which the independence provisions apply to the same extent as to the auditors in other contractual relations, the auditors are entitled to terminate the contract on an exceptional basis.

5. Reporting and verbal information

Insofar as the auditors present results in writing in the course of executing the contract, only this written description is decisive. Drafts of written descriptions are not binding. Unless otherwise agreed, verbal statements and information provided by the auditors are only binding if confirmed in writing. Any statements and information provided by the auditors outside the scope of the contract assigned are always non-binding.

6. Disclosure of professional statements made by the auditors

(1) The disclosure of professional statements made by the auditors (work products or extracts from work products – whether the draft or final version) or information on the auditors' activity on behalf of the client requires the auditors' written consent unless the client is obliged to make such disclosures or provide such information by law or administrative order.

(2) Use of the auditors' professional statements and information on the auditors' activities on behalf of the client for commercial purposes is not permitted.

7. Rectification of defects

(1) In the event of any defects, the client is entitled to require the auditors to rectify these. It may only reduce the fee or withdraw from the agreement if the auditors fail, neglect, unjustifiably refuse or are unable to rectify the defect; if the order was not placed by a consumer, the client may only withdraw from the agreement due to defect if the service provided is of no interest to it because the auditors failed, neglected, unjustifiably refused or were unable to rectify the defect. Point 9 also applies in respect of any compensation claims.

(2) The claim for rectification of defects must be made immediately by the client in writing. Claims pursuant to the first paragraph not arising from intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious inaccuracies such as typing errors, miscalculations and formal defects included in a professional statement (report, expert opinion and the like) by the auditors may at all times be corrected by the auditors including with effect against third parties. Inaccuracies that could put into question the results contained in the auditors' professional statement entitle the auditors to withdraw such statements, including with effect against third parties. In the cases noted the auditors should first hear the client, if possible.

8. Duty of confidentiality vis-à-vis third parties, data protection

(1) Under the provisions of the law (section 323, para. 1 of the German Commercial Code [HGB], section 43 of the Auditors' Code [WPO], section 203 of the German Penal Code [StGB]), the auditors are obliged to treat as confidential all facts and circumstances entrusted to them or of which they become aware in the course of their professional activities, unless the client releases them from this obligation.

(2) The auditors shall observe the national and European data protection regulations when processing personal data.

9. Liability

(1) The statutory limitations of liability, particularly the liability limitation under section 323, para. 2 HGB apply to legally prescribed auditors' services, particularly audits.

(2) If no statutory liability limitation applies and there is no liability limitation under a specific contract, the auditors' liability for compensation claims of all types, with the exception of damages arising from injury to life, body or health, and damages substantiating the manufacturer's obligation to indemnify under section 1 of the Product Liability Act (ProdHaftG), is limited to €4 million in cases of gross negligence under section 54a, para. 1(2) WPO.

(3) The auditors may also assert pleas and defenses arising from the contractual relationship with the client against third parties.

(4) If several claimants derive claims relating to negligent breach of duty by the auditors from the contractual relationship with the auditors, the maximum amount mentioned in para. 2 shall apply to the relevant claims of all claimants.

(5) A single case of damage as defined in para. 2 is also defined as the same damage caused by multiple breaches of duty. The single case of damage includes all consequences of a breach of duty regardless of whether damages occurred in one or more consecutive years. In this respect, repeated acts or omissions based on the same or a similar error shall be deemed a single breach of duty if the matters concerned are legally or commercially related. In this case, the maximum claim that can be asserted against the auditors is €5 million. The limitation to five times the minimum amount insured does not apply to compulsory audits prescribed by law.

(6) A claim for damages shall lapse if legal action is not taken within six months subsequent to the written rejection of the indemnification and the client was informed of this consequence. This does not apply to claims for compensation attributable to intentional conduct or to culpable injury to life, body or health and to damages substantiating the manufacturer's obligation to indemnify under section 1 ProdHaftG. The right to assert the defense of limitation remains unaffected.

10. Supplementary provisions for audit assignments

(1) If the client subsequently changes the financial statements or management report audited by the auditors and given an audit opinion, it may not continue to use this audit opinion.

If the auditors have not issued an audit opinion, a reference to the audit conducted by the auditors in the management report or in any other place intended for the general public is permitted only with written consent of the auditors and using the wording authorized by them.

(2) If the auditors revoke the audit opinion, it may no longer be used. If the client has already used the audit opinion, it must announce its revocation at the auditors' request.

(3) The client is entitled to five copies of the report. Additional copies will be invoiced separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on individual tax issues as well as when providing continuous tax advice, the auditors are entitled to assume that the facts provided by the client – especially numerical disclosures – are accurate and complete. This also applies to bookkeeping engagements. However, they must inform the client of any inaccuracies they identify.

(2) The tax consultancy engagement does not include actions required to meet deadlines unless the auditors have explicitly taken on this task. In this case, the client must provide the auditors with all key documentation required to meet deadlines, in particular tax assessment notices in good time to ensure that they have sufficient time to process the information.

(3) Unless otherwise agreed in writing, the current tax advice includes the following activities occurring during the contract term:

a) preparing annual tax returns for income tax, corporate income tax and trade tax, as well as net worth tax returns based on the annual financial statements and other statements and information required for tax purposes to be submitted by the client

b) checking tax assessment notices in relation to the taxes mentioned under a)

c) negotiating with the financial authorities in connection with the tax returns and notices mentioned under a) and b)

d) participating in external tax audits and assessing the results of tax audits with respect to the taxes mentioned under a)

e) participating in appeals and complaint procedures with respect to the taxes mentioned under a).

In performing the above-mentioned tasks, the auditors shall take account of published case law and administrative opinions.

(4) If the auditors receive a flat fee for ongoing tax advice, the activities mentioned under para. 3(d) and (e) shall be charged separately unless otherwise agreed.

(5) Where the auditors are also tax advisers and where the Ordinance on Remuneration for Tax Advisers (Steuerberatervergütungsverordnung) applies when assessing the remuneration, a higher or lower amount than that stipulated by law may be agreed in writing.

(6) The processing of specific individual issues relating to income tax, trade tax, assessed valuation and net worth tax as well as the processing of all matters relating to sales tax, payroll tax, other taxes and duties shall be done on the basis of a specific contract. This also applies to

a) processing non-recurring matters pertaining to tax, e.g. inheritance tax, capital transfer tax, land transfer tax,

b) providing cooperation and representation in financial and administrative court proceedings and in penal fiscal proceedings,

c) providing consultation and expert opinions in matters pertaining to the restructuring, capital increase and decrease, and reorganization of a company, entry and retirement of a shareholder, sale, liquidation and the like, and

d) providing support in the fulfillment of publication and documentation obligations.

(7) Where the preparation of the annual sales tax return is undertaken as an additional activity, this does not include checking any special accounting prerequisites or ascertaining whether all potential legal sales tax reductions have been claimed. No liability is accepted regarding the completeness of the documentation submitted in order to receive tax deductions.

12. Electronic communication

Communication between the auditors and the client may also take place via e-mail. If the client does not wish to use e-mail communication or imposes special security requirements such as e-mail encryption, the client shall inform the auditors accordingly in writing.

13. Remuneration

(1) As well as their claim for fees or charges, the auditors are also entitled to reimbursement of their expenses; sales tax shall be charged in addition. They may request reasonable advance payments on remuneration and reimbursement and make the provision of their services dependent on full satisfaction of their requirements. Multiple clients awarding engagements are jointly and severally liable.

(2) If the client is not a consumer, an offset against claims of the auditors for remuneration and reimbursement is permitted only with undisputed claims or claims established with legal effect.

14. Dispute resolution

The auditors are not willing to take part in dispute resolution procedures before a consumer arbitration board as defined in section 2 of the Consumer Dispute Resolution Act (Verbraucherstreitbeilegungsgesetz).

15. Applicable law

German law shall apply exclusively to the contract, its execution and any claims arising therefrom.

Dieser Prüfungsbericht richtet sich - unbeschadet eines etwaigen, gesetzlich begründeten Rechts Dritter zum Empfang oder zur Einsichtnahme - ausschließlich an Organe des Unternehmens. Soweit nicht im Rahmen der Auftragsvereinbarung zwischen dem Unternehmen und der Ernst & Young GmbH WPG ausdrücklich erlaubt, ist eine Weitergabe der vorliegenden elektronischen Kopie an Dritte nicht gestattet.

Im Hinblick auf die Anforderungen von § 321 Abs. 5 Satz 1 HGB tritt die elektronische Fassung nicht an die Stelle, sondern neben die Papierfassung im Sinne einer elektronischen Kopie.

Notwithstanding any statutory right of third parties to receive or inspect it, this audit report is addressed exclusively to the governing bodies of the Company. The digital copy may not be distributed to third parties unless such distribution is expressly permitted under the terms of engagement agreed between the Company and Ernst & Young GmbH WPG.

Considering the requirements of Sec. 321 (5) Sentence 1 HGB, the electronic version does not replace the hardcopy but is prepared in addition to it and is an electronic copy thereof.

betapharm Arzneimittel GmbH
Augsburg

Long-form audit report
Annual financial statements and management report
31 March 2019

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

Translation from the German language

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Exhibits

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Engagement Terms, Liability and Conditions of Use
General Engagement Terms

Note: Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (units of currency, percentages, etc.).

A. Audit engagement

In accordance with a resolution approved at the shareholder meeting on 26 November 2018, the Management Board of betapharm GmbH, Augsburg, ("betapharm" or the "Company"), engaged us to audit the Company's annual financial statements as of 31 March 2019, together with the underlying books and records, and the management report.

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017, which are attached to this report, are applicable to this engagement and also govern our relations with third parties in the context of this engagement. In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties and the other provisions of the enclosed "Engagement Terms, Liability and Conditions of Use".

This long-form audit report is addressed to betapharm Arzneimittel GmbH.

B. Reproduction of the auditor's report

We issued the following auditor's report on the annual financial statements and the management report:

„Independent auditor's report

To betapharm Arzneimittel GmbH

Opinions

We have audited the annual financial statements of betapharm Arzneimittel GmbH, Augsburg, which comprise the balance sheet as of 31 March 2019, and the income statement for the fiscal year from 1 April 2018 to 31 March 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of betapharm Arzneimittel GmbH for the fiscal year from 1 April 2018 to 31 March 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 March 2019 and of its financial performance for the fiscal year from 1 April 2018 to 31 March 2019 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibilities of the executive directors for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

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

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. "

C. General findings

Comments on the executive directors' assessment of the Company's position

In our opinion, on the basis of the knowledge obtained in the audit, we consider the executive directors' discussion and analysis of the Company's position and its anticipated development as presented in the annual financial statements and in the management report to be fitting.

Position of the Company and development of its business

The following aspects should be highlighted:

- betapharm's revenue in the fiscal year ending 31 March 2019 stood at EUR 82.7m, 7.9 % down on the prior-year level. Revenue is thus also below the forecast made in the prior year, which projected a mid-range single-digit increase. The main reason for this was the decline in foreign business, whereas domestic business gained 2.8 % on the prior-year level and can be considered relatively stable.

- Additions to intangible assets were moderate in the past fiscal year, whereas amortization remains at a high level following the large-scale investments of prior years. By contrast, there was a significant increase in financial assets in loans to affiliates, resulting from additional loans granted by betapharm to Reddy Holding GmbH.

- Participation in tender processes for new molecules launched in prior years led to an increase in provisions for obligations towards health insurers.

- betapharm generated a profit of EUR 9.6m from its operating business, which is to be transferred to Reddy Holding GmbH under the profit and loss transfer agreement.

- Assets and liabilities, financial position and financial performance are considered to be in a good state and according to betapharm's statement, the development of revenue and earnings is satisfactory.

Anticipated development of the Company

The presentation of the anticipated development of the Company in the management report is based on assumptions which require the use of judgment. We consider this presentation to be plausible. In this context, the following aspect should be highlighted:

- betapharm will continue to pursue its strategy. Accordingly, domestic business in fiscal year 2019/20 will benefit from individual product launches, while foreign business will decrease significantly due to the gradually flattening product life cycle of the relevant drug on the foreign market. The Management Board therefore expects that revenue in fiscal year 2019/20 will be at the level of the prior year.

D. Performance of the audit

I. Subject of the audit

Under our engagement, we examined in accordance with Sec. 317 HGB whether the books and records, the annual financial statements, which comprise the balance sheet, the income statement and notes to the financial statements, and the management report comply with the relevant legal requirements.

The applicable financial reporting framework for our audit of the annual financial statements comprised the accounting requirements of Secs. 242 to 256a and Secs. 264 to 288 HGB, the special requirements of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. Assessment criteria for the management report were the requirements of Sec. 289 HGB.

II. Nature and scope of the audit

We conducted our audit in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

The audit does not extend to providing assurance of the Company's ability to continue as a going concern or of management efficiency and effectiveness.

The basis of our audit methodology, which is risk and process oriented, is the development of an audit strategy. This strategy is based on the assessment of the economic and legal environment of the Company, its goals, strategies and business risks, which we evaluate with the help of critical success factors. The examination of the accounting-related internal control system and its effectiveness is supported by process and data analyses. We perform such analyses in order to determine their impact on relevant accounts and hence evaluate risks of material misstatement and our audit risk.

Findings from our data analyses, the analysis of processes and the accounting-related internal control system were taken into account in choosing the analytical procedures and substantive testing of assets and liabilities, recognition, presentation and valuation in the annual financial statements. The audit program, which is specifically tailored to the Company, determines the key elements of the audit, the nature and scope of audit procedures as well as the timing and staffing of the audit. This approach is based on the principles of risk assessment and materiality. We therefore reached our audit opinion primarily on a test basis.

Our audit program focused on the following audit areas:

- Analysis of the annual financial statement close process
- Recognition, valuation and disclosure of intangible assets
- Existence and valuation of inventories
- Recognition of trade receivables and trade payables
- Completeness and valuation of provisions
- Recognition of revenue and cost of materials
- Audit of information provided in the management report, especially prospective information

We also performed the following standard audit procedures:

- We requested confirmation for inventories held by third parties and ascertained the quantities and nature of the inventories held on behalf of the Company.
- We obtained bank confirmations and received and assessed confirmations from the Company's lawyers regarding pending litigation.
- We determined that trade receivables as well as trade payables are correctly accounted for in the balance sheet by requesting balance confirmations on a sample basis and data analyses. For those items of the financial statements for which we could not rely on business processes, we performed balance reconciliation procedures as well as an analysis of movements shortly before or after the balance sheet date, taking into account the relevant documentation, e.g., contracts, correspondence, etc.
- We also applied analytical procedures to test the plausibility of changes in items of the annual financial statements.

We were provided with all information and evidence requested. In a letter of representation submitted to us, the Management Board confirmed the completeness of these explanations and documents and of the books and records, financial statements and management report.

III. Independence

We were in compliance with the applicable independence requirements during our audit.

E. Findings on the financial reporting

I. Legal compliance of the financial reporting

In our opinion, on the basis of the knowledge obtained in the audit, the books and records comply with the legal requirements. Data gathered from other audited documents are properly reflected in the books and records, the annual financial statements and the management report.

We concluded our audit, covering

- legal compliance of the components of the annual financial statements and of their derivation from the books and records;
- legal compliance of the disclosures in the notes to the financial statements;
- compliance with recognition, presentation and valuation requirements;
- compliance with all legal requirements governing financial reporting, including German legally required accounting principles and with all requirements applicable to entities of a specific size, legal form or industry; and
- compliance with requirements of the articles of incorporation and bylaws of relevance for the content of the financial reporting;

by issuing the auditor's report reproduced in section B.

The executive directors are justified in limiting their reporting on remuneration of corporate bodies in the notes to the financial statements with reference to Sec. 286 (4) HGB.

II. Overall presentation of the annual financial statements

1. Valuation bases

We provide the following information on the recognition and measurement policies applied as well as the significant factors for the valuation of assets and liabilities, including any effects of changes in such methods:

Inventories

As the Company itself does not manufacture, manufacturing of products is assigned to contract manufacturers. APIs (Active Pharmaceutical Ingredient) as well as product packaging are disclosed under the **raw materials, consumables and supplies** item, bulk (unpackaged tablets) under the **work in process** item and chiefly merchandise and medical samples under the **finished goods and merchandise** item.

Provisions

Other provisions account for all potential losses from pending transactions and uncertain liabilities with the amount deemed necessary on the basis of prudent business judgment. Future price and cost increases are taken into account for determining the settlement amount. Other provisions mainly include provisions to cover refunds from tender agreements. This is calculated on the basis of sales figures procured and reflects the expected refund amount of health insurers. Further provisions consist of provisions for invoices outstanding and personnel provisions.

Liabilities

Liabilities were recorded at the settlement value.

For further details, please refer to the information on other valuation bases in the notes to the financial statements.

2. Overall conclusion

Based on our audit, which was carried out in accordance with professional standards, we conclude, as stated in our auditor's report, that the annual financial statements as a whole give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in accordance with German legally required accounting principles.

F. Closing remark

We issue the above long-form report on our audit of the annual financial statements and the management report of betapharm Arzneimittel GmbH, for the fiscal year from 1 April 2018 to 31 March 2019 in accordance with Sec. 321 HGB and in compliance with the Generally Accepted Standards for the Issuance of Long-Form Audit Reports promulgated by the IDW (IDW AuS 450 (revised)).

Munich, 8 May 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Napolitano	Schmid
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Translation from th

betapharm Arzneimittel GmbH, Augs

Balance sheet as of 31 March 2019

A s s e t s

	31 Mar 2019		31 Mar 2018	
	EUR	EUR	EUR	EU
A. Fixed assets				
I. Intangible assets				
1. Franchises, industrial and similar rights and assets, and licenses, in such rights and assets	3,831,599.76		13,022,067.52	
2. Prepayments	2,158,773.75	5,990,373.51	2,141,165.31	15,163,232.8
II. Property, plant and equipment				
1. Land, land rights and buildings, including buildings on third-party land	465,157.23		473,127.07	
2. Plant and machinery	0.00		0.00	
3. Other equipment, furniture and fixtures	124,108.48		102,756.64	
4. Prepayments property, plant and equipment	1,355,230.00	1,944,495.71	1,352,113.00	1,927,996.7
III. Financial assets				
Loans to affiliates		28,491,704.86		7,888,145.8
		36,426,574.08		**24,979,375.3**
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	292.01		0.00	
2. Work in process	94,693.19		27,962.67	
3. Finished goods and merchandise	22,746,381.04	22,841,366.24	16,037,038.19	16,065,000.8
II. Receivables and other assets				
1. Trade receivables	13,142,491.93		10,826,791.76	
2. Receivables from affiliates	11,268,434.83		5,539,604.18	
3. Other assets	11,342,594.99	35,753,521.75	7,671,727.62	24,038,123.5
III. Cash on hand and bank balances		209,821.75		51,204.9
		58,804,709.74		**40,154,329.3**
C. Prepaid expenses		**131,250.00**		**131,250.0**
		95,362,533.82		**65,264,954.0**

Translation from the German language

Exhibit 2

betapharm Arzneimittel GmbH, Augsburg

Income statement for the period from 1 April 2018 to 31 March 2019

	2018/19		2017/18	
	EUR	EUR	EUR	EUR
1. Revenue		82,665,313.25		89,775,333.52
2. Decrease (prior year: increase) in inventories of finished goods and work in process		66,730.52		-74,351.23
3. Other operating income		1,616,706.01		4,460,385.32
		84,348,749.78		**94,161,367.61**
4. Cost of materials				
a) Cost of raw materials, consumables and supplies and of purchased merchandise	-45,555,691.48		-42,033,837.88	
b) Cost of purchased services	-2,562,996.01	-48,118,687.49	-2,271,413.38	-44,305,251.26
5. Personnel expenses				
a) Wages and salaries	-4,699,949.53		-4,210,774.38	
b) Social security	-750,087.60	-5,450,037.13	-631,084.18	-4,841,858.56
6. Amortization of intangible assets and depreciation of property, plant and equipment		-10,518,454.27		-12,348,486.48
7. Other operating expenses		-11,052,104.93		-17,474,955.41
		9,209,465.96		**15,190,815.90**
8. Income from loans classified as fixed financial assets (thereof from affiliates: EUR 38,145.83)	447,664.58		38,145.83	
9. Other interest and similar income	1.95		1.20	
10. Interest and similar expenses	-86,250.59	361,415.94	-489,299.01	-451,151.98
11. Earnings after taxes		**9,570,881.90**		**14,739,663.92**
12. Other taxes		-18,331.28		-18,164.63
13. Expenses from profit and loss transfer agreement		9,552,550.62		14,721,499.29
14. Net income/net loss for the year		**0.00**		**0.00**

Translation from the German language Exhibit 3/1

betapharm Arzneimittel GmbH, Augsburg

NOTES TO THE FINANCIAL STATEMENTS for fiscal year 2018/19

I. General information on recognition and measurement policies

General

These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations.
The income statement is classified using the nature of expense method.

Recognition and measurement policies

The following recognition and measurement policies were applied.

The financial statements of betapharm Arzneimittel GmbH were prepared in euros in accordance with the accounting provisions of the HGB. In addition, the provisions of the GmbHG have been observed.

Purchased **intangible assets** are recognized at acquisition cost and are amortized over their estimated useful lives using the straight-line method if they have a limited life. The useful life for software licenses is three years and for drug approvals and other rights to drug approvals is eight years.

Property, plant and equipment are recognized at acquisition cost and are depreciated if they have a limited life. Ordinary depreciation is recorded using the straight-line method and on the basis of the expected useful life of the assets of generally between 2 and 10 years.

In the current fiscal year, **low-value assets** with an acquisition cost not exceeding EUR 800.00 were fully expensed.

As the Company itself does not manufacture, manufacturing of products is assigned to contract manufacturers. APIs (Active Pharmaceutical Ingredients) as well as product packaging are disclosed under **raw materials, consumables and supplies,** bulk (unpackaged tablets) under **work in process** and chiefly merchandise and medical samples under **finished goods and merchandise**.

All items are valued at acquisition cost. Allowances are made for inventory risks associated with slow-moving stocks, reduced usability, etc. The lower of cost or market principle is applied.

Apart from normal retentions of title, no inventories have been pledged as security to third parties.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. The general credit risk is provided for by a general bad debt allowance. Non-interest bearing or low-interest receivables due in more than one year are discounted.

Cash on hand and bank balances are stated at their nominal value.

Expenses recorded before the balance sheet date that relate to a certain period after this date are posted as **prepaid expenses**.

Equity is stated at nominal value.

Other provisions are recognized at the settlement amount based on prudent business judgment, taking all identifiable risks into account.

Liabilities are recorded at the settlement value.

Translation of items denominated in foreign currency to EUR

For first-time posting, **currency receivables and liabilities** are measured at the mean spot rate as of the date of the transaction. For subsequent measurement, currency receivables and liabilities are translated with an effect on income using the mean spot rate as of the balance sheet date; if they have a residual term of more than one year, the realization and the historical cost principles are applied, but if they have a residual term of up to one year, these principles are not applied.

Tax group

A **tax group for income tax and VAT** purposes is in place with Reddy Holding GmbH, Augsburg, as the tax group parent. Future tax relief and burdens due to temporary differences between the statutory balance sheet and tax accounts (outside basis differences) are taken into account in the separate financial statements of the tax group parent.

II. Notes to the balance sheet and income statement

Fixed assets

Details on the breakdown and the development of fixed assets (attachment to the notes) are presented in the statement of changes in fixed assets.

Franchises, industrial rights

Drug approvals, software and other rights are disclosed under franchises, industrial and similar rights and assets, and licenses in such rights and assets.

Receivables

All receivables are due in less than one year as of the balance sheet date. There are receivables from shareholders of EUR 192k (prior year: EUR 313k).

Provisions

Other provisions mainly include provisions for discounts to health insurance funds of EUR 65,890k (prior year: EUR 45,454k), provisions for purchase order price adjustments with suppliers of EUR 7,768k (prior year: EUR 2,859k) provisions for returns of EUR 2,163k (prior year: EUR 1,700k) and provisions for approval fees of EUR 1,580k (prior year: EUR 1,481k).

Information on liabilities

Liabilities are due in up to one year as of the balance sheet date. Liabilities with a residual term or between one and five years and more than five years do not exist.

Liabilities to affiliates

Liabilities to affiliates include liabilities to shareholders of EUR 1,049k (prior year: EUR 423k).

Other liabilities

Other liabilities include liabilities related to social security of EUR 1k (prior year: EUR 1k) and from taxes of EUR 125k (prior year: EUR 91k).

Revenue

The Company operated on two different geographical markets in the past fiscal year. Revenue in the domestic market amounted to EUR 68,679k (prior year: EUR 66,789k), while revenue in the US stood at EUR 13,987k (prior year: EUR 22,986k).

Other operating income

Other operating income includes income from currency translation of EUR 829k (prior year: EUR 3,752k) and current other operating income of EUR 167k (prior year: EUR 30k). Furthermore, it includes out-of-period income of EUR 621k (prior year: EUR 678k), a large portion of which stems from reversal of personnel provisions and provisions for drug approvals.

Other operating expenses

Other operating expenses includes expenses from currency translation of EUR 376k (prior year: EUR 4,557k) and day-to-day other operating expenses of EUR 10,639k (prior year: EUR 12,910k). Furthermore, they include out-of-period expenses of EUR 174k (prior year: EUR 144k).

Other interest and similar income

Other interest and similar income includes interest income from affiliates of EUR 448k (prior year: EUR 38k).

Interest and similar expenses

Interest expenses include interest expenses to affiliates of EUR 84k (prior year: EUR 485k). These relate to a loan from Citibank, which was repaid in the same reporting period.

III. Other notes

Company, registered office, registration court

betapharm Arzneimittel GmbH is entered in the commercial register of Augsburg local court under HRB 13268.

Size

The Company is a large corporation according to Sec. 267 (3) HGB.

Off-balance-sheet transactions

Off-balance-sheet-transactions pursuant to Sec. 285 No. 3 HGB mainly relate to liabilities from a property lease of EUR 1,379k (prior year: EUR 1,634k).

The property lease relates to the business premises at Kobelweg 95, Augsburg. The lease agreement helps betapharm not to tie up any funds to finance property. The agreement may not be terminated until the end of its basic term and provides for a fixed remaining value at the end of the term.

Other financial obligations

There are other financial obligations amounting to EUR 934k (prior year: EUR 274k) in addition to the liabilities disclosed in the balance sheet. These are attributable to a sponsorship agreement of EUR 200k (prior year: EUR 200k), car lease agreements of EUR 719k (prior year: EUR 55k) and a rental agreement for photocopiers of EUR 15k (prior year: EUR 19k). The obligation from the sponsorship agreement relates exclusively to an affiliate.

Name of the management

During the past fiscal year, the Company's business activities were managed by the following persons:

Dr. Clemens Johannes Troche, doctor and businessman; general manager until 12 April 2019

Sameer Sudhakar Natu, businessman

Remuneration of the general managers

Remuneration paid to the general managers has not been disclosed in accordance with Sec. 286 (4) HGB.

Group relationships

The parent company that prepares the consolidated financial statements for the largest and the smallest group of companies is Dr. Reddy's Laboratories Limited, Hyderabad, India. The consolidated financial statements as of 31 March 2019 prepared in accordance with IFRS are published by the Securities and Exchange Commission (SEC), Washington, USA.

Average number of employees during the fiscal year

Average number of employees	1 Apr 2018 – 31 Mar 2019	1 Apr 2017 – 31 Mar 2018
Salaried employees	62	59
Executives	1	1
Total	**63**	**60**

Auditor's fees

For information on total auditor's fees in accordance with Sec. 285 No. 17 HGB, please refer to the consolidated financial statements of Dr. Reddy's Laboratories Limited, Hyderabad, India.

Subsequent events

betapharm took out a short-term loan of EUR 26.5m with Citibank at the end of April 2019; this loan was granted as an intercompany loan to Reddy Holding GmbH with payment due in mid-May 2019.

Following repayment of the loan by Reddy Holding GmbH, betapharm will immediately settle the full amount of the loan from Citibank.

Augsburg, 8 May 2019

.....
Sameer Sudhakar Natu
General manager

betapharm Arzneimittel GmbH, Augs

Statement of changes in fixed assets for fiscal year 2018/19

	Acquisition and production cost				
	1 Apr 2018	Additions	Disposals	Reclassifications	31
	EUR	EUR	EUR	EUR	
I. Intangible assets					
1. Franchises, industrial and similar rights and assets, and licenses, in such rights and assets	59,040,158.87	663,944.32	216,782.51	595,445.89	6
2. Prepayments	2,141,165.31	613,054.33	0.00	-595,445.89	
	61,181,324.18	**1,276,998.65**	**216,782.51**	**0.00**	**6**
II. Property, plant and equipment					
1. Land, land rights and buildings, including buildings on third-party land	676,124.08	0.00	5,957.87	0.00	
2. Plant and machinery	743,456.59	0.00	445,392.32	0.00	
3. Other equipment, furniture and fixtures	1,330,035.20	81,978.30	83,622.42	0.00	
4. Prepayments on assets	1,352,113.00	3,117.00	0.00	0.00	
	4,101,728.87	**85,095.30**	**534,972.61**	**0.00**	
III. Financial assets					
Loans to affiliates					
	7,888,145.83	20,603,559.03	0.00	0.00	2
	7,888,145.83	**20,603,559.03**	**0.00**	**0.00**	**2**
	73,171,198.88	**21,965,652.98**	**751,755.12**	**0.00**	**9**

betapharm Arzneimittel GmbH, Augsburg

Management report for the fiscal year from 1 April 2018 to 31 March 2019

Company fundamentals: organization, business model and strategy

betapharm Arzneimittel GmbH ("betapharm") with head office in Augsburg is a company of the pharmaceutical manufacturer Dr. Reddy's Laboratories Ltd., Hyderabad ("Dr. Reddy's"), which is domiciled in India. Within the worldwide group, betapharm is responsible for the distribution of generic products in Germany. In addition, betapharm sells one product to an affiliate in the US.

The Company, which was founded in 1992, offers a wide range of products, comprising around 120 active ingredients as of the end of the fiscal year. betapharm sells products developed internally by Dr. Reddy's as well as licensed products manufactured on behalf of betapharm. In prescription drugs (Rx), betapharm covers not only the cardiovascular area but also pain therapy, neurology/psychiatry and HIV/HepB. To a lesser extent, it also offers generic OTC products, i.e., drugs that do not require a prescription and are sold over the counter (OTC).

Products are distributed under the "betapharm" brand. They are aimed at practicing physicians and pharmacists (retail market) and at hospitals and oncology centers. These customers are generally supplied via wholesalers, with which betapharm maintains close, partner-like relations. Health insurers are significant market operators: By putting selective discount agreements out to tender, they achieve very high discounts on listed prices and heavily influence which products are dispensed to patients by pharmacists.

betapharm focuses on the largest possible range of generics in the low-price segment. The main aim is to exploit the potential for value creation arising from the launch of new products. In order to be one of the primary providers on the market, betapharm has built up a network of suppliers characterized by high quality, speed and flexibility.

Research and development

As betapharm focuses on the marketing and distribution of generics, the Company does not undertake research and development. However, betapharm benefits from the research and development work of the Dr. Reddy's Group.

Economic report

Sector-related environment

The pharmaceuticals market is particularly competitive. Firstly, there is a strong trend for consolidation and displacement: More and more smaller providers are being taken over by large groups. Thus, the ten leading pharmaceutical manufacturers account for around 40% of revenue on the German market. Secondly, originally specialized market operators such as developers, suppliers of active ingredients and contract manufacturers are increasingly acting as competitors to generics suppliers.

The pharmaceutical industry is subject to the statutory and regulatory framework conditions in the public health system. Legislators are countering rising healthcare expenditure with a range of complex control mechanisms. Discount agreements between statutory health insurers and drug manufacturers help achieve savings in the provision of medication to people. This involves pharmaceutical companies granting discounts to health insurers for their products. In return, when handling a prescription, pharmacists are generally obliged to dispense a product with the same active ingredient for which a discount agreement of this type has been concluded. This leads to particularly intense price competition for selective tenders with 1 to 3 winners.

Business performance: financial performance, assets and liabilities and financial position

Financial performance

Revenue in the fiscal year ending 31 March 2019 stood at EUR 82.7m, 7.9% down on the prior-year level. Revenue is thus also below the forecast made in the prior year, which projected a mid-range single-digit increase. The main reason for this is the decline in foreign business, whereas domestic business was 2.8% above the prior-year level. As a result, as forecast in the prior year, the increase in revenue in the domestic business was achieved. Domestic business can be considered relatively stable. This trend is likely to continue in the future.

betapharm generated a profit before profit transfer of EUR 9.6m. This is a decrease of EUR 5.2m compared to the prior year. Foreign business is almost exclusively responsible for this development. The gradually flattening product life cycle of the relevant drug on the foreign market and increasing competition from new market participants were evident. By contrast, net income for the year from domestic business increased in proportion to the increase in revenue.

The change in the exchange rate of the US dollar against the euro was evident in other operating income and other operating expenses.

Income from currency translation of EUR 829k (prior year: EUR 3,752k) mainly results from translating receivables from affiliates in the US.

Expenses from currency translation of EUR 376k (prior year: EUR 4,557k) relate to the currency losses realized from the repayment of a loan denominated in US dollars and from settling sales invoices from a company, which were also issued in US dollars.

The number of product launches increased compared to the prior year, which contributed towards an increase in domestic revenue.

betapharm is a wholly owned subsidiary of Reddy Holding GmbH, with which a profit and loss transfer agreement is in place. This agreement requires betapharm to transfer its entire profit to Reddy Holding GmbH. In return, Reddy Holding GmbH is obliged to compensate any net loss incurred.

Assets and liabilities

Additions to intangible assets were moderate in the past fiscal year, whereas amortization remains at a high level following the large-scale investments of prior years. By contrast, there was a significant increase in financial assets in loans to affiliates, resulting from additional loans granted by betapharm to Reddy Holding GmbH.

There were increases in current assets. The expanded product portfolio due to product launches entailed an increase in merchandise.

Short-term reductions in calls for intercompany receivables to be settled as well the increase in revenue from domestic business together led to higher receivables compared to the prior year.

The sharp increase in other assets resulted from the price differences for tender products, due to participation in new tenders in the past fiscal year, leading to a receivable from contract manufacturers.

Participation in tender processes for new molecules launched in prior years led to an increase in provisions for obligations towards health insurers.

In comparison to the prior year, liabilities to affiliates increased due to the increase in purchases of merchandise from affiliates.

Financial position

Simplified cash flow		2019	2018
		EUR k	EUR k
	Net income for the year before profit transfer	9,553	14,721
+	Depreciation and amortization	10,518	12,348
+/-	Change in provisions	24,394	8,339
Simplified cash flow		**44,465**	**35,408**

The Company is financed by its cash flow:

betapharm generates high liquidity from its operations, which is transferred to Reddy Holding GmbH under the profit and loss transfer agreement. In the past fiscal year, earnings were transferred on a quarterly basis. The resulting liabilities were repaid in a timely manner. Therefore, there were no significant liabilities to Reddy Holding GmbH as of the balance sheet date. In addition, betapharm granted a loan of EUR 28m to Reddy Holding GmbH.

At EUR 1.0m, betapharm's equity lies below the fixed assets tied up in the Company long term, which amount to EUR 36.4m.

In the past fiscal year, the Company met its payment obligations to its non-Group business partners at all times.

Overall conclusion

We consider our assets and liabilities, financial position and financial performance to be in a good state and the development of revenue and earnings to be satisfactory.

Non-financial performance indicators

betapharm supports beta Institut gemeinnützige GmbH, which operates a search engine for social queries in healthcare under www.betanet.de. Interested and affected parties can research social security legislation and assistance, disease-specific psychosocial information and important addresses for self-help groups, professional associations and counseling services free of charge.

Opportunities and risk report

In its business dealings, betapharm endeavors to minimize risks and make use of opportunities.

Regulatory risks and opportunities

Amendments to existing regulations and the introduction of new regulations in public healthcare can affect betapharm's business operations. In principle, each time an original product patent expires, this gives betapharm considerable opportunities as a generics provider. Regulations relating to active pharmaceutical ingredients or to product distribution can have a negative impact. The same applies to regulations that strengthen the bargaining power of individual customer segments. These include discount agreements with health insurance funds and hospitals, substitution requirements for pharmacists or bonus-malus regulations for physicians relating to prescription volumes.

Risks and opportunities in procurement

As a company of a pharmaceutical group with worldwide operations domiciled in India, betapharm benefits from outstanding cost structures in production and from its access to new developments, particularly in the area of complex generics for oncological indications.

In many aspects of its business, particularly in new launches, betapharm relies on third parties with regard to the timely delivery of active ingredients, specifically raw materials, equipment, formulation or packaging services and maintenance services. In some (rare) cases, this involves a single source of supply and hence a certain dependence. To ensure a constant supply of goods and services at the right time and in line with the required specifications, betapharm actively manages the relationships with these business partners and regularly conducts quality audits.

Risks and opportunities in delivery capability

Nevertheless, events beyond the control of betapharm can mean that deliveries are not made on time, are only made partially or are not made at all. In such cases, betapharm could be temporarily unable to ensure the delivery of sufficient amounts of finished products. This would adversely affect the Company's business and operating results. Ultimately, discount agreements are generally linked to the ability to deliver sufficient volumes and entail contractual penalties if these cannot be met. To counter the risk of contractual penalties, betapharm participates in discount agreements on a selective basis only. If the Company wins a discount agreement, a risk management system ensures that goods are supplied on time. To do this, betapharm retains buffer stocks of key products, for example. The Company can also access these buffer stocks to avail of the opportunity to make extra sales in case competitor companies encounter delivery problems.

In the rare event that only insufficient quantities remain in stock, betapharm informs the health insurance funds accordingly. Wholesalers are also updated as to when goods will become available once again. This transparency and the close contact with customers ensures that the best-possible service is provided to patients and that betapharm will continue to be seen as a reliable partner by market operators.

Opportunities and risks in terms of ability to innovate

betapharm's success depends among other things on its ability to introduce new generics steadily and swiftly. This means continuing to obtain patents, to protect trade secrets, intellectual property rights and other confidential information and not to infringe upon the intellectual property rights of others in its business dealings in the future. The risk of patent infringement is very high in view of the intense competition in the generics sector. Patent-related legal proceedings regarding the manufacture, application and sale of products are part of the everyday business of pharmaceutical companies. The costs of such legal proceedings, the obstruction of business operations and possible compensation claims that are liable to result could significantly impair business as well as operating results, the financial position and the outflow of funds.

betapharm also relies on unpatented in-house know-how, trade secrets and ongoing technical innovation that the Company aims to protect. It has set up systems and practices on information security to this effect. It has also concluded non-disclosure agreements with licensees, suppliers, employees and consultants. It is conceivable that these agreements could be breached and that the Company may not be able to remedy this adequately. There could be legal disputes on intellectual property rights or on the applicability of non-disclosure agreements. Furthermore, technology developed by betapharm could be disclosed in another manner or could be developed independently by competitors.

Currency risks and opportunities

betapharm invoices revenue with the US in US dollars. This results in exchange rate effects for the Company.

Overall picture of the opportunities and risks situation

In sum, betapharm is reluctant to take risks and avails of business opportunities where it can do so at low risk in this highly regulated market. This strategy aims to ensure solid and healthy growth for the Company. The risks presented can be regarded as controllable. No risks have been identified that could endanger the Company's ability to continue as a going concern in the foreseeable future.

Forecast

According to an estimate by IQVIA, the worldwide pharmaceuticals market is set to experience annual growth of between three and six percent until 2023. For the German market, the information service provider also anticipates growth of between three and six percent.

The market is characterized by intensifying competition. Moreover, health insurers are increasingly endeavoring to conclude discount agreements. This leads to new opportunities for generic providers, also on smaller markets. betapharm participated successfully in numerous tenders for discount agreements with 1 to 3 winners in fiscal year 2019 as well. The strategic considerations of the corporate group were taken into account here.

The immense pressure placed on margins by discount agreements makes it increasingly important to identify and open up business areas that are either not connected with tenders or connected only on a small scale. In addition to extensive patent research, this requires identifying partners for development and production. It will also remain in focus in the coming year, both for the Rx and the OTC business.

betapharm will continue to pursue its strategy. Accordingly, domestic business in fiscal year 2019/20 will benefit from individual product launches. Growth in the higher single digits is therefore expected for revenue from domestic business. By contrast, a significant decline in revenue from foreign business is expected, due to the gradually flattening product life cycle of the relevant drug on the foreign market. The Management Board therefore expects that total revenue in fiscal year 2019/20 will be at the level of the prior year and that earnings before profit transfer can be increased significantly on account of special effects.

The forward-looking nature of all future-related statements could mean that actual results differ from the anticipated trends.

Augsburg, 8 May 2019

The Management Board of betapharm Arzneimittel GmbH

betapharm Arzneimittel GmbH, Augsburg
Legal background

1. Legal position of the Company

Commercial register	The Company was entered in the commercial register on 21 December 1992 under HRB 13268 at Augsburg local court. The last entry was made on 25 May 2018.
Articles of incorporation and bylaws	The articles of incorporation and bylaws dated 21 December 1992 and last amended by resolution on 14 November 2006 apply.
Purpose of the Company	Distribution of drugs and other pharmaceutical products, which are manufactured by third parties under contract under the registered trademark "betapharm" and other trademarks as well as galenic and pharmaceutical drugs development.
Fiscal year	1 April – 31 March
Capital	The capital stock amounts to EUR 1,022,583.76 (DM 2,000,000.00).
Management	Dr. Clemens Troche, doctor and businessman; general manager until 12 April 2019 Sameer Sudhakar Natu, businessman If only one general manager is appointed, he represents the Company alone. If more than one general manager has been appointed, the Company is represented by two general managers or by one general manager acting jointly with an authorized signatory ["Prokurist"]. Signing authority ["Prokura"]: Hannes Ferwagner; Alexander Henke; Dr. Herbert Heynck; Susanne Müller; Koteswara Rao Tenneru

Shareholder meeting	Ordinary For fiscal year 2018 on 14 May 2018 in Augsburg. The resolutions passed included the following: 1. The financial statements for fiscal year 2018 were ratified. 2. Management was exonerated for fiscal year 2018. Extraordinary For fiscal year 2019 on 26 November 2018 in Augsburg. The resolutions passed included the following: 1. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed auditor of the annual financial statements and the management report for the fiscal year from 1 April 2018 to 31 March 2019.

2. Economic background

Significant contracts

On 26 March 2014, the Company concluded a domination and profit and loss transfer agreement as controlling company with Reddy Holding GmbH with its registered office in Augsburg (Augsburg local court, HRB 21913), which the shareholder meeting approved by resolution dated 28 March 2014.

Discount agreements pursuant to Sec. 130a (8) SGB ["Sozialgesetzbuch": German Social Security Code] for health insurers were created for the first time in fiscal year 2005. With the introduction of the GMG ["Gesundheits-modernisierungsgesetz": German Healthcare System Modernization Act], the legislators provided the health insurers and pharmaceutical companies the possibility to make discount agreements for the first time. The agreements relate to discounts on all prescription products of the Company that have to be paid by the health insurer concerned. Since the introduction of the German Act to Increase Competition in the Statutory Health Insurance System, the majority of these discount agreements are binding for the health insurer concerned to a specific drug manufacturer for prescription products, until and unless the ordinance issued expressly excludes manufacturer change (aut idem or like-for-like). The discount agreements are put out to tender regularly.

In November 2005, an agreement was concluded with NextPharma GmbH (formerly Pharbil GmbH), Göttingen, for commissioning, storage and preparation of product delivery with effect from 1 November 2005. The original term was 38 months. The agreement automatically extends by further 24 months unless one of the parties terminates the agreement in writing with a period of notice of 12 months.

The Company as lessee has concluded a property lease agreement since 1 January 2001 with TACET Grundstücks-Vermietungsgesellschaft mbH & Co. betapharm KG, Düsseldorf (TACET), the lessor. The property in Augsburg is used by the Company as an administrative building for its operating activities. The contractual minimum term of the lease is 22.5 years. The lease agreement between the Company and TACET includes an option that authorizes the Company to buy the property at the end of the lease term on 1 July 2023. The Company has itself concluded rental agreements with affiliates for specific areas in this building.

Further significant contracts that are relevant or may become relevant for the assessment of the economic situation due to their subject, duration, potential penalties or due to other reasons were not concluded, according to the information made available to us.

3. Tax background

Tax features

The most recent tax field audit was completed in fiscal year 2015/16; it covered the fiscal years from 2010 to 2013. There were no tax audit notices as of the reporting date.

The Company is registered with the Augsburg-Stadt tax office under the tax identification number 103/116/32243.

Since 1 December 2005 there has been a tax group with Reddy Holding GmbH, Augsburg, as the tax group parent regarding corporate tax, trade tax and VAT.

Engagement Terms, Liability and Conditions of Use

In the audit report, the auditors summarize the results of their work, reporting in particular to those bodies of the Company responsible for its oversight. By documenting material audit findings, the audit report supports the bodies responsible in the process of overseeing the Company. For this reason, the report - notwithstanding any right of third parties based on special legal provisions to receive or inspect it - is addressed exclusively to the bodies of the Company for internal use.

Our work is based on our engagement letter for the audit of these financial statements including the General Engagement Terms for "Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften" [German Public Auditors and Public Audit Firms] as issued by the IDW ["Institut der Wirtschaftsprüfer": Institute of Public Auditors in Germany] on 1 January 2017.

This audit report is solely intended to serve as a basis for decisions of bodies of the Company and must not be used for purposes other than those intended. We therefore assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the audit report and/or audit opinion to reflect events or circumstances arising after the audit opinion was issued unless required to do so by law.

It is the sole responsibility of anyone taking note of the information contained in this audit report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

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(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

Lizensiert für / Licensed to: Mitgliedsunternehmen des Verbunds von EY-Gesellschaften | 4309421

CHEMINOR INVESTMENTS LIMITED

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500034, Telangana, India.
CIN: U67120TG1990PLC011931, E-mail : shares@directkhs.com

Tel: +91 40 4900 2900 Fax: +91 40 4900 2999

Board's Report

Dear Members,

Your Directors are pleased to present the 29th Board's Report of the Company for the year ended 31 March 2019.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2018-19 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2019	31 March 2018
Profit/(Loss) for the period after taxation	(15)	(10)
Balance brought forward	(210)	(200)
Balance carried forward to Balance Sheet	(225)	(210)

Company's Affairs

The Company holds land to carry out its activities. However, it did not carry out any operations during the year.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2019.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

Share Capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments affecting the financial position of the Company

None.

Particulars of Loans, Guarantees or Investments

Details of Loans, Guarantees and Investments covered under Section 186 of the Companies Act, 2013 form part of the notes to financial statements provided in this Annual Report.

Subsidiaries and Associates

The Company does not have any Subsidiary, Joint Venture or Associate Company.

Number of Board meetings

The Company's Board met four times during the year: 11 May 2018, 24 July 2018, 24 October 2018 and 30 January 2019.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN: 06471520), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. The Board recommends his re-appointment for approval at the ensuing Annual General Meeting.

Brief profile of Mr. Saumen Chakraborty is given in the notice convening 29th Annual General Meeting, for reference of shareholders.

The Company is not required to appoint any key managerial personnel under Section 203(1) of the Companies Act, 2013.

Further, the Company had no independent directors during the year 2018-19. Hence, the declaration by independent directors under section 149(6) is not applicable.

Secretarial Standards

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;

2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2018-19 and of the loss of the Company for that period;

3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. annual accounts have been prepared on a going concern basis; and

5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Corporate Social Responsibility

Since the Company did not reach the threshold limit of net worth or turnover or net profit, during the immediate preceding financial year as stated in Section 135(1) of the Companies Act, 2013, therefore, the Company was not required to constitute a Corporate Social Responsibility Committee. Hence, provisions with regard to CSR Committee, CSR policy and CSR spent/initiatives were not applicable to the Company during the year.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to the Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as "**Annexure I**".

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Statutory Auditors

The Statutory Auditors of the Company, M/s. A. Ramachandra Rao & Co., Chartered Accountants (Firm's Registration No. 002857S), retire at the ensuing 29th Annual General Meeting.

The Board of Directors have proposed the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants (Firm's Registration No. 002857S) as Statutory Auditors for a period of five years to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the 34th Annual General Meeting.

M/s. Ramachandra Rao & Co., Chartered Accountants, have consented to the said appointment and confirmed that their re-appointment if made, would be within the limits specified under Section 141(3)(g) of the Companies Act 2013 and Companies (Audit and Auditors) Rules, 2014. They have further confirmed that they are not disqualified to be appointed as statutory auditor in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report. During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013.

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable.

Significant and Material Orders passed by the Court/Regulators

None.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

Since the Company did not have any operations during the year, the particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was not constituted. However, the Company being a wholly-owned subsidiary of Dr. Reddy's Laboratories Limited (DRL), the Internal Complaints Committee of DRL would address any such complaint from time to time.

Maintenance of cost records

Since the Company did not have any operations, it was not required to maintain cost records as required under the provisions of Section 148(1) of the Companies Act, 2013.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are enclosed as **"Annexure II"** to this Report.

Acknowledgement

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

For and on behalf of the Board of Directors

Date: May 15, 2019 Place: Hyderabad	**M V Narasimham** Director DIN: 02677423	**Sujit Kumar Mahato** Director DIN: 07599067

Annexure- I

FORM NO. AOC – 2
(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	**Not Applicable**
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	**None**
(b)	Nature of contracts/arrangements/ transactions	
(c)	Duration of the contracts/arrangements transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Date(s) of approval by the Board, if any	
(f)	Amount paid as advances, if any	

For and on behalf of the Board of Directors

M V Narasimham
Director
DIN: 02677423

Sujit Kumar Mahato
Director
DIN: 07599067

ANNEXURE II

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2019
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sl. No.	Particulars	Details
i)	CIN	U67120TG1990PLC010931
ii)	Registration Date	January 23, 1990
iii)	Name of the Company	Cheminor Investments Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below.

Sl. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
NA			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Dr Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500034	L85195TG1984PLC004507	Holding	100	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	134,613	134,613	100	0	134,613	134,613	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	134,613	134,613	100	0	134,613	134,613	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0

Total shareholding of Promoter (A)=(A)(1)+(A)(2)	**0**	**134,613**	**134,613**	**100**	**0**	**134,613**	**134,613**	**100**	**0**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**0**	**134,613**	**134,613**	**100**	**0**	**134,613**	**134,613***	**100**	**0**

(*) Includes nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, holding company and 100 shares held by Dr. Reddy's Bio-Sciences Limited, wholly owned subsidiary of Dr. Reddy's Laboratories Limited.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	134,513	99.92	-	134,513	99.92	-	-
2	Dr Reddy's Bio-Sciences Limited	100	0.08	-	100	0.08	-	-
		134,613	**100**	-	**134,613**	**100**	-	-

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	134,613	100%	134,613	100%
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc)	No Change			
At the End of the year	134,613	100%	134,613	100%

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS*								
1	Mr. Saumen Chakraborty	01.04.2018	1	0	0	0	1	0
		31.03.2019	1	0	0	0	1	0
2	Mr. M V Narasimaham	01.04.2018	1	0	0	0	1	0
		31.03.2019	1	0	0	0	1	0
3	Mr. Sujit Kumar Mahato	01.04.2018	0	0	0	0	0	0
		31.03.2019	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs) – Nil								

* Held as Nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment (Rs.)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2018)				
i) Principal Amount	-	7,161	-	7,161
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	7,161	-	7,161
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2019)				
i) Principal Amount	-	7,161	-	7,161
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	7,161	-	7,161

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager - Not applicable

B) Remuneration of other directors No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager Not applicable

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

There were no penalties/punishments/compounding of offences during the year.

For and on behalf of the Board of Directors

Date: May 15, 2019
Place: Hyderabad

M V Narasimham
Director
DIN: 02677423

Sujit Kumar Mahato
Director
DIN: 07599067

To
Members
Cheminor Investments Limited

Report on the Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Financial Statements of **Cheminor Investments Limited("the Company")**, which comprise the Balance sheet as at 31st March 2019, and the Statement of Profit and Loss and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements 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, of the state of affairs of the Company as at March 31, 2019, and profit/loss and its cash flows for the year ended on that date

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 in the financial statements, which indicates that the Company incurred a net loss of Rs. 15 Th during the year ended 31st March 2019 and also incurred net loss of Rs. 10 Th in the previous year ended 31st March 2018.*Notwithstanding the fact that the company has incurred cash losses during the current year as well as during the previous year, the financial statements* have been prepared on Going Concern *basis* due to the continued support of the Parent to the Company. Our opinion is not modified in respect of this matter

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than matter described in the Material Uncertainty related to Going Concern, we have determined that there are no key audit matters to communicate in our report

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for

ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards of Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2019, and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order,2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A"a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account

e) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2019 from being appointed as a director in terms of Section164(2) of the Act.

f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

Place : Hyderabad
Date: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

ANNEXURE TO THE AUDITORS' REPORT
(Cheminor Investments Limited)
(Of even date referred to in Para 1 of our Report)

(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 its assets and, to the best of our knowledge, no material discrepancies were noticed on such verification;

c) Based on the information given to us, the title deeds of the properties are held in the name of the Company.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(iii) Based on the information provided to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) are not applicable to the Company for the year.

(iv) Based on the information provided to us, the Company has not given any loan, guarantee, nor provided any security in connection with a loan and not acquired any security during the year and hence, in our opinion, the clause 3(iv) is not applicable to the Company during the year.

(v) Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 3(v) is not applicable to the Company for the year.

(vi) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable

(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the Company during the year.

Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company

(viii) Based on the information provided and explanation given to us, the Company has not taken any loans from Banks / Financial Institutions / Government / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(x) 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 year.

(xi) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 the Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;

(xiv) The Company has not made any preferential allotment of shares during the year and during the year under review and hence, clause 3(xiv) is not applicable to the Company during the year.

(xv) As per the information given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) is not applicable to the Company during the year.

(xvi) Based on information provided and explanations offered, in our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202567

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF Cheminor Investments Limited
[Re : Clause 2(f) of the independent auditors report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Cheminor Investments Limited, as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : Hyderabad
Date: 15-May-2019

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI Firm Regn No. 002857S

P S R V V Surya Rao
Partner
Membership No.202367

Chennimor Investments Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	1,209	1,209
Total non current assets		**1,209**	**1,209**
Current assets			
Cash and cash equivalents	2.2	13	13
Total current assets		**13**	**13**
Total assets		**1,222**	**1,222**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.3	1,346	1,346
Other equity			
Retained earnings		(225)	(210)
Total equity	2.4	**1,121**	**1,136**
Non current liabilities			
Financial Liabilities			
Borrowings	2.5	7	7
Other financial liabilities	2.6	-	-
		7	7
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.7	94	79
Total Liabilities		**94**	**79**
Total equity and liabilities		**1,222**	**1,222**

Significant accounting policies & Notes to Accounts

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

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date : 15-May-2019

for and on behalf of the Board of Directors

Venkatanarasimham Manam
Director
DIN 02677423

Sujit Kumar Mahato
Director
DIN : 07599067

Chomnor Investments Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Revenue from operations		-	-
Total income		-	-
Expenses			
Other expenses	2.8	15	10
Total expenses		**15**	**10**
Profit before share of profit / (loss) of associates and joint ventures, exceptional items and tax		**(15)**	**(10)**
Share of profit / (loss) of associate and joint ventures		-	-
Profit before exceptional items and tax		**(15)**	**(10)**
Profit / (Loss) before tax		(15)	(10)
Profit / (Loss) for the year		**(15)**	**(10)**
Earnings per share:			
Basic earnings per share Rs.10/- of each		(0.11)	(0.07)
Diluted earnings per share Rs.10/- of each		(0.11)	(0.07)
Number of shares used in computing earnings per share			
Basic		1,34,613	1,34,519
Diluted		1,34,613	1,34,519
Significant accounting policies	1		

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

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

for and on behalf of the Board of Directors

Venkatanarasimham Manoam
Director
DIN :02677423

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Sujit Kumar Mahato
Director
DIN : 07599067

Place: Hyderabad
Date : 15-May-2019

Chemanor Investments Limited
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flow from operating activities		
Profit / (Loss) before tax from continuing operations	(15)	(10)
Profit before tax	(15)	(10)
Adjustments to reconcile profit before tax to net cash flows:		
Operating cash flows before working capital changes	**(15)**	**(10)**
Working capital adjustments:		
Increase/(Decrease) in trade and other payables	15	10
	-	-
Income tax paid	-	-
Net cash flows from/(used in) operating activities	-	-
Net cash flows from/(used in) investing activities	-	-
Financing activities		
Proceeds from issue of shares	-	1
Redemption of preference shares	-	(1)
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	13	13
Cash and cash equivalents at the end of the year	13	13

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

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Place: Hyderabad
Date : 15-May-2019

for and on behalf of the Board of Directors

Venkatanarasimham Mannam
Director
Din : 02677423

Sujit Kumar Mahato
Director
Din : 07599067

Cheminor Investments Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts :

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013

Assets:

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

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

Liabilities:

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

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

Current asset / liabilities include the current portion of non-current asset / liabilities respectively. All other asset / liabilities are classified as noncurrent.

Income tax

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Cheminor Investments Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Property, plant and equipment

Recognition and measurement

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

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within "Other Income / Other Expense", in the Statement of Profit and Loss.

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

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

Depreciation

Depreciation is recognized in the Statement of Profit and Loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

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

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

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Cheminor Investments Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

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

Provisions

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Cash and cash equivalents

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

Chennor Investments Limited

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

1.3 Related Party Transactions- IndAS24

The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2019	Closing Balance as on 31.03.2018
Dr. Reddy's Laboratories Limited	Holding company	Borrowings	7	7

Transaction with related party :

Name of Party	Nature of relationship	Nature of transaction	For the year ended 31-03-2019	For the year ended 31-03-2018
Dr. Reddy's Laboratories Limited	Holding company	Redemption of Preference shares	0	-1
Dr. Reddy's Bio Sciences Limited	Holding company	Investment	0	1

1.4 Taxation - Ind AS 12

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

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

• temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

• temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

• taxable temporary differences arising upon the initial recognition of goodwill.

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

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

Current and deferred tax is recognised in statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in

1.5 Earnings Per Share : Ind AS 33

The computation of Earnings Per Share is set out below:

Particulars	For the Year Ended 31st March 2019	For the Year Ended 31st March 2018
Earnings / (Loss) for the year	(15)	(10)
Weighted average number of equity shares		
outstanding during the year - Basic	1,34,613	1,34,519
outstanding during the year - Diluted	1,34,613	1,34,519
Earnings Per Share:		
Basic earnings per share Rs.10/- of each	(0.11)	(0.07)
Diluted earnings per share Rs.10/- of each	(0.11)	(0.07)

Chemanor Investments Limited

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.6 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

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 allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2019 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the aforesaid Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act. The particulars required to be disclosed are Nil.

1.7 Impairment of Assets

In the opinion of the management, there is no impairment of its assets as on 31 March 2019 requiring recognition in terms of Ind AS 36 prescribed by The Institute of Chartered Accountants of India (ICAI) .

1.8 Provision for employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

1.9 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallization of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallize on the Company and may not have any material impact on the revenue.

1.10 Recent accounting pronouncements

Ind AS 116, "Leases"

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the cash flow statement as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The Company will adopt the new Standard from 1 April 2019 onwards. The Company, for all the operating leases where it is a lessee, intends to apply this accounting standard retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. This means, the comparative information is not restated. Instead, the Company recognises the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application (modified retrospective approach).

Results of impact assessment:

The Company has not entered into any kind of leasing arrangements in form of either lessee or lessor .

Accordingly, the Company believes that the adoption of Ind AS 116 will not have anyimpact on it's financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to IAS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.

Appendix C explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously Ind AS 12 was silent. Appendix C applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The interpretation is effective for annual reporting periods beginning on or after 1 April 2019. An entity can, on initial application, elect to apply this amendment either:

- retrospectively applying Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, if possible without the use of hindsight; or
- retrospectively, with the cumulative effect of initially applying the interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).

The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Clearinor Investments Limited

Notes to Financial Statements

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

Note 1: Notes to financial statements

2.2: Fixed Assets

Description	Gross block				Accumulated depreciation / amortisation / impairment					Net block	
	As at 1 April 2009	Additions	Deletions	As at 31 March 2009	As at 1 April 2009	For the year	Impairment for the year	Deletions	As at 31 March 2009	As at 31 March 2009	As at 31 March 2010
Land	1,209	-	-	1,209	-	-	-	-	-	1,209	1,209
Total tangible assets	1,209	-	-	1,209	-	-	-	-	-	1,209	1,209
Previous Year	1,209	-	-	1,209	-	-	-	-	-	1,209	1,209

Chemistor Investments Limited

Notes to Financial Statements

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

Note 1: Notes to financial statements (continued)

2.3 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
150,000 (previous year : 150,000) equity shares of Rs.10/- each	1,500	1,500
	1,500	1,500
Issued equity capital		
134,613 (previous year : 134,613) equity shares of Rs.10/- each fully paid up	1,346	1,346
	1,346	1,346
Subscribed and fully paid-up		
134,613 (previous year : 134,613) equity shares of Rs.10/- each fully paid up	1,346	1,346
	1,346	1,346

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,34,613	1,346	1,34,513	1,345
Shares issued during the year			100	1
Number of shares outstanding at the end of the year	1,34,613	1,346	1,34,613	1,346

(b) **Reconciliation of the Preference shares outstanding is set out below:**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	-	-	8	1
Shares issued during the year	-	-	-	-
Shares redeemed during the year			(8)	(1)
Number of shares outstanding at the end of the year	-	-	-	-

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories Limited (including shares held by nominees)	1,34,513	99.9%	1,34,513	99.9%
Dr. Reddy's Bio-Sciences Limited	100	0.1%	100	0.1%

Clearstone Investments Limited

Statement of Changes in Equity

[All amounts in Indian Rupees thousands, except share data and where otherwise stated]

2.4 Total equity

For the year ended 31 March, 2019

Particulars	Share Capital		Reserves and Surplus						Items of OCI			Total Equity
	Shares	Amount	Share Premium	Share based payment reserve	Capital Reserve	Capital Redemption reserve	General reserve	Retained Earnings	Hedge reserve	Fair value reserve	Actuarial gains / (losses)	
Balance as of 1 April 2017	1,34,513	1,345	-	-	-	-	-	(250)	-	-		1,095
Issue of equity shares	100	1	-	-	-	-	-		-	-		1
Share based payment expense												-
Profit for the period								(10)				(10)
Balance as of 31 March 2018	1,34,613	1,346	-	-	-	-	-	(260)	-	-	-	1,086
Issue of equity shares	-	-	-	-	-	-	-	-	-	-		-
Profit for the period								(15)				(15)
Balance as of 31 March 2019	1,34,613	1,346	-	-	-	-	-	(275)	-	-	-	1,071

Chennimor Investments Limited

Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.2 : Cash and cash equivalent

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	13	13
Cash on hand	-	-
Cash and cash equivalents	**13**	**13**

2.5 : Borrowings

	As at 31 March 2019	As at 31 March 2018
Long term borrowings from holding company	7	7
Total non-current borrowings	**7**	**7**

2.6 :Other financial liabilities

	As at 31 March 2019	As at 31 March 2018
Preferential shares *	-	-
Total other financials liabilities	**-**	**-**

2.7 : Other financial liabilities

	As at 31 March 2019	As at 31 March 2018
Interest accrued but not due on loans	-	-
Accrued expenses	94	79
Contingent Liabilities	-	-
Total other Current financial liabilities	**94**	**79**

2.8 : Other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Audit fees	15	10
	15	**10**

As per our report of even date attached

for and on behalf of the Board of Directors

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number 002857S

Venkatanarasimhan Mannam
Director
DIN -02677423

P S R V V Surya Rao
Partner
ICAI Membership No. 202367

Sujit Kumar Mahato
Director
DIN : 07599067

Place: Hyderabad
Date : 15-May-2019

Chirotech Technology Limited

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31st March 2019

Chirotech Technology Limited

Contents of the Financial Statements for the year ended 31st March 2019

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Chirotech Technology Limited

Company Information
for the year ended 31st March 2019

DIRECTORS:	S Kohli V N Mannam C J Troche
SECRETARY:	S Kushwaha
REGISTERED OFFICE:	Chirotech Technology Centre 410 Cambridge Science Park Milton Road Cambridge CB4 0PE
REGISTERED NUMBER:	02667953 (England and Wales)
AUDITORS:	cbaSadofskys Statutory Auditors Princes House Wright Street Hull East Yorkshire HU2 8HX

Chiratech Technology Limited

Strategic Report
for the year ended 31st March 2019

The directors present their strategic report for the year ended 31st March 2019.

REVIEW OF BUSINESS AND CLOSING POSITION

The key financial highlights are as follows:

	31/3/19	31/3/18	31/3/17
	£	£	£
Turnover - United Kingdom	-	-	666,077
Turnover Growth - United Kingdom	-	-	-30.3%
Turnover - Europe and other countries	-	-	11,726,151
Turnover Growth – Europe and other countries	-	-	0.9%
Profit before tax	173,973	129,041	3,217,529
Profit before tax margin	-	-	26.0%

The company has ceased trading with the trade and the assets and liabilities being transferred to the company's immediate parent company on the 1st April 2017. The company's only activity has been the foreign exchange losses and the interest receivable on the group balances. The company continues to have one bank account open until the remaining debtors have been repaid.

PRINCIPAL RISKS AND UNCERTAINTIES

The company has identified the principal areas of risk that it faces as:

Financial instrument risk
The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the company's performance objectives. The objectives aim to ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Impact of pharmaceutical regulations
The business is subject to various regulations and any tightening of these could have a negative impact on earnings.

Price risk
The company provides specialist chiral chemical manufacturing and consultancy services to several pharmaceutical companies.

Foreign exchange risk
The company sells and purchases some of its products in foreign currencies. The risk is mitigated by monitoring foreign exchange rates on a daily basis and taking foreign exchange cover, if required.

Credit risk
Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored. The company has little experience of material bad debts in general.

Liquidity risk
Liquidity is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages its cash flow to ensure that sufficient liquid resources are available to meet its operating needs.

Interest rate and cash flow risk
The company had a favourable cash balance during the year and therefore does not consider that interest rates or cash flow pose a significant risk.

Chiratech Technology Limited

Strategic Report
for the year ended 31st March 2019

FUTURE DEVELOPMENTS AND STRATEGY
The company is intended to be formally liquidated during the next 12 months.

ON BEHALF OF THE BOARD:

S Kushwaha - Secretary

16th May 2019

Chirotech Technology Limited

Report of the Directors
for the year ended 31st March 2019

The directors present their report with the financial statements of the company for the year ended 31st March 2019.

CESSATION OF TRADING
The company ceased trading on 31st March 2019.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of a dormant company.

DIVIDENDS
No dividends will be distributed for the year ended 31st March 2019.

FUTURE DEVELOPMENTS
Details have been provided on the company's strategic report.

DIRECTORS
The directors during the year under review were:

G.V. Prasad	- resigned 18/9/18
K S Reddy	- resigned 18/9/18
D A Chaplin	- resigned 31/1/19
S Kohli	
V N Mannam	
C J Troche	- appointed 31/1/19

The directors holding office at 31st March 2019 did not hold any beneficial interest in the issued share capital of the company at 1st April 2018 (or date of appointment if later) or 31st March 2019.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds and finance the company's operations.

Revenue maintenance
The company has ceased trading.

Principle risks and uncertainties
These details have been provided on the company's strategic report.

GOING CONCERN
The company ceased sales on the 1st April 2017 when the company's operations where transferred to its immediate parent company. As the intention is to formally liquidate the company the directors consider it inappropriate to prepare the financial statements on a going concern basis and therefore the directors have prepared these financial statements on the break-up basis as set out under the basis of preparation note 2.

Chirotech Technology Limited

Report of the Directors
for the year ended 31st March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, chaSadofskys, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

S Koshwaha - Secretary

16th May 2019

Report of the Independent Auditors to the Members of
Chirotech Technology Limited

Opinion
We have audited the financial statements of Chirotech Technology Limited (the 'company') for the year ended 31st March 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31st March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of Chiratech Technology Limited

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alan Brocklehurst (Senior Statutory Auditor)
for and on behalf of cbaSadofskys
Statutory Auditors
Princes House
Wright Street
Hull
East Yorkshire
HU2 8HX

16th May 2019

Chirotech Technology Limited

Statement of Comprehensive Income
for the year ended 31st March 2019

	Notes	2019 £	2018 £
TURNOVER		-	-
Cost of sales		(5,662)	-
GROSS PROFIT		5,662	-
Administrative expenses		7,296	42,279
		(1,634)	(42,279)
Other operating income		-	(5,979)
OPERATING LOSS	4	(1,634)	(48,258)
Interest receivable and similar income	5	175,607	177,299
PROFIT BEFORE TAXATION		173,973	129,041
Tax on profit	6	33,055	(211,688)
PROFIT FOR THE FINANCIAL YEAR		140,918	340,729
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		140,918	340,729

The notes form part of these financial statements

Chirotech Technology Limited (Registered number: 02667953)

Balance Sheet
31st March 2019

	Notes	2019 £	2018 £
CURRENT ASSETS			
Debtors	7	11,028,151	10,910,075
Cash at bank		91,035	35,421
		11,119,186	10,945,496
CREDITORS			
Amounts falling due within one year	8	71,824	39,052
NET CURRENT ASSETS		11,047,362	10,906,444
TOTAL ASSETS LESS CURRENT LIABILITIES		11,047,362	10,906,444
CAPITAL AND RESERVES			
Called up share capital	9	20,778,057	20,778,057
Other reserves		364,000	364,000
Retained earnings		(10,094,695)	(10,235,613)
SHAREHOLDERS' FUNDS		11,047,362	10,906,444

The financial statements were approved by the Board of Directors on 16 - May - 2019 and were signed on its behalf by:

.....
S Kohli - Director

FOR APPROVAL

Chirotech Technology Limited

Statement of Changes in Equity
for the year ended 31st March 2019

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1st April 2017	20,778,057	(10,576,342)	364,000	10,565,715
Changes in equity				
Total comprehensive income	-	340,729	-	340,729
Balance at 31st March 2018	20,778,057	(10,235,613)	364,000	10,906,444
Changes in equity				
Total comprehensive income	-	140,918	-	140,918
Balance at 31st March 2019	20,778,057	(10,094,695)	364,000	11,047,362

The notes form part of these financial statements

Chirotech Technology Limited

Notes to the Financial Statements
for the year ended 31st March 2019

1. STATUTORY INFORMATION

Chirotech Technology Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

As set out in the Directors' report, due to the company's operations being transferred as of the 1st April 2017, the financial statements have been prepared on a break up basis at the year end. In adopting the break up basis at the year end the following procedures were implemented:

- All assets have been disclosed at values which they are expected to be realised
- All liabilities reflect the full amount at which they are expected to materialise.

Financial Reporting Standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised over their useful lives.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 15% on cost, and
	- between 5 and 10 years on cost
Fixtures and fittings	- over 4 years on cost
Computer equipment	- over 3 years on cost

The plant and machinery assets were reviewed on 1st May 2008 during the sale of the company to Dr. Reddy's Laboratories (EU) Limited. Assets held on this date are being written off over their estimated remaining useful life from this point.

Fixtures and fittings are being written off by the straight line method over their useful lives.

Laboratory equipment is being written off over its useful life using the straight line method. Laboratory equipment is shown as plant and machinery.

Research and development
Expenditure in relation to research and development is written off in the year in which it is incurred. Any expenditure of a capital nature is capitalised in the balance sheet and depreciated in line with the above note on tangible fixed assets.

continued...

Chirotech Technology Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

2. ACCOUNTING POLICIES - continued

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Patents
Patents were valued at cost as of the date at which the patent was first filed and amortised on a straight line basis over their useful economic lives.

Trade licences
Expenditure in respect of the renewal of trade licences has been charged to the profit and loss account when it has been incurred.

3. EMPLOYEES AND DIRECTORS

	2019 £	2018 £
Wages and salaries	7,752	-

The average number of employees during the year was as follows:

	2019	2018
Research and development	-	-
Operations - recharged to parent company	-	-
Sales and marketing	-	-
Administration	-	-
	-	-

	2019 £	2018 £
Directors' remuneration	-	-

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2019 £	2018 £
Auditors' remuneration for non audit work	450	900
Foreign exchange differences	(962)	40,397

continued...

Chirotech Technology Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Deposit account interest	-	40
Corporation tax interest	236	-
Interest on group loans	175,371	177,259
	175,607	177,299

6. TAXATION

Analysis of the tax charge/(credit)
The tax charge/(credit) on the profit for the year was as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax	33,055	53,016
Deferred taxation	-	(264,704)
Tax on profit	33,055	(211,688)

UK corporation tax has been charged at 19% (2018 - 19%).

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Amounts owed by group undertakings	10,955,362	10,352,911
Other debtors	875	8,627
VAT	90	13,238
R&D tax credits receivable	71,824	535,299
	11,028,151	10,910,075

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Taxation	71,824	38,769
Other creditors	-	283
	71,824	39,052

continued...

Chirotech Technology Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
207,780,570	Ordinary	10p	20,778,057	20,778,057

10. ULTIMATE PARENT COMPANY

The company's immediate parent company is Dr Reddy's Laboratories (EU) Limited, a company registered in England and Wales. The group financial statements are available to the public and may be obtained from Riverview Road, Beverley, East Yorkshire, HU17 0LD.

The company's ultimate parent and controlling company is Dr Reddy's Laboratories Limited, a company incorporated in India. The group financial statements are available to the public and may be obtained from Door No 8-2-337, Road No 3, Banjara Hills, Hyderabad - 500034, India.

Chirotech Technology Limited

Trading and Profit and Loss Account
for the year ended 31st March 2019

	2019		2018	
	£	£	£	£
Income		-		-
Cost of sales				
Materials		(5,662)		-
GROSS PROFIT		5,662		-
Other income				
Other income	-		(5,979)	
Deposit account interest	-		40	
Corporation tax interest	236		-	
Interest on group loans	175,371		177,259	
		175,607		171,320
		181,269		171,320
Expenditure				
Wages	7,752		-	
Rent and rates	-		290	
Auditors' remuneration for non audit work	450		900	
Foreign exchange losses	(962)		40,397	
Bank charges	56		692	
		7,296		42,279
NET PROFIT		173,973		129,041

DRL IMPEX LIMITED

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad - 500034, Telangana, India
CIN: U63990TG1986PLC006695, E-mail : shares@drreddys.com

Tel : +91 40 4900 2900 Fax: +91 40 4900 2999

Board's Report

Dear Members,

Your Directors are pleased to present the 32nd Board's Report of the Company for the year ended 31 March 2019.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2018-19 as compared to the previous financial year:

(Rs. in thousands)

Particulars	31 March 2019	31 March 2018
Profit/(Loss) for the period after taxation	92	(57)
Balance brought forward	(761,893)	(761,836)
Balance carried forward to Balance Sheet	(761,801)	(761,893)

State of Company's Affairs

The Company holds land to carry out its activities. However, it did not carry out any operations during the year.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2019.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

Share Capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Accordingly, no disclosure or reporting is required in respect of details relating to deposits.

Material Changes and Commitments Affecting the Financial Position of the Company

None

Particulars of Loans, Guarantees or Investments

The particular of Loans, Guarantees and Investments under section 186 of the Companies Act, 2013, form part of the notes to financial statements provided in this Annual Report.

Subsidiaries and Associates

The Company does not have any Subsidiary, Joint Venture or Associate Company.

Number of Board meetings

The Company's Board met five times during the year: 11 May 2018, 24 July 2018, 1 October 2018, 28 January 2019 and 29 March 2019.

Board of Directors and Key Managerial Personnel

During the year under review, Mr. Raghu Cidambi (DIN: 00030865) and Mr. Garimella Venkata Rathnam (DIN: 02425882) resigned as Independent Directors of the Company with effect from 29 March 2019. The Board places on record its appreciation for the services rendered by Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam during their tenure as a member of the Board and its committees.

Mr. Kiran Yanamandra (DIN: 07762357) was appointed as an Additional Director of the Company with effect from 29 March 2019. The Board recommends the appointment of Mr. Kiran Yanamandra as Director liable to retire by rotation, at the forthcoming AGM of the Company.

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN: 06471520), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. The Board recommends his re-appointment for approval at the ensuing Annual General Meeting.

Brief profiles of Mr. Kiran Yanamandra and Mr. Saumen Chakraborty are given in the notice convening 32nd Annual General Meeting, for reference of shareholders.

There is no change in key managerial personnel during the year under review.

Declaration given by the Independent Director

In accordance with Section 149(7) of the Companies Act, 2013, Mr. Raghu Cidambi (DIN: 00030865) and Mr. Garimella Venkata Rathnam (DIN: 02425882) have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 in the first meeting of the Board held during the financial year 2018-2019. Further, there was no change in the circumstances which may have affected their status as independent directors. Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam resigned as Independent Directors of the Company with effect from 29 March 2019.

Board Evaluation

As per provisions of the Companies Act 2013, an evaluation of the performance of the Board, its committees and individual directors was undertaken during the year.

Secretarial Standards

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;

2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2018-19 and of the profit of the Company for that period;

3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. annual accounts have been prepared on a going concern basis; and

5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Audit Committee and Nomination and Remuneration Committee

Rule 4 (1) of the Companies (Appointment and Qualification of Directors) Rules 2014, states that the following company shall have at least two directors as independent directors –

(i) paid up share capital of ten crore rupees or more; or
(ii) turnover of one hundred crore rupees or more; or
(iii) in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees

MCA vide its notification dated 5th July 2017 amended the Companies (Appointment and Qualification of Directors) Rules, stating that the following company shall not be covered under sub-rule (1) of Rule 4 of the Companies (Appointment and Qualification of Directors), namely-

(a) a joint venture;
(b) a wholly owned subsidiary; and
(c) a dormant company

Accordingly, the Company being a wholly owned subsidiary of Dr. Reddy's Laboratories Limited was no longer required to constitute the Audit Committee and Nomination and Remuneration Committee. Therefore, the Board have dissolved its Audit Committee comprising of Mr. Saumen Chakraborty as Chairman of the Committee, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Raghu Cidambi (Independent Director) and Nomination and Remuneration Committee comprising of Mr. Raghu Cidambi as Chairman of the Committee, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Saumen Chakraborty (Non-Independent Director).at their Board meeting held on 28 January 2019.

Till the dissolution, the Audit Committee met three times during the year- 11 May 2018, 1 October 2018, and 28 January 2019 and the Nomination and Remuneration Committee met once during the year on 28 January 2019.

Corporate Social Responsibility

Since the Company did not reach the threshold limit of net worth or turnover or net profit, during the immediate preceding financial year as stated in Section 135(1) of the Companies Act, 2013, the CSR spent/initiatives and CSR policy were not applicable to the Company during the year.

The Company has ceased to fall under the provisions of Section 135(1) from the financial year end on 31 March 2015 till the financial year end on 31 March 2018. As per Rule 3(2) of The Companies (Corporate Social Responsibility Policy) Rules, 2014, every company which ceases to have net worth, turnover or net profit of the value described in Section 135(1) of the Companies Act 2013 for a period of three consecutive financial years can dissolve the CSR Committee.

Therefore, the Board have dissolved its CSR Committee comprising of Mr. Raghu Cidambi (Independent Director) as Chairman, Mr. Saumen Chakraborty (Non-Independent Director) and Mr. Venkata Narasimham Mannam (Non-Independent Director) at their Board meeting held on 28 January 2019.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company is guided by the ultimate holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to the Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as "**Annexure I**".

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report

Statutory Auditors

M/s. Alka Zanwar & Co, Chartered Accountants (Firm Registration No: 000501S) were appointed as statutory auditors for a period of 5 years commencing from the conclusion of 30th AGM till the conclusion of the 35th AGM, subject to ratification by shareholders every year, as may be applicable, in place of M/s. A. Ramachandra Rao & Co., Chartered Accountants.

However, the Ministry of Corporate Affairs (MCA) vide its notification dated May 7, 2018, has omitted the requirement under the first proviso to section 139 of the Companies Act, 2013 and rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of Statutory Auditor by shareholders at every AGM.

Consequently, M/s. Alka Zanwar & Co, Chartered Accountants continue to be the Statutory Auditors of the Company till the conclusion of 35th AGM, as approved by the shareholders at the 30th AGM of the Company.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2014 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s. D V Rao & Associates, Practicing Company Secretaries (Membership no. FCS 8888 and Certificate of Practice no. 12123) was appointed to conduct Secretarial Audit of the Company for FY2019. The Secretarial Audit Report for FY2019 is attached as is attached as "**Annexure II**" to this Report.

Based on the consent received from M/s. D V Rao & Associates, Practicing Company Secretaries, the Board has appointed M/s. D V Rao & Associates, Practicing Company Secretaries, as Secretarial Auditor of the Company for FY2020.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditor in their report or by the Practicing Company Secretary in the Secretarial Audit Report. During the year, there were no instances of frauds reported by Auditors under section 143(12) of the Companies Act, 2013.

Significant and Material Orders passed by the Court/Regulators

None

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

Since the Company did not have any operations during the year, the particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was not constituted. However, the Company being a wholly-owned subsidiary of Dr. Reddy's Laboratories Limited (DRL), the Internal Complaints Committee of DRL would address any such complaint from time to time.

Maintenance of cost records

Since the Company did not have any operations, it was not required to maintain cost records as required under the provisions of Section 148(1) of the Companies Act, 2013.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as "**Annexure III**" to this Report.

Acknowledgement

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

For and on behalf of the Board of Directors

Date: May 15, 2019
Place: Hyderabad

Kiran Yanamandra
Director
DIN: 07762357

M V Narasimham
Director
DIN: 02677423

Annexure- I

FORM NO. AOC – 2
(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	None
(b)	Nature of contracts/arrangements/ transactions	
(c)	Duration of the contracts/arrangements transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Date(s) of approval by the Board, if any	
(f)	Amount paid as advances, if any	

For and on behalf of the Board of Directors

Kiran Yenamandra
Director
DIN: 07762357

M V Narasimham
Director
DIN: 02677423

DVRao & ASSOCIATES

FORM NO. MR-3
[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

To
The Members
M/s. DRL Impex Limited
Hyderabad

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. **DRL Impex Limited** [CIN: U65990TG1986PLC006695] (hereinafter called 'the Company') for the year ended 31st March, 2019. Secretarial Audit was conducted in a manner that provided me reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2019 according to the provisions/clauses of:

1) The Companies Act, 2013 (the Act) and the rules made there under;

2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder are *not applicable* to the Company;

3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder are *not applicable* to the Company;

4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder are *not applicable* to the Company;

5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act) are *not applicable* to the Company:

D V Rao & Associates CP: 12123

D V RAO & ASSOCIATES COMPANY SECRETARIES
Plot No.54, Sri Sai Residency, Mega Hills, Madhapur, Hyderabad, Telangana – 500 081
+91 40 6574 8999 | +91 9989 345 993 | info@dvraoassociates.com
www.dvraoassociates.com

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

I further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, the Company has complied with the applicable laws, rules, regulations and guidelines mentioned above.

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued and amended by The Institute of Company Secretaries of India;

(ii) The Listing Agreements/SEBI (Listing Obligations and Disclosure Requirements) entered into by the Company with Stock Exchange(s)- **Not applicable;**

During the period under review, the Company has complied with provisions of the Act, Rules, Regulations and Guidelines and standards etc., mentioned above.

We further report that

a) the Board of Directors of the Company is constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.

D V Rao & Associates Company Secretaries CP-12122

b) The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

c) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

d) All decisions of the board were unanimous and captured and recorded as part of the minutes.

e) the compliance by the Company of the applicable financial laws like direct and indirect tax laws and maintenance of financial records and books of accounts has not been reviewed by me since the same have been subject to review by statutory auditors and other professionals.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For D V Rao & Associates
Company Secretaries

D V Rao & Associates Company Secretaries CP:12123

Date: 15th May, 2019
Place: Hyderabad

CS Vasudeva Rao Devaki
Practicing Company Secretary
FCS # 8888 | COP # 12123

This Report is to be read with our letter which is annexed as Annexure A and forms an integral part of this report.

'Annexure-A'

To
The Members
M/s. DRL Impex Limited
Hyderabad

My report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The review was done to ensure that correct facts are reflected in Secretarial records. I believe that the process and practices, I followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events, etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For D V Rao & Associates
Company Secretaries

D V Rao & Associates Company Secretaries CP:12123

Date: 15th May, 2019
Place: Hyderabad

CS Vasudeva Rao Devaki
Practicing Company Secretary
FCS # 8888; COP # 12123

ANNEXURE III

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2019
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

Sl. No.	Particulars	Details
i)	CIN	U65990TG1986PLC006695
ii)	Registration Date	August 18, 1986
iii)	Name of the Company	DRL Impex Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sr. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
NA			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Idea2Enterprises (India) Private Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034	U72200TG2000PTC034473	Holding	100	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	76,000,000	76,000,000	100	0	76,000,000	76,000,000	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	76,000,000	76,000,000	100	0	76,000,000	76,000,000	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	0	76,000,000	76,000,000	100	0	76,000,000	76,000,000	100	0

B PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	0	0	0	0	0	0	0	0	0
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trusts	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	0
C SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	76,000,000	76,000,000*	100	0	76,000,000	76,000,000(*)	100	99.92

(*) Out of 76,000,000 equity shares, 6 equity shares are held by six individuals as nominee shareholders on behalf of Idea2Enterprises (India) Private Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Name of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Idea2Enterprises (India) Private Limited*	76,000,000	100	0	76,000,000	100	0	100
		76,000,000	100	0	76,000,000	100	0	0

*Idea2Enterprises (India) Private Limited is a subsidiary of Dr. Reddy's Laboratories Limited. The ultimate holding company of DRL Impex Limited is Dr. Reddy's Laboratories Limited.

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	76,000,000	100	76,000,000	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc)	No Change			
At the End of the year	76,000,000	100	76,000,000	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name		Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	NIL				

v) Shareholding of Directors and Key Managerial personnel:

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr.Saumen Chakraborty (Director)#	01.04.2018	1	0	0	-	1	0
		31.03.2019	1	0	0	-	1	0
2	Mr Venkatanarasimham Murnam (Director)*	01.04.2018	1	0	0	-	1	0
		31.03.2019	1	0	0	-	1	0
3	Mr. Kiran Yanamandra (Director)*#	29.03.2019	1	0	0	-	1	0
		31.03.2019	1	0	0	-	1	0
4	Mr. Raghu Cidambi (Independent Director)**	01.04.2018	0	0	0	-	0	0
		29.03.2019	0	0	0	-	0	0
5	Mr. Garimella Venkata Rathnam (Independent Director)**	01.04.2018	0	0	0	-	0	0
		29.03.2019	0	0	0	-	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
1	Mr. Narayana Reddy Vuyyuru (CEO)	01.04.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0
2	Mr Sujit Kumar Mahato (CFO)	01.04.2018	0	0		Transfer (as nominee of Idea2Enterprises	0	0
		01.10.2018	0	0	1		1	0
		31.03.2019	1	0			1	0

						(India) Private Limited)		
3	Mr. Amit Agarwal (CS)	01.04.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0

* Held as Nominee shareholders of the Idea2Enterprises (India) Private Limited, Holding Company.
#Appointed w.e.f. 29 March 2019.
** Ceased to be Independent Directors of the Company w.e.f. 29 March 2019.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2018)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	108,54,275	-	108,54,275
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	**108,54,275**	-	**108,54,275**
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2019)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	108,54,275	-	108,54,275
iii) Interest accrued but not due	-		-	
Total (i+ii+iii)	-	**108,54,275**	-	**108,54,275**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager – Not applicable

B) Remuneration of other directors – No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager – No remuneration was paid to the Key Managerial Personnel.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES – There were no penalties/punishments/compounding of offences during the year.

For and on behalf of the Board of Directors

Date: May 15, 2019
Place: Hyderabad

Kiran Yamamandra
Director
DIN: 07762357

M V Narasimham
Director
DIN. 02677423

To
Members
DRL Impex Limited

Report on the Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Financial Statements of **DRL Impex Limited("the Company"),** which comprise the Balance sheet as at 31st March 2019, and the Statement of Profit and Loss and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements 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, of the state of affairs of the Company as at March 31, 2019, and profit/loss and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 in the financial statements, which indicates, that n*otwithstanding the fact that net worth of the company has been eroded,, the financial statements have been prepared on Going Concern basis* due to the continued support of the parent company. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than matter described in the Material Uncertainty related to Going Concern, we have determined that there are no key audit matters to communicate in our report

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for

ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards of Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because

the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order,2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account

e) In our opinion, the aforesaid standalone IndAS financial statements comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2019 from being appointed as a director in terms of Section164(2) of the Act.

f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

Place : Hyderabad
Date:15/05/2019

for Alka Zanwar & Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

ANNEXURE TO THE AUDITORS' REPORT
(DRL Impex Limited)
(*Of even date referred to in Para 1 of our Report*)

(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 its assets and, to the best of our knowledge, no material discrepancies were noticed on such verification;

c) Based on the information given to us, the title deeds of the properties are held in the name of the Company.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(iii) Based on the information provided to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) are not applicable to the Company for the year.

(iv) Based on the information provided to us, the Company has not given any loan, guarantee, nor provided any security in connection with a loan and not acquired any security during the year and hence, in our opinion, the clause 3(iv) is not applicable to the Company during the year.

(v) Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 3(v) is not applicable to the Company for the year.

(vi) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable

(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the Company during the year.

Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

(viii) Based on the information provided and explanation given to us, the Company has not taken any loans from Banks / Financial Institutions / Government / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(x) 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 year.

(xi) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 the Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;

(xiv) The Company has not made any preferential allotment of shares during the year and during the year under review and hence, clause 3(xiv) is not applicable to the Company during the year.

(xv) As per the information given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) is not applicable to the Company during the year.

(xvi) Based on information provided and explanations offered to us, in our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 15/05/2019

for Alka Zanwar & Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF DRL Impex Limited
[Re : Clause 2(f) of the independent auditors report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of DRL Impex Limited, as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
(2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of

the Company are being made only in accordance with authorisations of management and directors of the Company; and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : Hyderabad
Date: 15/05/2019

for Alka Zanwar & Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

DRL Impex Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	6,111	6,111
Financial assets			
Investment in mutual funds	2.2 A	3,223	-
Other non current assets	2.3	4,632	4,631
Total non current assets		**13,966**	**10,742**
Current assets			
Financial assets			
Cash and cash equivalents	2.2 B	212	3,397
Total current assets		**212**	**3,397**
Total assets		**14,178**	**14,139**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.4	7,60,000	7,60,000
Other equity			
Retained earnings		(7,61,801)	(7,61,893)
Total equity	2.5	**(1,801)**	**(1,893)**
Non current liabilities			
Financial Liabilities			
Borrowings	2.6	10,854	10,854
Deferred tax liabilities (net)		29	-
		10,883	**10,854**
Current liabilities			
Financial Liabilities			
Trade payables	2.7	82	82
Other financial liabilities	2.8	5,015	5,097
Other current liabilities	2.9	-	-
Total Liabilities		**5,097**	**5,179**
Total equity and liabilities		**14,178**	**14,139**

Significant accounting policies & Notes Accounts 1

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

for and on behalf of the Board of Directors

As per our report of even date attached

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

Narayana Reddy Vuyyuru
CEO

Venkatanarasimham Mannam
Director (DIN. 02677423)

Saumen Chakraborty
Director (DIN. 06471520)

Alka Zanwar
Proprietor
ICAI Membership No. 206739

Place: Hyderabad
Date: 15-May-2019

Sujit Kumar Mahato
Chief Financial Officer

Amit Agarwal
Company Secretary

DRL Impex Limited

Statement of Profit and Loss

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

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Continuing operations			
Total income		223	-
Expenses			
Finance costs	2.10	-	-
Other expenses	2.11	73	57
Total expense		73	57
Profit/(Loss) before exceptional items and tax		150	(57)
Profit / (Loss) before tax		150	(57)
Current tax expense		29	-
Deferred tax benefit		29	-
Income tax expense		58	-
Profit/ (Loss) for the year		92	(57)
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Total items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income for the year			
Earnings per share:			
Basic earnings per share of Rs.10/- each		0.00	(0.00)
Diluted earnings per share of Rs.10/- each		0.00	(0.00)
Number of shares used in computing earnings per share		7,60,00,000	7,60,00,000
Basic		7,60,00,000	7,60,00,000
Diluted			

Significant accounting policies & Notes Accounts 1

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

As per our report of even date attached

for and on behalf of the Board of Directors

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

Narayana Reddy Vayyuru
CEO

Alka Zanwar
Proprietor
ICAI Membership No. 206739

Venkatanarasimham Mamidi
Director (DIN: 02677423)

Saumen Chakraborty
Director (DIN: 06471520)

Sujit Kumar Mahato
Chief Financial Officer

Amit Agarwal
Company Secretary

Place: Hyderabad
Date: 15-May-2019

DRL Impex Limited
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Profit before tax from continuing operations	150	(57)
Profit/ (loss) before tax from discontinued operations		
Profit before tax	150	(57)
Adjustments to reconcile profit before tax to net cash flows.		
Income Tax	(58)	
Finance income (including fair value change in financial instrument	(223)	-
Finance costs (including fair value change in financial instruments)	-	-
Operating cash flows before working capital changes	(131)	(57)
Working capital adjustments:		
Movements in provisions, gratuity and government grants	-	-
Decrease in trade and other receivables and prepayments	27	-
Increase in trade and other payables	(82)	10
Net cash flows from/(used in) operating activities	(185)	(47)
Investing activities		
Purchase of Investment	(3,000)	-
Fair value gian on invesment		
Net cash flows from /(used in) investing activities	(3,000)	-
Financing activities		
Proceeds from issue of share	-	-
Proceeds from long term borrowings	-	-
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(3,185)	(47)
Net foreign exchange difference	-	-
Cash and cash equivalents at the beginning of the year	3,397	3,444
Cash and cash equivalents at the end of the year	212	3,397

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

As per our report of even date attached

for and on behalf of the Board of Directors

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

Narayana Reddy Vayyuru
CEO

Alka Zanwar
Proprietor
ICAI Membership No. 206739

Venkataparasinham Maddala
Director (DIN: 02677423)

Saurav Chakraborty
Director (DIN: 06471520)

Sujit Kumar Mahato
Chief Financial Officer

Amit Agarwal
Company Secretary

Place: Hyderabad
Date: 15-May-2019

DRL Impex Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts :

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

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

Current asset / liabilities include the current portion of non-current asset / liabilities respectively. All other asset / liabilities are classified as noncurrent.

Income tax

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

DRL Impex Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Property, plant and equipment

Recognition and measurement

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

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within "Other Income / Other Expenses" in the Statement of Profit and Loss.

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

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

Depreciation

Depreciation is recognized in the Statement of Profit and Loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

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

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

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

DRL Impex Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

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

Provisions

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Cash and cash equivalents

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

[illegible] Limited

[illegible] Financial Statement

[illegible]

Note 2: Notes to financial statements

2.1: Fixed Assets

Description	Gross block				Accumulated depreciation / amortisation / impairment				Net block	
	As at 1 April 2018	Additions	Deletions	As at 31 March 2019	As at 1 April 2018	For the year	Deletions	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Land	6,[illegible]	-	-	6,[illegible]	-	-	-	-	6,[illegible]	6,[illegible]
Total tangible assets	6,[illegible]	-	-	6,[illegible]	-	-	-	-	6,[illegible]	6,[illegible]
Previous Year	6,[illegible]	-	-	6,[illegible]	-	-	-	-	6,[illegible]	6,[illegible]

DRL Impex Limited

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

1.3 Related Party Transactions- Ind AS 24

The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2019	Closing Balance as on 31.03.2018
Dr. Reddy's Laboratories Limited	Related Party	Other payable /	5,000	5,000
Dr. Reddy's Laboratories Limited	Related Party	Borrowings	10,854	10,854

Transaction with related party :

Name of Party	Nature of relationship	Nature of transaction	For the period 31.03.2019	For the period 31.03.2018
NIL Transactions				

1.4 Taxation - Ind AS 12

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

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

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

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

DRL Impex Limited

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.5 Earnings Per Share : Ind AS 33

The computation of Earnings per Share is set out below:

Particulars	For the Year Ended 31st March 2019	For the Year Ended 31st March 2018
Earnings / (Loss) for the year	92	(57)
Weighted average number of equity shares		
outstanding during the year - Basic	7,60,00,000	7,60,00,000
outstanding during the year - Diluted	7,60,00,000	7,60,00,000
Earnings Per Share:		
Basic earnings per share of Rs.10/- each	0.00	(0.00)
Diluted earnings per share of Rs.10/- each	0.00	(0.00)

1.6 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

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 allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2019 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the aforesaid Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act. The particulars required to be disclosed are Nil.

1.7 Impairment of Assets

In the opinion of the management, there is no impairment of its assets as on 31 March 2019 requiring recognition in terms of Ind AS 36 prescribed by The Institute of Chartered Accountants of India (ICAI).

1.8 Provision for employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

1.9 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallization of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallize on the Company and may not have any material impact on the revenue.

1.10 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the cash flow statement as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The Company will adopt the new Standard from 1 April 2019 onwards. The Company, for all the operating leases where it is a lessee, intends to apply this accounting standard retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. This means, the comparative information is not restated. Instead, the Company recognises the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application (modified retrospective approach).

Results of impact assessment:

The Company has not entered into any kind of leasing arrangements in form of either lessee or lessor .

Accordingly, the Company believes that the adoption of Ind AS 116 will not have anyimpact on it's financial statements.

DRL Impex Limited

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to IAS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.

Appendix C explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously Ind AS 12 was silent. Appendix C applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The interpretation is effective for annual reporting periods beginning on or after 1 April 2019. An entity can, on initial application, elect to apply this amendment either:

- retrospectively applying Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, if possible without the use of hindsight; or
- retrospectively, with the cumulative effect of initially applying the interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).

The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

[illegible] Limited

[illegible] Road No-3, Banjara Hills , Hyderabad - [illegible]

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

(All amounts in Indian Rupees [illegible] unless otherwise stated)

2.2A Investments in mutual funds

Sl. No	Particulars	No. of Units as at 31st March 2019	Market Value as at 31st March 2019 (Rs)	Cost as at 31st March 2019 (Rs.)	No. of Units as at 31st March 2018	Market Value as at 31st March 2018 (Rs)	Cost as at 31st March 2018(Rs.)
1	Investment in Aditya BSL Fund - DP Growth	[illegible]	3.223	3.000	-	-	-
	Total (A)	[illegible]	[illegible]	[illegible]	-	-	-

DRL Impex Limited

Note 2 : Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.4 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
77,000,000 (previous year : 77,000,000) equity shares of Rs. 10/- each	7,70,000	7,70,000
Issued equity capital		
76,000,000 (previous year : 76,000,000) equity shares of Rs. 10/- each	7,60,000	7,60,000
Subscribed and fully paid-up		
76,000,000 (previous year : 76,000,000) equity shares of Rs. 10/- each	7,60,000	7,60,000
	7,60,000	7,60,000

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	Amount (Rs.mlo)	No. of equity shares	Amount (Rs.mlo)
Number of shares outstanding at the beginning of the year	7,60,00,000	760	7,60,00,000	760
Shares issued during the year	-	-		
Number of shares outstanding at the end of the year	7,60,00,000	760	7,60,00,000	760

(b) **Terms / rights attached to the equity shares**

The company has only one class of equity share having a par value of Rs. 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**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Idea2Enterprises(India) Private Limited (including shares held by nominees)	7,60,00,000	100%	7,60,00,000	100%

[illegible] Limited
Statement of Changes in Equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2-F Total equity

For the year ended 31 March, 2019

Particulars	Share Capital		Reserves and Surplus						Items of OCI			Total Equity
	Shares	Allotted	Share Premium	Share money pending allotted	Capital Reserve	Capital Redemption reserve	General reserve	Retained Earnings	Hedge reserve	Fair value reserve	Actuarial gains / (losses)	
Balance as of 1 April 2017	7,60,80,000	7,60,000	-	-	-	-	-	(7,61,334)	-	-		(1,334)
Issue of equity shares	-	-	-	-	-	-	-		-	-		-
Profit for the period								(97)				(97)
Balance as of 31 March 2018	7,60,80,000	7,60,000	-	-	-	-	-	(7,61,431)	-	-	-	(1,431)
Issue of equity shares	-	-	-	-	-	-	-		-	-		
Profit for the period								92				92
Balance as of 31 March 2019	7,60,80,000	7,60,000	-	-	-	-	-	(7,61,431)	-	-	-	(1,339)

DRL Impex Limited

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

Note 2: Notes to financial statements (continued)

2.3 : Other non current assets	As at 31 March 2019	As at 31 March 2018
Advance income tax, net of provision	4,632	4,631
Total Other Assets	4,632	4,631

2.2 ,B : Cash and cash equivalent	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- On current accounts	212	3,397
Cash and cash equivalents	212	3,397

2.6 : Borrowings	As at 31 March 2019	As at 31 March 2018
Term Loan		
Long term borrowings from holding Company / related party	10,854	10,854
Total borrowings	10,854	10,854

2.7 : Trade payables	As at 31 March 2019	As at 31 March 2018
Trade payables	82	82
Total Trade payables	82	82

2.8 : Other financial liabilities	As at 31 March 2019	As at 31 March 2018
Accrued expenses	15	97
Others / Payable to related party	5,000	5,000
Total other financial liabilities	5,015	5,097

2.9 : Other current liabilities	As at 31 March 2019	As at 31 March 2018
Contingent Liabilities	-	-
Total current liabilities	-	-

2.10: Finance costs	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest Expense	-	-
	-	-

2.11 : Other expenses	For the year ended 31 March 2019	For the year ended 31 March 2018
Rates and taxes	19	13
Audit fees	15	10
Bank Charges	3	0
Other general expenses	35	35
	73	57

As per our report of even date attached

For Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 009501S

Alka Zanwar
Proprietor
ICAI Membership No. 206739

Place: Hyderabad
Date 15-May-2019

For and on behalf of the Board of Directors

Narayana Reddy Vayyuru
CEO

Venkatanarasimham Mannam
Director (DIN: 02677423)

Soumen Chakraborty
Director (DIN: 06471520)

Sujit Kumar Mahato
Chief Financial Officer

Amit Agarwal
Company Secretary

DR. REDDY'S BIO-SCIENCES LIMITED

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad - 500034
CIN: U72200TG2000PLC034765, E-mail : shares@drreddys.com

Tel. - +91 40 4834 2900 Fax. - +91 40 4900 2999

Board's Report

Dear Members,

Your Directors are pleased to present the 19th Board's Report of the Company for the year ended 31 March 2019.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2018-19 as compared to the previous financial year:

(Rs. in thousands)

Particulars	31 March 2019	31 March 2018
Profit/(Loss) for the period after taxation	(40,262)	(37,913)
Balance brought forward	(2,43,218)	(2,05,305)
Balance carried forward to Balance Sheet	(2,83,480)	(243,218)

State of Company's Affairs

The Company holds land and building to carry out its activities, however, it did not carry out any operations during the year.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2019.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

Share Capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Accordingly, no disclosure or reporting is required in respect of details relating to deposits.

Material Changes and Commitments Affecting the Financial Position of the Company

None

Particulars of Loans, Guarantees or Investments

The particular of Loans, Guarantees and Investments under section 186 of the Companies Act, 2013, form part of the notes to financial statements provided in this Annual Report.

Subsidiaries and Associates

The Company does not have any Subsidiary, Joint Venture or Associate Company.

Number of Board meetings

The Company's Board met five times during the year: 11 May 2018, 24 July 2018, 1 October 2018, 28 January 2019 and 29 March 2019.

Board of Directors and Key Managerial Personnel (KMP)

During the year under review, Mr. Raghu Cidambi (DIN: 00030865) and Mr. Garimella Venkata Rathnam (DIN: 02425882) resigned as Independent Directors of the Company with effect from 29 March 2019. The Board places on record its appreciation for the services rendered by Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam during their tenure as a member of the Board and its committees.

Mr. Sujit Kumar Mahato (DIN: 07599067) was appointed as an Additional Director of the Company with effect from 29 March 2019. The Board recommends the appointment of Mr. Sujit Kumar Mahato as Director liable to retire by rotation, at the forthcoming AGM of the Company.

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN: 06471520), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. The Board recommends his re-appointment for approval at the ensuing Annual General Meeting.

Brief profiles of Mr. Sujit Kumar Mahato and Mr. Saumen Chakraborty are given in the notice convening 19th Annual General Meeting, for reference of shareholders.

There is no change in key managerial personnel during the year under review.

Declaration given by the Independent Director

In accordance with Section 149(7) of the Companies Act, 2013, Mr. Raghu Cidambi (DIN: 00030865) and Mr. Garimella Venkata Rathnam (DIN: 02425882) have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 in the first meeting of the Board held during the financial year 2018-2019. Further, there was no change in the circumstances which may have affected their status as independent directors. Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam resigned as Independent Directors of the Company with effect from 29 March 2019.

Board Evaluation

As per provisions of the Companies Act 2013, an evaluation of the performance of the Board, its committees and individual directors was undertaken during the year.

Secretarial Standards

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;

2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2018-19 and of the loss of the Company for that period;

3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. annual accounts have been prepared on a going concern basis; and

5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Audit Committee and Nomination and Remuneration Committee

Rule 4 (1) of the Companies (Appointment and Qualification of Directors) Rules 2014, states that the following company shall have at least two directors as independent directors –

(i) paid up share capital of ten crore rupees or more; or
(ii) turnover of one hundred crore rupees or more; or
(iii) in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees

MCA vide its notification dated 5th July 2017 amended the Companies (Appointment and Qualification of Directors) Rules, stating that the following company shall not be covered under sub-rule (1) of Rule 4 of the Companies (Appointment and Qualification of Directors), namely:

(a) a joint venture;
(b) a wholly owned subsidiary; and
(c) a dormant company

Accordingly, the Company being a wholly owned subsidiary of Dr. Reddy's Laboratories Limited was no longer required to constitute the Audit Committee and Nomination and Remuneration Committee. Therefore, the Board have dissolved its Audit Committee comprising of Mr. Saumen Chakraborty as Chairman of the Committee, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Raghu Cidambi (Independent Director) and Nomination and Remuneration Committee comprising of Mr. Raghu Cidambi as Chairman of the Committee, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Saumen Chakraborty (Non-Independent Director).at their Board meeting held on 28 January 2019.

Till the dissolution, the Audit Committee met three times during the year: 11 May 2018, 1 October 2018, and 28 January 2019 and the Nomination and Remuneration Committee met once during the year on 28 January 2019.

Corporate Social Responsibility

Since the Company did not reach the threshold limit of net worth or turnover or net profit, during the immediate preceding financial year as stated in Section 135(1) of the Companies Act, 2013, therefore, the Company was not required to constitute a Corporate Social Responsibility Committee. Hence, provisions with regard to CSR Committee, CSR policy and CSR spent/initiatives were not applicable to the Company during the year.

Risk Management and Adequacy of Internal Financial Controls with reference to Financial Statements

The Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to the Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties, if any, referred to in Section 188(1) in Form AOC-2 is attached as "**Annexure I**".

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Statutory Auditor

M/s. Alka Zanwar & Co, Chartered Accountants (Firm Registration No: 000501S) were appointed as statutory auditors for a period of 5 years commencing from the conclusion of 17th AGM till the conclusion of the 22nd AGM, subject to ratification by shareholders every year, as may be applicable, in place of M/s. A. Ramachandra Rao & Co., Chartered Accountants.

However, the Ministry of Corporate Affairs (MCA) vide its notification dated May 7, 2018, has omitted the requirement under the first proviso to section 139 of the Companies Act, 2013 and rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of Statutory Auditor by shareholders at every AGM.

Consequently, M/s. Alka Zanwar & Co, Chartered Accountants continue to be the Statutory Auditors of the Company till the conclusion of 22nd AGM, as approved by the shareholders at the 17th AGM of the Company.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2014 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s. D V Rao & Associates, Practicing Company Secretaries (Membership no. FCS 8888 and Certificate of Practice no. 12123) was appointed to conduct Secretarial Audit of the Company for FY2019. The Secretarial Audit Report for FY2019 is attached as is attached as "**Annexure II**" to this Report.

Based on the consent received from M/s. D V Rao & Associates, Practicing Company Secretaries, the Board has appointed M/s. D V Rao & Associates, Practicing Company Secretaries, as Secretarial Auditor of the Company for FY2020.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditor in their report or by the Practicing Company Secretary in the Secretarial Audit Report. During the year, there were no instances of frauds reported by Auditors under section 143(12) of the Companies Act, 2013.

Significant and Material Orders passed by the Court/Regulators

None.

Particulars of Employees

None of the employees of the Company draws salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable.

Conservation of Energy, Technology Absorption, Foreign exchange earnings and outgo

Since the Company did not have any operations during the year, the particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was not constituted. However, the Company being a wholly-owned subsidiary of Dr. Reddy's Laboratories Limited (DRL), the Internal Complaints Committee of DRL would address any such complaint from time to time.

Maintenance of cost records

Since the Company did not have any operations, it was not required to maintain cost records as required under the provisions of Section 148(1) of the Companies Act, 2013.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as **"Annexure III"** to this Report.

Acknowledgement

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

For and on behalf of the Board of Directors

Date: May 15, 2019
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

Saumen Chakraborty
Director
DIN: 06471520

Annexure- I

FORM NO. AOC – 2
(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	**Not Applicable**
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	**None**
(b)	Nature of contracts/arrangements/ transactions	
(c)	Duration of the contracts/arrangements transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Date(s) of approval by the Board, if any	
(f)	Amount paid as advances, if any	

For and on behalf of the Board of Directors

Sujit Kumar Mahato
Director
DIN. 07599067

Sammen Chakraborty
Director
DIN. 06471520

DVRao & ASSOCIATES

FORM NO. MR-3

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

To
The Members
M/s. Dr. Reddy's Bio-Sciences Limited
Hyderabad

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. **Dr. Reddy's Bio-Sciences Limited** (CIN: U72200TG2000PLC034765) (hereinafter called 'the Company') for the year ended 31st March, 2019. Secretarial Audit was conducted in a manner that provided me reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2019 according to the provisions/clauses of:

1) The Companies Act, 2013 (the Act) and the rules made there under;

2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder are *not applicable* to the Company;

3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder are *not applicable* to the Company;

4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder are *not applicable* to the Company;

5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act) are *not applicable* to the Company-

D V RAO & ASSOCIATES COMPANY SECRETARIES
Plot No.54, Sri Sai Residency, Mega Hills, Madhapur, Hyderabad, Telangana – 500 081
+91 40 6574 8999 | +91 9989 345 999 | info@dvraoassociates.com
www.dvraoassociates.com

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

I further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, the Company has complied with the applicable laws, rules, regulations and guidelines mentioned above.

I have also examined compliance with the applicable clauses of the following:

(I) Secretarial Standards issued and amended by The Institute of Company Secretaries of India;

(II) The Listing Agreements/ SEBI (Listing Obligations and Disclosure Requirements) entered into by the Company with Stock Exchange(s)- ***Not applicable;***

During the period under review, the Company has complied with provisions of the Act, Rules, Regulations and Guidelines and standards etc., mentioned above.

We further report that

a) the Board of Directors of the Company is constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.

B V Rao & Associates Company Secretaries CP: 12429

b) The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

c) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

d) All decisions of the board were unanimous and captured and recorded as part of the minutes.

e) the compliance by the Company of the applicable financial laws like direct and indirect tax laws and maintenance of financial records and books of accounts has not been reviewed by me since the same have been subject to review by statutory auditors and other professionals.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For D V Rao & Associates
Company Secretaries

D V Rao & Associates Company Secretaries 12123

Date: 15th May, 2019
Place: Hyderabad

CS Vasudeva Rao Devaki
Practicing Company Secretary
FCS # 8888 | COP # 12123

This Report is to be read with our letter which is annexed as Annexure A and forms an integral part of this report.

'Annexure-A'

To
The Members
M/s. Dr. Reddy's Bio-Sciences Limited
Hyderabad

My report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The review was done to ensure that correct facts are reflected in Secretarial records. I believe that the process and practices, I followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events, etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For D V Rao & Associates
Company Secretaries

D V Rao & Associates
CP_12123
Company Secretaries

Date: 15th May, 2019
Place: Hyderabad

CS Vasudeva Rao Devaki
Practicing Company Secretary
FCS # 8888 | COP # 12123

ANNEXURE III

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2019
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

Sl. No.	Particulars	Details
i)	CIN	U72200TG2000PLC034765
ii)	Registration Date	June 27, 2000
iii)	Name of the Company	Dr. Reddy's Bio-Sciences Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sl. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
	NA		

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500 034	L85195TG1984PLC004507	Holding	100%	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	54,022,070	54,022,070	100	0	54,022,070	54,022,070	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	54,022,070	54,022,070	100	0	54,022,070	54,022,070	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	**0**	**54,022,070**	**54,022,070**	**100**	**0**	**54,022,070**	**54,022,070**	**100**	**0**
B. PUBLIC SHAREHOLDING									

(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	0	0	0	0	0	0	0	0	0
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs 1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trusts	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+(B)(2)	0	0	0	0	0	0	0	0	0
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	54,022,070	54,022,070(*)	100	0	54,022,070	54,022,070(*)	100	0

(*) Out of 54,022,070 equity shares, 60 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	54,022,070	100	0	54,022,070	100%	0	0
		54,022,070	100	0	54,022,070	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	54,022,070	100	54,022,070	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc)	No Change			
At the End of the year	**54,022,070**	**100**	**54,022,070**	**100**

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, If any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr Satish Reddy (Director)*	01.04.2018	10	0	0	-	10	0
		31.03.2019	10	0	0	-	10	0
2	Mr. Saumen Chakraborty (Director)*	01.04.2018	10	0	0	-	10	0
		31.03.2019	10	0	0	-	10	0
3	Mr. Sujit Kumar Mahato (Director)*#	29.03.2019	10	0	0	-	10	0
		31.03.2019	10	0	0	-	10	0
4	Mr. Raghu Cidambi (Independent Director)**	01.04.2018	0	0	0	-	0	0
		29.03.2019	0	0	0	-	0	0
5	Mr. Garimella Venkata Rathnam (Independent Director)**	01.04.2018	0	0	0	-	0	0
		29.03.2019	0	0	0	-	0	0
B. KEY MANAGEMENT PERSONNEL (KMP)								
6	Mr. Venkatanarasimham Mannam* (Chief Financial Officer)	01.04.2018	10	0	0	-	10	0
		31.03.2019	10	0	0	-	10	0
7	Mr. V Viswanath (Chief Executive Officer)	01.04.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0
8	Ms. Archana Sastry N* (Company Secretary)	01.04.2018	0	0	0	-	0	0
		31.03.2019	0	0	0	-	0	0

* Held as Nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

#Appointed w.e.f. 29 March 2019, however, he holds shares since 1 October 2018.

** Ceased to be Independent Directors of the Company w.e.f. 29 March 2019.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2018)				
i) Principal Amount	-	4,85,250	-	4,85,250
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	4,85,250	-	4,85,250
Change in Indebtedness during the financial year				
Addition	-	3,00,000	-	3,00,000
Reduction	-	-	-	-
Net Change	-	3,00,000	-	3,00,000
Indebtedness at the end of the financial year (March 31, 2019)				
i) Principal Amount	-	7,85,250	-	7,85,250
ii) Interest due but not paid	-		-	-
iii) Interest accrued but not due	-		-	-
Total (i+ii+iii)	-	7,85,250	-	7,85,250

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager – Not applicable

B) Remuneration of other directors – No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager – No remuneration was paid to KMP.

Sr. no.	Particulars of Remuneration	Key Managerial Personnel (*)			Total Amount
		CEO	CFO	Company Secretary	
		Mr. V Viswanath **	Mr. Venkatanarasimham Manaam**	Archana Sastry N **	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0	0	0	0
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission	0	0	0	0
	- as a % of profit	0	0	0	0
	- others	0	0	0	0
5	Others, please specify - Company's contribution to PF	0	0	0	0
	Total	0	0	0	0

(*) Non-KMP Employees of Dr. Reddy's Laboratories Limited, Holding Company.
(**) Paid by Dr. Reddy's Laboratories Limited, Holding Company.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES – There were no penalties/punishments/compounding of offences during the year.

For and on behalf of the Board of Directors

Date: May 15, 2019
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

Saumen Chakraborty
Director
DIN: 06471520

To
Members
Dr. Reddy's Bio-Sciences Limited

Report on the Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Financial Statements of **Dr. Reddy's Bio-Sciences Limited ("the Company)"),** which comprise the Balance sheet as at 31st March 2019, and the Statement of Profit and Loss and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements 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, of the state of affairs of the Company as at March 31, 2019, and profit/loss and its cash flows for the year ended on that date
.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

The Company incurred a net loss of Rs. 40,262 thousands during the year ended 31st March 2019 and also incurred net loss of Rs. 37,913 thousands in the previous year ended 31st March 2018.We draw attention to Note 1.1 in the financial statements, which indicates that *notwithstanding the fact that the company has incurred losses during the current year as well as during the previous year, the financial statements have been prepared on Going Concern basis* due to the continued support of the Parent to the Company. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than matter described in the Material Uncertainty related to Going Concern, we have determined that there are no key audit matters to communicate in our report

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and

design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards of Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2019, and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order,2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account

e) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2019 from being appointed as a director in terms of Section164(2) of the Act.

f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

Place : Hyderabad
Date:15/05/2019

for Alka Zanwar& Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

ANNEXURE TO THE AUDITORS' REPORT
(Dr. Reddy's Bio-Sciences Limited)
(*Of even date referred to in Para 1 of our Report*)

(i) a) Based on information provided to us, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) According to information provided to us, 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 its assets and, to the best of our knowledge, no material discrepancies were noticed on such verification;

c) Based on the information given to us, the title deeds of the properties are held in the name of the Company.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(iii) Based on the information provided to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) are not applicable to the Company for the year.

(iv) Based on the information provided to us, the Company has not given any loan, guarantee, nor provided any security in connection with a loan and not acquired any security during the year and hence, in our opinion, the clause 3(iv) is not applicable to the Company during the year.

(v) Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 3(v) is not applicable to the Company for the year.

(vi) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable

(b) According to the information and explanations given to us, there are no dues of VAT, customs duty, excise duty, service tax, cess to be deposited on account of any dispute. However, a net amount of Rs.17,83,406/- is due to be paid on account of an Income tax demand for the AY 2015-16 pending an appeal filed before the Commissioner of Income-tax Appeals, Hyderabad.

Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

(viii) Based on the information provided and explanation given to us, the Company has not taken any loans from Banks / Financial Institutions / Government / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(x) 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 year.

(xi) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 the Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;

(xiv) The Company has not made any preferential allotment of shares during the year and during the year under review and hence, clause 3(xiv) is not applicable to the Company during the year.

(xv) As per the information given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) is not applicable to the Company during the year.

(xvi) Based on information provided and explanation offered to us, in our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date:15/05/2019

for Alka Zanwar& Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF Dr. Reddy's Bio-Sciences Limited
[Re : Clause 2(f) of the independent auditors report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Dr. Reddy's Bio-Sciences Limited, as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
(2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of

the Company are being made only in accordance with authorisations of management and directors of the Company; and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : Hyderabad
Date: 15/05/2019

for Alka Zanwar& Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

Dr. Reddy's Bio-Sciences Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	3,25,977	3,64,367
Investment in an associate and joint ventures	2.2	74	74
Other non current assets	2.3	-	-
Total non current assets		3,26,051	3,64,441
Current assets			
Cash and cash equivalents	2.4	132	433
Other current assets		877	524
Total current assets		1,009	957
Total assets		3,27,060	3,65,398
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	5,40,221	5,40,221
Other equity			
Retained earnings		(2,83,480)	(2,43,218)
Total equity	2.6	2,56,741	2,97,003
Non current liabilities			
Financial Liabilities			
Borrowings	2.7	785	485
		785	485
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.8	67,848	67,910
Liabilities for current tax (net)	2.9	1,686	-
Total Liabilities		69,534	67,910
Total equity and liabilities		3,27,060	3,65,398

Significant accounting policies & Notes to Accounts 1

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

As per our report of even date attached

for and on behalf of the Board of Directors

Viswanath Venturi
Chief Executive Officer

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

Alka Zanwar
Proprietor
ICAI Membership No 206739

K Satish Reddy
Director (DIN : 00129701)

Saumen Chakraborty
Director (DIN : 06471520)

Place: Hyderabad
Date: 15-May-2019

Venkatanarasimham Mannam
Chief Financial Officer

Archana Sastry N
Company Secretary

Dr. Reddy's Bio-Sciences Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Revenue from operations		-	-
Other income		450	525
Total income		**450**	**525**
Expenses			
Depreciation and amortisation expense	2.10	38,390	38,390
Other expenses	2.11	88	10
Total expense		**38,478**	**38,400**
Profit/(Loss) before exceptional items and tax		(38,028)	(37,875)
Exceptional items			
Profit/(Loss) before tax		**(38,028)**	**(37,875)**
Current tax expense		2,233	38
Deferred tax benefit		-	-
Income tax expense		**2,233**	**38**
Profit/(Loss) for the year		**(40,262)**	**(37,913)**
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Total items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income for the year		-	-
Earnings per share:			
Basic earnings per share of Rs.10/- each		(0.75)	(0.70)
Diluted earnings per share of Rs.10/- each		(0.75)	(0.70)
Number of shares used in computing earnings per share		5,40,22,070	5,40,22,070
Basic		5,40,22,070	5,40,22,070
Diluted			

Significant accounting policies & Notes to Accounts 1

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

for and on behalf of the Board of Directors

As per our report of even date attached

Vinwanath Vemuri
Chief Executive Officer

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000591S

K Satish Reddy
Director (DIN : 00129701)

Saumen Chakraborty
Director (DIN : 06471520)

Alka Zanwar
Proprietor
ICAI Membership No. 206739

Venkataparasimham Mannam
Chief Financial Officer

Archana Sastry N
Company Secretary

Place: Hyderabad
Date: 15-May-2019

Dr. Reddy's Bio-Sciences Limited
Cash flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flow from operating activities		
Profit / (Loss) before tax from continuing operations	(38,028)	(37,875)
Profit / (Loss) before tax		
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisations	38,390	38,390
TDS receivable on other income	(98)	-
Operating cash flows before working capital changes	**264**	**515**
Working capital adjustments:		
Trade and other receivables and prepayments	(353)	6,953
Trade and other payables	237	(15,130)
	149	**(7,662)**
Income tax paid	(450)	(38)
Net cash flows from/(used in) operating activities	**(301)**	**(7,700)**
Investing activities		
Purchase of property, plant and equipment		-
Investment in subsidiaries	-	(1)
Net cash flows from / (used in) investing activities	-	(1)
Net cash flows from/ (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(301)	(7,701)
Cash and cash equivalents at the beginning of the year	433	8,135
Cash and cash equivalents at the end of the year	**132**	**433**

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

As per our report of even date attached

for and on behalf of the Board of Directors

Viswanath Venturi
Chief Executive Officer

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

K Satish Reddy
Director(DIN : 00129701)

Saumen Chakraborty
Director (DIN : 06471520)

Alka Zanwar
Proprietor
ICAI Membership No. 206739

Venkatnarasimham Mannam
Chief Financial Officer

Archana Sastry N
Company Secretary

Place: Hyderabad
Date: 15-May-2019

Dr. Reddy's Bio- Sciences Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts :

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

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

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

Liabilities:

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

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

Current asset / liabilities include the current portion of non-current asset / liabilities respectively. All other asset / liabilities are classified as noncurrent.

Income tax

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Dr. Reddy's Bio- Sciences Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Property, plant and equipment

Recognition and measurement

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

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within "Other Income / Other Expenses" in the Statement of Profit and Loss.

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

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

Depreciation

Depreciation is recognized in the Statement of Profit and Loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

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

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

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

Dr. Reddy's Bio- Sciences Limited

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

Note 1 : Significant Accounting Policies & Notes to Accounts (continued):

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

Provisions

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Cash and cash equivalents

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

Dr. Reddy's Bio- Sciences Limited

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

1.3 Related Party Transactions

The company has the following amounts due to related parties:

Name of Party	Nature of relationship	Nature of transaction	Closing Balance as on 31.03.2019	Closing Balance as on 31.03.2018
Dr Reddy's Laboratories Limited	Holding Company	Other payables / Other Current Liabilities	54,216	54,216
Dr Reddy's Laboratories Limited	Holding Company	Borrowings	785	485

Transaction with related party :

Name of Party	Nature of relationship	Nature of transaction	For the period ended 31 March 2019	For the period ended 31 March 2018
Cheminor Investment Limited	Related Party	Investments	NIL	1
Dr Reddy's Laboratories Limited	Holding Company	Borrowing	300	NIL

1.4 Taxation - Ind AS 12

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

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

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

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

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

Current and deferred tax is recognised in statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Dr. Reddy's Bio- Sciences Limited

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

1.5 Earnings Per Share

The computation of Earnings Per Share is set out below:

Particulars	For the Year Ended 31st March 2019	For the Year Ended 31st March 2018
Profit / (Loss) for the year	(40,262)	(37,913)
Weighted average number of equity shares		
outstanding during the year - Basic	5,40,22,070	5,40,22,070
outstanding during the year - Diluted	5,40,22,070	5,40,22,070
Earnings Per Share:		
Basic (face value of Rs.10/-)	(0.75)	(0.70)
Diluted (face value of Rs.10/-)	(0.75)	(0.70)

1.6 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

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 allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2019 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the aforesaid Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act. The particulars required to be disclosed are Nil.

1.7 Impairment of Assets

In the opinion of the management, there is no impairment of its assets as on 31 March 2019 requiring recognition in terms of Ind AS 36 prescribed by The Institute of Chartered Accountants of India (ICAI).

1.8 Provision for employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

1.9 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities are stated in Note and the crystallization of these liabilities are dependent upon the outcome of court cases/arbitration/out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. These contingent liabilities have arisen in the normal course of business and may not crystallize on the Company and may not have any material impact on the revenue.

1.10 Recent accounting pronouncements

Leases - Ind AS 116

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the cash flow statement as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The Company will adopt the new Standard from 1 April 2019 onwards. The Company, for all the operating leases where it is a lessee, intends to apply this accounting standard retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. This means, the comparative information is not restated. Instead, the Company recognises the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application (modified retrospective approach).

Results of impact assessment:

The Company has not entered into any kind of leasing arrangements in form of either lessee or lesser .

Accordingly, the Company believes that the adoption of Ind AS 116 will not have anyimpact on it's financial statements.

Dr. Reddy's Bio- Sciences Limited

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

Note 1: Significant Accounting Policies & Notes to financial statements (continued)

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to IAS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.

Appendix C explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously Ind AS 12 was silent. Appendix C applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The interpretation is effective for annual reporting periods beginning on or after 1 April 2019. An entity can, on initial application, elect to apply this amendment either

- retrospectively applying Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, if possible without the use of hindsight, or
- retrospectively, with the cumulative effect of initially applying the interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).

The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Bio-Sciences Limited

Notes to the Financial Statements

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

Note 2: Notes to financial statements

2.1: Fixed Assets

Description	Gross Block				Accumulated depreciation / amortisation / impairment					Net block	
	As at 1 April 2018	Additions	Deletions	As at 31 March 2019	As at 1 April 2018	For the year	Impairment for the year	Deletions	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Land	2,63,[illegible]	-	-	2,63,[illegible]	-	-	-	-	-	2,63,[illegible]	2,63,[illegible]
Buildings	1,97,[illegible]	-	-	1,97,[illegible]	[illegible]	38,[illegible]			1,34,[illegible]	[illegible]	1,[illegible]
Total tangible assets	[illegible]	-	-	[illegible]	[illegible]	[illegible]	-	-	[illegible]	[illegible]	[illegible]
Previous Year FY18	[illegible]	-	-	[illegible]	[illegible]	[illegible]	-		[illegible]	[illegible]	[illegible]

Dr. Reddy's Bio-Sciences Limited

Note 2 : Notes to Financial Statements

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

Note 2: Notes to financial statements: (Continued)

2.5 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
55,000,000 (previous year : 55,000,000) equity shares of Rs. 10/- each	5,50,000	5,50,000
Issued equity capital		
54,022,070 (previous year : 54,022,070) equity shares of Rs. 10/- each fully paid up	5,40,221	5,40,221
Subscribed and fully paid-up		
54,022,070 (previous year : 54,022,070) equity shares of Rs. 10/- each fully paid up	5,40,221	5,40,221
	5,40,221	5,40,221

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	5,40,22,070	5,40,221	5,40,22,070	5,40,221
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	5,40,22,070	5,40,221	5,40,22,070	5,40,221

(b) Terms / rights attached to the equity shares

The company has only one class of equity share having a par value of Rs.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**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories Limited (including shares held by nominees)	5,40,22,070	100	5,40,22,070	100

Dr. Reddy's Bio-Sciences Limited
Statement of Changes in Equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2. Notes to financial statements (continued)

2.d Total equity
For the year ended 31 March, 2019

Particulars	Share Capital		Reserves and Surplus						Items of OCI			Total Equity
	Shares	Amount	Share Premium	Share based payment reserve	Capital Reserve	Capital Redemption reserve	General reserve	Retained Earnings	Hedge Reserve	Fair value reserve	Actuarial gains / (losses)	
Balance as of 1 April 2017	3,40,22,070	5,40,221	-	-	-	-	-	(1,05,395)	-	-		3,34,916
Issue of equity shares	-	-	-	-	-	-	-		-	-		-
Profit for the period								(37,513)				(37,513)
Balance as of 31 March 2018	3,40,22,070	5,40,221	-	-	-	-	-	(2,42,908)	-	-	-	2,97,403
Issue of equity shares	-	-	-	-	-	-	-	-	-	-		-
Profit for the period								(40,262)				(40,262)
Balance as of 31 March 2019	3,40,22,070	5,40,221	-	-	-	-	-	(2,83,080)	-	-	-	2,57,141

Dr. Reddy's Bio-Sciences Limited
Note 2 : Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.2 : Investments in an associate and joint ventures	**As at 31 March 2019**	**As at 31 March 2018**
Investment in Idea2 Enterprises *	73	73
Investment in Chemnor Investment Limited **	1	1
* 100 shares Rs 10/- each and at Rs. 720 premium ** 100 shares Rs 10/- each		
Total Investments	74	74

2.5 : Other assets	**As at 31 March 2019**	**As at 31 March 2018**
Advance income tax, net of provision	-	-
	-	-

2.6 : Cash and cash equivalent	**As at 31 March 2019**	**As at 31 March 2018**
Balances with banks:		
- On current accounts	132	433
Cash and cash equivalents	132	433

2.7 Borrowings	**As at 31 March 2019**	**As at 31 March 2018**
Non-current Borrowings		
Long term borrowings from holding company	785	485
Total non-current borrowings	785	485

2.8 : Other financial liabilities	**As at 31 March 2019**	**As at 31 March 2018**
Other financial liabilities		
Accrued expenses	13,632	13,695
Due to holding company	54,216	54,216
Total other financial liabilities	67,848	67,910

2.9 : Current liabilities - Liabilities for current tax (net)	**As at 31 March 2019**	**As at 31 March 2018**
Tax Deposit against Notice	548	
Income Taxes Payable	1,233	
	1,686	-

2.10 : Depreciation and amortisation expense	**For the Year ended 31 March 2019**	**For the Year ended 31 March 2018**
Depreciation of tangible assets	38,390	38,390
Depreciation and amortisation expense	38,390	38,390

2.11 - Other Expense	**For the Year ended 31 March 2019**	**For the Year ended 31 March 2018**
Legal and professional	69	-
Rates and taxes	5	-
Audit fees	15	10
Total other Expense	88	10

As per our report of even date attached

for and on behalf of the Board of Directors

Viswanath Venturi
Chief Executive Officer

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

K Satish Reddy
Director(DIN : 00129701)

Saumen Chakraborty
Director (DIN : 06471520)

Alka Zanwar
Proprietor
ICAI Membership No. 206739

Place: Hyderabad
Date: 15-May-2019

Venkatnarasimham Mannam
Chief Financial Officer

Archana Sastry N
Company Secretary

Independent Auditors' Report

To the Members of
Dr. Reddy's Farmaceutica Do Brasil Ltda..

We have audited the accompanying financial statements of **Dr. Reddy's Farmaceutica Do Brasil Ltd.** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Farmaceutica Do Brasil Ltda.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	66,691	64,884
Financial assets			
Other financial assets	2.2 B	2,477	2,735
Deferred tax assets, net		229,059	-
Tax assets, net		-	1,982
		298,227	**69,601**
Current assets			
Inventories	2.4	333,084	356,910
Financial assets			
Trade receivables	2.2 A	423,992	206,962
Cash and cash equivalents	2.2 C	20,037	63,341
Other financial assets	2.2 B	13,796	11,009
Other current assets	2.3	60,195	47,466
		851,104	**685,688**
Total assets		**1,149,331**	**755,289**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	818,153	818,153
Other equity		(1,117,099)	(1,445,663)
		(298,946)	**(627,510)**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	2.6 A	791,277	741,688
		791,277	**741,688**
Current liabilities			
Financial Liabilities			
Trade payables	2.6 C	551,291	596,758
Other financial liabilities	2.6 B	37,973	18,449
Liabilities for current tax, net		17,838	-
Provisions	2.7	9,909	8,217
Other current liabilities	2.8	39,989	17,687
		657,000	**641,111**
Total equity and liabilities		**1,149,331**	**755,289**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anil Dhamani
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Farmaceutica Do Brasil Ltda.

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 2019	For the year ended 31 March 2018
Income			
Sales	2.9	1,545,323	434,569
License fees and service income		54,761	51,326
Other operating income	2.10	104	1,384
Total revenue from operations		**1,600,188**	**487,279**
Other income	2.11	2,214	1,359
Total income		**1,602,402**	**488,638**
Expenses			
Cost of materials consumed		797,158	681,339
(Increase) / decrease in inventories of finished goods, work-in-progress and stock-in-trade	2.12	23,826	(356,068)
Employee benefits expense	2.13	266,628	211,428
Depreciation expense	2.14	12,902	11,964
Finance costs	2.15	33,189	24,546
Selling and other expenses	2.16	284,639	149,846
Total expenses		**1,418,342**	**723,055**
Profit/ (Loss) before tax		**184,060**	**(234,417)**
Tax expense			
Current tax		89,568	(661)
Deferred tax		(234,072)	-
Profit /(Loss) for the year		**328,564**	**(233,756)**
Other comprehensive income (OCI)		-	-
Total comprehensive loss for the year		**328,564**	**(233,756)**
Earnings per share:			
Basic earnings per share of BRL 1/- each		9.06	(6.45)
Diluted earnings per share of BRL 1/- each		9.06	(6.45)

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anil Dhamani
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Statement of Changes in Equity

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

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 1 April 2018	**818,153**	**(1,445,663)**	**(627,510)**
Profit for the year	-	328,564	328,564
Balance as at 31 March 2019	**818,153**	**(1,117,099)**	**(298,946)**

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 1 April 2017	**818,153**	**(1,211,907)**	**(393,754)**
Issue of equity shares	-	-	-
Loss for the year	-	(233,756)	(233,756)
Balance as at 31 March 2018	**818,153**	**(1,445,663)**	**(627,510)**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of
Dr. Reddy's Farmaceutica Do Brasil Ltda.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

Anil Dhamani
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Farmaceutica Do Brasil Ltda.
Statement of Cash Flow
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flows from / (used in) operating activities		
Loss before tax	**184,060**	**(234,417)**
Adjustments:		
Depreciation and amortisation expense	12,902	11,964
Foreign exchange loss / (gain), net	(90,379)	(37,094)
Finance income	(2,214)	(1,359)
Finance costs	33,189	24,546
Allowances for credit losses, net	26,349	-
Changes in operating assets and liabilities:		
Trade receivables	(272,494)	(211,345)
Inventories	23,826	(356,068)
Trade payables	12,085	612,162
Other assets and liabilities, net	22,193	(51,951)
Cash generated from operations	**(50,483)**	**(243,562)**
Income tax paid, net	(62,873)	(546)
Net cash from / (used in) operating activities	**(113,356)**	**(244,108)**
Cash flows from / (used in) investing activities		
Proceeds from sale of property, plant and equipment	1,724	(212)
Purchase of property, plant and equipment	(16,398)	(36,486)
Finance income received	2,214	1,359
Net cash used in investing activities	**(12,460)**	**(35,339)**
Cash flows from / (used in) financing activities		
Proceeds from (repayment of) long-term loans and borrowings, net	89,457	235,294
Other finance costs	(275)	(39)
Net cash from / (used in) financing activities	**89,182**	**235,255**
Net increase / (decrease) in cash and cash equivalents	(36,634)	(44,192)
Effect of exchange rate changes on cash and cash equivalents	(6,670)	(5,001)
Cash and cash equivalents at the beginning of the year	63,341	112,534
Cash and cash equivalents at the end of the year	**20,037**	**63,341**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anil Dhamani
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Farmaceutica Do Brasil Ltda.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Farmaceutica Do Brasil Ltda. (" the Company") incorporated in Brazil , is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

d) Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Farmaceutica Do Brasil Ltda.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:
• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
• taxable temporary differences arising upon the initial recognition of goodwill.
Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f) Earnings per share
The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

g) Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

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

Depreciation
Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.
Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .
The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.
Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

h) Inventories
Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Dr. Reddy's Farmaceutica Do Brasil Ltda.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

i) Employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
Defined contribution plans
The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

j) Provisions, contingent liabilities and contingent assets
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.
Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.
Reimbursement rights
Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.
Contingent liabilities
A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
Contingent assets
Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.
Impairment of trade receivables
In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.
For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.
As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities
Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

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

m) Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

n) Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Farmaceutica Do Brasil Ltda.

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

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Building	31,360	990	153	32,197	5,984	4,959	133	10,810	21,387
Plant and machinery	31,251	7,138	405	37,984	19,413	3,511	247	22,677	15,307
Furniture, fixtures and office equipment	29,182	3,721	2,687	30,216	5,811	2,719	1,176	7,354	22,862
Vehicles	13,323	4,549	-	17,872	9,024	1,713	-	10,737	7,135
Total	**105,116**	**16,398**	**3,245**	**118,269**	**40,232**	**12,902**	**1,556**	**51,578**	**66,691**
Previous Year	70,446	36,486	1,816	105,116	30,297	11,964	2,029	40,232	64,884

Dr. Reddy's Farmaceutica Do Brasil Ltda.

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

Note 2 Notes to the financial statements (continued)

2.2 Financial assets

2.2 A. Trade receivables

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Receivable from holding and other group companies	398	3,486
Receivable from others	423,594	203,476
Unsecured, considered doubtful	36,494	30,180
	460,486	**237,142**
Less: Allowance for credit loss	(36,494)	(30,180)
	423,992	**206,962**

2.2 B. Other financial assets

	As at 31 March 2019	As at 31 March 2018
I. Non-current assets		
Unsecured, considered good		
Security deposits	2,477	2,735
	2,477	**2,735**
II. Current assets		
Unsecured, considered good		
Other receivables from holding and other group companies	13,796	11,009
	13,796	**11,009**

2.2 C. Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	20,018	63,273
Cash on hand	19	68
	20,037	**63,341**

2.3 Other current assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Balances with statutory authorities	43,999	43,237
Prepaid expenses	2,481	392
Others	13,715	3,837
	60,195	**47,466**

2.4 Inventories

	As at 31 March 2019	As at 31 March 2018
Finished goods	332,151	355,977
Stock-in-trade	933	933
	333,084	**356,910**

Dr. Reddy's Farmaceutica Do Brasil Ltda.

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

Note 2 Notes to the financial statements (continued)

2.5 Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised share capital		
36,249,230 equity shares of BRL 1/- each (31 March 2018: 36,249,230)	818,153	818,153
Issued equity capital		
36,249,230 equity shares of BRL 1/- each (31 March 2018: 36,249,230)	818,153	818,153
Subscribed and fully paid-up		
36,249,230 equity shares of BRL 1/- each (31 March 2018: 36,249,230)	818,153	818,153
	818,153	**818,153**

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

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	36,249,230	818,153	36,249,230	818,153
Add: Equity shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**36,249,230**	**818,153**	**36,249,230**	**818,153**

(b) **Terms / rights attached to the 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**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories Limited	36,249,230	100.00	36,249,230	100.00

2.6 Financial Liabilities

2.6 A. Non-current borrowings

	As at 31 March 2019	As at 31 March 2018
Unsecured		
Long-term loans from related parties	791,277	741,688
	791,277	**741,688**

2.6 B. Other current financial liabilities

	As at 31 March 2019	As at 31 March 2018
Accrued expenses	17,689	11,651
Others	20,284	6,798
	37,973	**18,449**

2.6 C. Trade payables

	As at 31 March 2019	As at 31 March 2018
Trade payables to holding and other group companies	551,291	596,758
	551,291	**596,758**

2.7 Current provisions

	As at 31 March 2019	As at 31 March 2018
Provision for Compensated absences	9,909	8,217
	9,909	**8,217**

2.8 Other current liabilities

	As at 31 March 2019	As at 31 March 2018
Advance from customers	4,093	-
Salary and bonus payable	4,630	6,068
Due to statutory authorities	30,393	10,266
Others	873	1,353
	39,989	**17,687**

Dr. Reddy's Farmaceutica Do Brasil Ltda.

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

Note 2 Notes to the financial statements (continued)

2.9 Sales

	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales	1,545,323	434,569
	1,545,323	**434,569**

2.10 Other operating income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Miscellaneous income	104	1,384
	104	**1,384**

2.11 Other income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest income	2,214	1,359
	2,214	**1,359**

2.12 Changes in inventories of finished goods, work-in-progress and stock-in-trade

		For the year ended 31 March 2019		For the year ended 31 March 2018
Opening				
Finished goods	355,977		-	
Stock-in-trade	933	356,910	842	842
Closing				
Finished goods	332,151		355,977	
Stock-in-trade	933	333,084	933	356,910
		23,826		**(356,068)**

2.13 Employee benefits expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries, wages and bonus	262,122	193,921
Staff welfare expenses	4,506	17,507
	266,628	**211,428**

2.14 Depreciation expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation of property, plant and equipment	12,902	11,964
	12,902	**11,964**

2.15 Finance costs

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest on long-term borrowings	32,914	24,507
Interest on other borrowings	275	39
	33,189	**24,546**

2.16 Selling and other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Advertisements	-	373
Commission on sales	-	1,168
Other selling expenses	110,473	63,048
Legal and professional	19,680	20,234
Insurance	5,823	691
Travel and conveyance	32,131	27,134
Rent	13,698	13,972
Rates and taxes	181	384
Communication	4,575	4,322
Foreign exchange loss, net	28,753	1,575
Allowances for credit losses, net	26,349	-
Other general expenses	42,976	16,945
	284,639	**149,846**

Dr. Reddy's Farmaceutica Do Brasil Ltda.

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

Note 2 Notes to the financial statements (continued)

2.17 Going Concern

The accounts have been prepared on Going Concern basis, despite havinng accumulated losses, as the company is supported by its parent company in its activities and financial affairs.

2.18 Related parties

a) The following is a summary of related party transactions

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales and services rendered to holding company or other group companies:		
Dr. Reddy's Laboratories Limited	54,761	51,326
Dr. Reddy's Laboratories SAS	16,097	-
Purchases and services rendered from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	695,585	627,216
Interest expense to holding company or other group companies:		
Dr. Reddy's Laboratories Limited	19,200	17,528
Dr. Reddy's Laboratories SA	13,714	6,979

b) The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2019	As at 31 March 2018
Due from holding company and other group companies(included in other current financial assets):		
Dr. Reddy's Laboratories Limited	13,796	11,009
Due from holding company and other group companies(included in trade receivables):		
Dr. Reddy's Laboratories Limited	398	3,486
Due to holding company and other group companies(included in non-current borrowings):		
Dr. Reddy's Laboratories Limited	320,613	310,914
Dr. Reddy's Laboratories SA	470,664	430,773
Due from holding company and other group companies(included in trade payables and other liabilities):		
Dr. Reddy's Laboratories Limited	551,291	596,758

2.19 Income taxes

a. Current Taxes

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

b. Deferred Taxes

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

Particulars	As at 31 March 2019	As at 31 March 2018
Deferred tax assets / (liabilities)		
Operating loss carry forward	229,059	-
Deferred tax asset, net	**229,059**	**-**

2.20 Provisions, contingent liabilities and contingent assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

Dr. Reddy's Farmaceutica Do Brasil Ltda.

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

Note 2 Notes to the financial statements (continued)

2.21 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anil Dhamani
Legal Representative

Place: Hyderabad
Date: 15 May 2019

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories (Australia) Pty. Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Australia) Pty. Limited** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Australia) Pty. Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1 A	2,143	6,173
Goodwill	2.1 B	-	-
Financial assets			
Other financial assets	2.2	185	394
Deferred tax assets (net)		69,144	82,370
Total non current assets		**71,472**	**88,937**
Current assets			
Inventories	2.3	79,601	58,237
Financial assets			
Trade receivables	2.4	180,767	236,670
Cash and cash equivalents	2.5	26,406	43,169
Other assets	2.6	-	7,522
Other current assets	2.7	6,075	6,547
Total current assets		**292,849**	**352,145**
Total assets		**364,321**	**441,082**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.8	35,126	35,126
Other equity			
Retained earnings		(340,475)	(378,854)
Share Premium		1,795	1,795
Total equity		**(303,554)**	**(341,933)**
Non current liabilities			
Financial Liabilities			
Borrowings	2.9	404,714	566,371
Other Liabilities	2.10	-	537
		404,714	**566,908**
Current liabilities			
Financial Liabilities			
Trade payables	2.11	231,771	179,156
Other current financial liabilities	2.12	17,530	20,182
Provisions	2.13	6,860	7,218
Other current liabilities	2.14	7,000	9,551
Total Liabilities		**263,161**	**216,107**
Total equity and liabilities		**364,321**	**441,082**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Australia) Pty. Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Venkata Ananth Sarma Goparaju
Director

M V Ramana
Director

Place: Hyderabad
Date: 15 May 2019

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

Statement of Profit and Loss

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

	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from operations	2.15	675,655	750,401
Other Income	2.16	7,431	11,727
Total Income		**683,086**	**762,128**
Expenses			
Cost of raw material and components consumed		427,423	433,579
Employee benefits expense	2.17	94,079	136,671
Depreciation and amortisation expense	2.18	4,637	7,402
Finance costs	2.19	14,355	16,119
Other expenses	2.20	92,235	124,367
Total expense		**632,729**	**718,138**
Profit/(Loss) before tax		**50,357**	**43,990**
Income tax expense	2.21	11,978	(81,912)
Profit/(Loss) for the year		**38,379**	**125,902**
Earnings per share			
Basic - Par value AUD 1 per share		38.38	125.90
Diluted - Par value AUD 1 per share		38.38	125.90
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Australia) Pty. Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Venkata Ananth Sarma Goparaju
Director

M V Ramana
Director

Place: Hyderabad
Date: 15 May 2019

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

Cash Flow Statement

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

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Profit/(Loss) before taxation	50,357	43,990
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	4,637	7,402
Finance costs	14,355	16,119
Interest Income	(48)	(61)
Net foreign exchange differences	(7,753)	4,993
Allowances for credit losses, net	(207)	(22)
Operating cash flows before working capital changes	**61,341**	**72,421**
Working capital adjustments:		
Trade and other receivables	56,051	(27,159)
Inventories	(21,364)	26,282
Trade and other payables	57,772	40,986
Other assets & liabilities,net	2,474	2,100
	156,274	**114,630**
Income tax paid	-	-
Net cash flows from operating activities	**156,274**	**114,630**
Net cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	-	5
Purchase of property, plant and equipment	(607)	(649)
Interest received	48	61
	(558)	**(583)**
Net cash flows from/ (used in) financing activities		
Proceeds from (repayment of) loans and borrowings, net	(170,775)	(146,451)
	(170,775)	**(146,451)**
Net increase / (decrease) in cash and cash equivalents	(15,060)	(32,404)
Cash and cash equivalents at the beginning of the year	43,169	75,171
Effect of exchange rate changes on cash and cash equivalents	(1,703)	402
Cash and cash equivalents at the end of the year	**26,406**	**43,169**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	26,406	43,169
Cash and bank balances at the end of the year	**26,406**	**43,169**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Australia) Pty. Limited**

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

PSRVV Surya Rao
Partner
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Venkata Ananth Sarma Goparaju
Director

M V Ramana
Director

Place: Hyderabad
Date: 15 May 2019

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

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus		Total Equity
	Shares	Amount	Retained Earnings	Share Premium	
Balance as of 1 April 2017	**1,000,000**	**35,126**	**(504,756)**	**1,795**	**(467,835)**
Shares issued during the year		-			
Profit/(Loss) for the year		-	125,902	-	125,902
Balance as of 31 March 2018	**1,000,000**	**35,126**	**(378,854)**	**1,795**	**(341,933)**
Shares issued during the year					
Profit/(Loss) for the year		-	38,379	-	38,379
Balance as of 31 March 2019	**1,000,000**	**35,126**	**(340,475)**	**1,795**	**(303,554)**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Australia) Pty. Limited**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Venkata Ananth Sarma Goparaju
Director

M V Ramana
Director

Place: Hyderabad
Date: 15 May 2019

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

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

Description of the Company

Dr. Reddy's Laboratories (Australia) Pty. Limited (" the Company") incorporated in Australia , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Basis of preparation of financial statements :

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended.

Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

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

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

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

Financial assets :

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

Financial liabilities :

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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

Significant Accounting Policies & Notes to financial statements

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

Income tax

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

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

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

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

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

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

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

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

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

Buildings	
- Factory and administrative buildings	20 - 30 years
- Ancillary structures	3 - 15 years
Plant and machinery	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

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

Significant Accounting Policies & Notes to financial statements

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

Provisions, contingent liabilities and contingent assets

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Contingent liabilities

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

Contingent assets

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

Cash and cash equivalents

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

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

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

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

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories (Australia) Pty. Limited
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest paid to holding company and other group companies:		
Dr. Reddy's Laboratories SA	14,355	16,119
Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	396,521	312,115
Dr. Reddy's Laboratories SA	30,902	125,706
Sales to holding company and other group companies:		
Dr. Reddy's New Zealand Limited	4,065	4,571

b. The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2019	As at 31 March 2018
Due from holding company and other group companies (included in other current assets):		
Promius Pharma LLC	-	7,522
Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	210,105	129,229
Dr. Reddy's Laboratories SA	12,296	26,185
Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories SA	404,714	566,371
Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	517	528
Dr. Reddy's New Zealand Limited	2,641	-

1.3 Taxation

a. Current Taxes
The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

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

Particulars	As at 31 March 2019	As at 31 March 2018
Deferred tax assets / (liabilities)		
Operating loss carry forward	62,698	65,712
Current liabilities and provisions	7,809	8,341
Inventory	6,050	10,344
Accounts receivable	1	57
Property, plant and equipment	(7,414)	(2,085)
Deferred tax asset, net	**69,144**	**82,370**

1.4 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Recent accounting pronouncements
Ind AS 116, 'Leases'
On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.
Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.
The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes
On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Laboratories (Australia) Pty. Limited
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 A : Property, plant and equipment

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.4.2018	Additions	Disposals	As at 31.03.2019	As at 01.4.2018	For the year	Disposals	As at 31.03.2019	As at 31.03.2019	As at 31.03.2018
Furniture and Fixtures & Office equipment	21,343	607		21,950	15,170	4,637		19,807	2,143	6,173
Total tangible assets (A)	**21,343**	**607**	**-**	**21,950**	**15,170**	**4,637**	**-**	**19,807**	**2,143**	**6,173**
Previous Year	20,703	649	9	21,343	7,772	7,402	4	15,170	6,173	

2.1 B : Goodwill

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.4.2018	Additions	Disposals	As at 31.03.2019	As at 01.4.2018	For the year	Disposals	As at 31.03.2019	As at 31.03.2018	As at 31.03.2017
Goodwill	1,779	-	-	1,779	1,779	-	-	1,779	-	-
Total intangible assets (B)	**1,779**	**-**	**-**	**1,779**	**1,779**	**-**	**-**	**1,779**	**-**	**-**
Previous Year	1,779	-	-	1,779	1,779	-	-	1,779	-	

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

Notes to Financial Statements

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

Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.2 : Other financial assets		
Security Deposits	178	394
Others	7	-
	185	**394**

Other Assets

	As at 31 March 2019	As at 31 March 2018
2.3 : Inventories		
Stock-in-trade (goods acquired for trading)	79,601	58,237
	79,601	**58,237**

	As at 31 March 2019	As at 31 March 2018
2.4 : Trade receivables		
Unsecured,considered good		
Receivable from holding company and other group companies	3,158	528
Receivable from Others	177,609	236,330
Less: Allowances for credit losses	-	(188)
	180,767	**236,670**

	As at 31 March 2019	As at 31 March 2018
2.5 : Cash and cash equivalents		
Balances with banks:		
- In current accounts	26,406	43,169
Cash on hand	-	-
	26,406	**43,169**

	As at 31 March 2019	As at 31 March 2018
2.6 : Other Assets		
Other assets receivable from holding company and other group companies	-	7,522
	-	**7,522**

B. Other Assets

	As at 31 March 2019	As at 31 March 2018
2.7: Other current assets		
Advances to employees	220	263
Prepaid expenses	5,854	6,284
	6,074	**6,547**

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

Notes to Financial Statements

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

2.8 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
1,000,000 (31 March 2018: 1,000,000) ordinary shares of AUD 1 each	35,126	35,126
Issued equity capital		
1,000,000 (31 March 2018: 1,000,000) ordinary shares of AUD 1 each	35,126	35,126
Subscribed and fully paid-up		
1,000,000 (31 March 2018: 1,000,000) ordinary shares of AUD 1 each	35,126	35,126
	35,126	**35,126**

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,000,000	35,126	1,000,000	35,126
Shares 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 2019		As at 31 March 2018	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	1,000,000	100%	1,000,000	100%

Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
2.9: Non-current Borrowings		
From other parties		
Long term borrowings from holding company and other group companies	404,714	566,371
	404,714	**566,371**

	As at 31 March 2019	As at 31 March 2018
2.10 : Other non current liabilities		
Other Liabilities	-	537
	-	**537**

	As at 31 March 2019	As at 31 March 2018
2.11 : Trade Payables		
Payables to holding company and other group companies	222,401	155,414
Payables to others	9,370	23,742
	231,771	**179,156**

	As at 31 March 2019	As at 31 March 2018
2.12: Other current financial liabilities		
Accrued expenses	17,530	19,948
Other current liabilities	-	234
	17,530	**20,182**

	As at 31 March 2019	As at 31 March 2018
2.13 : Provisions		
Provision for employee benefits	6,860	7,218
	6,860	**7,218**

Other Liabilities

	As at 31 March 2019	As at 31 March 2018
2.14 : Other Current Liabilities		
Due to statutory authorities	7,000	7,551
Salary and bonus payable	-	2,000
	7,000	**9,551**

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

Notes to Financial Statements

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

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.15 : Revenue from operations		
Sales	675,655	750,401
	675,655	**750,401**

	For the year 31 March 2019	For the year ended 31 March 2018
2.16 : Other income		
Interest income		
On fixed deposits	48	-
Other operating revenues	63	11,666
Foreign exchange gain,net	7,320	-
Other income	-	61
	7,431	**11,727**

	For the year 31 March 2019	For the year ended 31 March 2018
2.17 : Employee benefits expense		
Salaries, wages and bonus	87,593	128,053
Contribution to provident and other funds	6,246	8,618
Staff welfare expenses	240	-
	94,079	**136,671**

	For the year 31 March 2019	For the year ended 31 March 2018
2.18 : Depreciation and amortisation expense		
Depreciation of tangible assets	4,637	7,402
	4,637	**7,402**

	For the year 31 March 2019	For the year ended 31 March 2018
2.19 : Finance costs		
Interest on long term borrowings	14,355	16,119
	14,355	**16,119**

	For the year 31 March 2019	For the year ended 31 March 2018
2.20 : Other expenses		
Legal and professional	17,773	36,981
Selling expenses	24,338	22,303
Travelling and conveyance	4,297	5,525
Communication	1,315	1,523
Rent	10,011	9,911
Foreign exchange loss, net	-	5,005
Other general expenses	34,501	43,119
	92,235	**124,367**

	For the year 31 March 2019	For the year ended 31 March 2018
2.21 : Tax expense		
Deferred tax (gain)/expense	11,978	(81,912)
	11,978	**(81,912)**

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories (Canada) Inc.

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Canada) Inc.** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 16 May 2019

Dr. Reddy's Laboratories (Canada) Inc.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	5,598	714
Financial assets			
Other financial assets	2.2	847	349
Deferred tax assets, net		4,518	-
Total non current assets		**10,963**	**1,063**
Current assets			
Inventories	2.3	577,385	171,957
Financial assets			
Trade receivables	2.4	41,297	81,151
Cash and cash equivalents	2.5	8,920	3,131
Other assets	2.6	258	47
Other current assets	2.7	3,893	5,314
Total current assets		**631,753**	**261,600**
Total assets		**642,716**	**262,663**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.8	21	21
Other equity			
Share premium		209,202	209,202
Retained earnings		90,797	(102,614)
Total equity		**300,020**	**106,609**
Current liabilities			
Financial Liabilities			
Trade payables	2.9	264,286	130,582
Other current financial liabilities	2.10	6,514	9,791
Provisions	2.11	18,415	11,008
Current tax liabilities, net		39,716	-
Other current liabilities	2.12	13,765	4,673
Total Liabilities		**342,696**	**156,054**
Total equity and liabilities		**642,716**	**262,663**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Canada) Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

C Swaminathan
Director

Sunil Kumar Chebrolu
Director

Place: Hyderabad
Date: 16 May 2019

Dr. Reddy's Laboratories (Canada) Inc.
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from operations	2.13	1,505,257	403,098
Other Income	2.14	74	19
Total Income		**1,505,331**	**403,117**
Expenses			
Cost of material consumed		1,137,359	299,483
Employee benefits expense	2.15	73,101	58,185
Depreciation and amortisation expense	2.16	394	395
Finance costs	2.17	1	-
Other expenses	2.18	65,537	43,722
Total expense		**1,276,392**	**401,785**
Profit/(Loss) before tax		**228,939**	**1,332**
Tax expense			
Current tax		40,089	-
Deferred tax		(4,561)	-
Profit/(Loss) for the year		**193,411**	**1,332**
Earnings per share:			
Basic - Par value of CAD 1 per share		483,527.50	3,330.00
Diluted - Par value of CAD 1 per share		483,527.50	3,330.00
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Canada) In**

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

PSRVV Surya Rao
Partner
Membership No. 202367

C Swaminathan
Director

Sunil Kumar Chebrolu
Director

Place: Hyderabad
Date: 16 May 2019

Dr. Reddy's Laboratories (Canada) Inc.
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Profit/(Loss) before taxation	228,939	1,332
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	394	395
Finance income	(74)	(19)
Finance costs	1	-
Net foreign exchange differences	(9,799)	1,795
Allowances for sales returns	7,600	7,403
Provision/(reversal of provision) for inventory obsolescence,net	53,794	31,926
Allowances for doubtful advances, net	(38)	(118)
Operating cash flows before working capital changes	**280,817**	**42,714**
Working capital adjustments:		
Trade receivables	45,747	(79,875)
Inventories	(459,222)	(90,621)
Trade and other payables	135,995	114,271
Other assets & liabilities,net	6,726	9,059
	10,063	**(4,452)**
Income tax paid	-	-
Net cash flows from operating activities	**10,063**	**(4,452)**
Net cash flows used in investing activities		
Purchase of property, plant and equipment	(5,277)	-
Finance income received	74	19
	(5,203)	**19**
Net cash flows from/ (used in) financing activities		
Interest paid	(1)	
	(1)	**-**
Net increase / (decrease) in cash and cash equivalents	4,859	(4,433)
Cash and cash equivalents at the beginning of the year	3,131	6,460
Effect of foreign exchange loss on cash and cash equivalents	930	1,104
Cash and cash equivalents at the end of the year	**8,920**	**3,131**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	8,920	3,131
Cash and bank balances at the end of the year	**8,920**	**3,131**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Canada) Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

C Swaminathan
Director

Place: Hyderabad
Date: 16 May 2019

Sunil Kumar Chebrolu
Director

Dr. Reddy's Laboratories (Canada) Inc.

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus		Total Equity
	Shares	Amount	Share Premium	Retained Earnings	
Balance as of 1 April 2017	**400**	**21**	**209,202**	**(103,946)**	**105,277**
Profit / (Loss) for the period	-	-	-	1,332	1,332
Balance as of 31 March 2018	**400**	**21**	**209,202**	**(102,614)**	**106,609**
Profit / (Loss) for the period				193,411	193,411
Balance as of 31 March 2019	**400**	**21**	**209,202**	**90,797**	**300,020**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Canada) Inc.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

C Swaminathan
Director

Sunil Kumar Chebrolu
Director

Place: Hyderabad
Date: 16 May 2019

Dr. Reddy's Laboratories (Canada) Inc.

Significant Accounting Policies & Notes to financial statements

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

Note 1: Significant Accounting Policies & Notes to Accounts:

Description of the Company

Dr. Reddy's Laboratories (Canada) Inc. (" the Company") incorporated in Canada , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

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

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Financial instruments

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

Financial assets :

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

Financial liabilities :

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Impairment of trade receivables:

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

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

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

Dr. Reddy's Laboratories (Canada) Inc.

Significant Accounting Policies & Notes to financial statements

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

Income tax

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

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

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

Foreign currencies

Foreign currency transactions

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

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

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

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

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

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

Buildings	
- Factory and administrative buildings	20 - 30 years
- Ancillary structures	3 - 15 years
Plant and machinery	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Dr. Reddy's Laboratories (Canada) Inc.

Significant Accounting Policies & Notes to financial statements

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

Provisions, contingent liabilities and contingent assets

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Contingent liabilities

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

Contingent assets

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

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories (Canada) Inc.
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern
The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Purchases and services rendered from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	1,137,359	232,608

b. The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in other current financial liabilities):		
Dr. Reddy's Laboratories Inc.	1,286	-
Dr. Reddy's Laboratories Louisiana LLC	-	5
Due from holding company and other group companies(included in other current financial asset):		
Dr. Reddy's Laboratories Inc.	-	47
Due to holding company and other group companies(included in trade payables):		
Dr. Reddy's Laboratories SA	72,836	39,336
Dr. Reddy's Laboratories Inc.	95,748	-
Dr. Reddy's Laboratories Limited	67,721	60,145

1.3 Taxation

a. Current Taxes
The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the company.

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

Particulars	As at 31 March 2019	As at 31 March 2018
Deferred tax assets / (liabilities)		
Other current assets	100	-
Accounts receivable	4,561	-
Property, plant and equipment	(143)	-
Deferred tax asset, net	**4,518**	**-**

1.4 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Recent accounting pronouncements
Ind AS 116, 'Leases'
On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.
Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.
The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes
On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Laboratories (Canada) Inc.

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

	Gross Block				Depreciation				Net Block	
Description	**As at 1.04.2018**	**Additions**	**Deletions**	**As at 31.03.2019**	**As at 1.04.2018**	**For the year**	**Deletions**	**As at 31.03.2019**	**As at 31.03.2019**	**As at 31.03.2018**
Office Equipment	302	5,278	-	5,580	284	9	-	293	5,287	18
Plant and Machinery	2,017	-	-	2,017	1,321	385	-	1,706	311	696
TOTAL	**2,319**	**5,278**	**-**	**7,597**	**1,605**	**394**	**-**	**1,999**	**5,598**	**714**
Previous Year	**2,319**	**-**	**-**	**2,319**	**1,211**	**395**	**-**	**1,605**	**714**	

Dr. Reddy's Laboratories (Canada) Inc.

Notes to the Financial Statements

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

Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.2 : Other financial assets		
Security Deposits	847	349
	847	**349**

Other Assets

	As at 31 March 2019	As at 31 March 2018
2.3 : Inventories		
Finished goods	561,258	-
Stock-in-trade (goods acquired for trading)	16,127	171,957
	577,385	**171,957**

2.4 : Trade receivables	As at 31 March 2019	As at 31 March 2018
(Unsecured,considered good)		
Receivables from other parties	41,297	81,151
	41,297	**81,151**

2.5 : Cash and cash equivalents	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- On current accounts	8,920	3,131
	8,920	**3,131**

2.6 : Other Assets	As at 31 March 2019	As at 31 March 2018
Balances receivable from holding company and other group companies	-	47
Other assets	258	-
	258	**47**

Other Assets

2.7: Other current assets	As at 31 March 2019	As at 31 March 2018
(Unsecured, considered good)		
Balance with statutory agencies	1,233	4,781
Other current assets	2,106	265
Prepaid expenses	554	268
	3,893	**5,314**
(Unsecured, considered doubtful)		
Other advances	-	36
Less: Provision for doubtful advances	-	(36)
	-	**-**

Dr. Reddy's Laboratories (Canada) Inc.

Notes to the Financial Statements

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

Note 2: Notes to the financial statements

2.8 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
400 (31 March 2018 : 400) equity shares of CAD 1 each	21	21
Issued equity capital		
400 (31 March 2018 : 400) equity shares of CAD 1 each	21	21
Subscribed and fully paid-up		
400 (31 March 2018 : 400) equity shares of CAD 1 each	21	21
	21	**21**

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No.of equity shares	Amount	No.of equity shares	Amount
Number of shares outstanding at the beginning of the year	400	21	400	21
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**400**	**21**	**400**	**21**

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	400	100%	400	100%

Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
2.9 : Trade Payables		
Payables to holding company and other group companies	236,304	99,480
Other payables	27,982	31,102
	264,286	**130,582**

	As at 31 March 2019	As at 31 March 2018
2.10 : Other current financial liabilities		
Accrued expenses	5,228	9,786
Other liabilities payable to holding/group companies	1,286	5
	6,514	**9,791**

	As at 31 March 2019	As at 31 March 2018
2.11 : Provisions		
Allowance for sales returns	17,246	9,860
Provision for employee benefits		
Compensated absences	1,169	1,148
	18,415	**11,008**

Other Liabilities

	As at 31 March 2019	As at 31 March 2018
2.12 : Other Current Liabilities		
Salary and bonus payable	13,765	3,888
Due to statutory authorities	-	13
Other liabilities	-	772
	13,765	**4,673**

Dr. Reddy's Laboratories (Canada) Inc.

Notes to Financial Statements

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

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.13 : Revenue from operations		
Sales	1,505,257	403,098
	1,505,257	**403,098**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.14 : Other income		
Interest income	74	19
	74	**19**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.15 : Employee benefits expense		
Salaries, wages and bonus	69,934	54,350
Contribution to provident and other funds	947	2,370
Staff Welfare expenses	2,220	1,465
	73,101	**58,185**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.16 : Depreciation and amortisation expense		
Depreciation of property,plant and equipment	394	395
	394	**395**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.17 : Finance costs		
Interest on long term borrowings	1	-
	1	**-**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.18 : Other expenses		
Legal and professional	6,441	12,729
Selling expenses	10,306	7,387
Travelling and conveyance	6,093	3,986
Communication	595	368
Rent	6,940	3,202
Insurance	367	396
Foreign exchange loss, net	10,224	571
Other general expenses	24,571	15,083
	65,537	**43,722**

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories Chile SPA.

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Chile SPA.** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Loss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Chile SPA.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	1,884	3,034
Financial assets			
Other financial assets	2.2 B	6,853	-
		8,737	**3,034**
Current assets			
Inventories	2.4	104,575	7,631
Financial assets			
Trade receivables	2.2 A	40,040	5,992
Cash and cash equivalents	2.2 C	7,982	4,922
Other current assets	2.3	16,539	4,953
		169,136	**23,498**
Total assets		**177,873**	**26,532**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	65,285	32,391
Other equity		(76,396)	(35,369)
		(11,111)	**(2,978)**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	2.6 A	56,414	12,995
		56,414	**12,995**
Current liabilities			
Financial Liabilities			
Trade payables	2.6 C	119,506	143
Other financial liabilities	2.6 B	10,382	15,411
Liabilities for current tax, net		584	-
Provisions	2.7	1,190	-
Other current liabilities	2.8	908	961
		132,570	**16,515**
Total equity and liabilities		**177,873**	**26,532**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Chile SPA.**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Chile SPA.
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 2019	For the period ended 16 June 2017 to 31 March 2018
Income			
Sales	2.9	79,166	5,118
Total revenue from operations		**79,166**	**5,118**
Other income	2.10	196	-
Total income		**79,362**	**5,118**
Expenses			
Cost of materials consumed		138,778	9,068
(Increase) / decrease in inventories of finished goods, work-in-progress and stock-in-trade	2.11	(96,944)	(7,631)
Employee benefits expense	2.12	42,500	24,569
Depreciation expense	2.13	1,687	449
Finance costs	2.14	1,264	31
Selling and other expenses	2.15	32,354	14,001
Total expenses		**119,639**	**40,487**
Profit/ (Loss) before tax		**(40,277)**	**(35,369)**
Tax expense			
Current tax		750	-
Deferred tax		-	-
Profit /(Loss) for the year		**(41,027)**	**(35,369)**
Other comprehensive income (OCI)		**-**	**-**
Total comprehensive loss for the year		**(41,027)**	**(35,369)**
Earnings per share:			
Basic earnings per share of BRL 1/- each		(10.35)	(18.43)
Diluted earnings per share of BRL 1/- each		(10.35)	(18.43)

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Chile SPA.**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Chile SPA.

Statement of Changes in Equity

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

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 1 April 2018	**32,391**	**(35,369)**	**(2,978)**
Issue of equity shares	32,894		32,894
Profit for the year	-	(41,027)	(41,027)
Balance as at 31 March 2019	**65,285**	**(76,396)**	**(11,111)**

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 16 June 2017		-	-
Issue of equity shares	32,391	-	32,391
Loss for the year	-	(35,369)	(35,369)
Balance as at 31 March 2018	**32,391**	**(35,369)**	**(2,978)**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Chile SPA.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Chile SPA.
Statement of Cash Flow
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2019	For the period ended 16 June 2017 to 31 March 2018
Cash flows from / (used in) operating activities		
Loss before tax	**(40,277)**	**(35,369)**
Adjustments:		
Depreciation and amortisation expense	1,687	449
Foreign exchange loss / (gain), net	(5,193)	(204)
Finance costs	1,264	-
Changes in operating assets and liabilities:		
Trade receivables	(35,697)	(5,927)
Inventories	(96,945)	(7,631)
Trade payables	124,007	142
Other assets and liabilities, net	(22,775)	11,009
Cash generated from operations	**(73,929)**	**(37,531)**
Income tax paid, net	-	-
Net cash from / (used in) operating activities	**(73,929)**	**(37,531)**
Cash flows from / (used in) investing activities		
Purchase of property, plant and equipment	(538)	(3,483)
Net cash used in investing activities	**(538)**	**(3,483)**
Cash flows from / (used in) financing activities		
Proceeds from issue of equity shares	32,894	32,391
Proceeds from (repayment of) long-term loans and borrowings, net	45,101	12,855
Net cash from / (used in) financing activities	**77,995**	**45,246**
Net increase / (decrease) in cash and cash equivalents	3,528	4,232
Effect of exchange rate changes on cash and cash equivalents	(468)	690
Cash and cash equivalents at the beginning of the year	4,922	-
Cash and cash equivalents at the end of the year	**7,982**	**4,922**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Chile SPA.**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Chile SPA.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Farmaceutica Do Brasil Ltda. (" the Company") incorporated in Brazil , is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

d) Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Laboratories Chile SPA.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:
• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
• taxable temporary differences arising upon the initial recognition of goodwill.
Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f) Earnings per share
The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

g) Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

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

Depreciation
Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.
Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .
The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.
Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

h) Inventories
Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Dr. Reddy's Laboratories Chile SPA.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

i) Employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
Defined contribution plans
The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

j) Provisions, contingent liabilities and contingent assets
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.
Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.
Reimbursement rights
Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.
Contingent liabilities
A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
Contingent assets
Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.
Impairment of trade receivables
In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.
For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.
As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities
Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

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

m) Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

n) Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories Chile SPA.

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

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Furniture, fixtures and office equipment	686	537		1,223	31	655		686	537
Vehicles	2,797	-		2,797	418	1,032		1,450	1,347
Total	**3,483**	**537**	**-**	**4,020**	**449**	**1,687**	**-**	**2,136**	**1,884**
Previous Year	-	3,483	-	3,483	-	449	-	449	3,034

Dr. Reddy's Laboratories Chile SPA.

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

Note 2 Notes to the financial statements (continued)

2.2 Financial assets

2.2 A. Trade receivables

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good	40,040	5,992
	40,040	**5,992**

2.2 B. Other non-current financial assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Security deposits	6,853	-
	6,853	**-**

2.2 C. Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- In current accounts	7,977	4,922
Cash on hand	5	-
	7,982	**4,922**

2.3 Other current assets

	As at 31 March 2019	As at 31 March 2018
Unsecured, considered good		
Balances with statutory authorities	16,131	1,192
Others	408	3,761
	16,539	**4,953**

2.4 Inventories

	As at 31 March 2019	As at 31 March 2018
Finished goods	104,575	7,631
	104,575	**7,631**

Dr. Reddy's Laboratories Chile SPA.

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

Note 2 Notes to the financial statements (continued)

2.5 Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised share capital		
6,700,000 equity shares of CLP 100/- each (31 March 2018 : 6,700,000)	68,091	68,091
Issued equity capital		
6,423,875 equity shares of CLP 100/- each (31 March 2018 : 3,156,375)	65,285	32,391
Subscribed and fully paid-up		
6,423,875 equity shares of CLP 100/- each (31 March 2018 : 3,156,375)	65,285	32,391
	65,285	**32,391**

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

Particulars	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	3,156,375	32,391	-	-
Add: Equity shares issued during the year	3,267,500	32,894	3,156,375	32,391
Number of shares outstanding at the end of the year	**6,423,875**	**65,285**	**3,156,375**	**32,391**

(b) **Terms / rights attached to the 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**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares held	% holding in the class	No. of equity shares held	% holding in the class
Dr. Reddy's Laboratories SA	6,423,875	100.00	3,156,375	100.00

2.6 Financial Liabilities

2.6 A. Non-current borrowings

	As at 31 March 2019	As at 31 March 2018
Unsecured		
Long-term loans from related parties	56,414	12,995
	56,414	**12,995**

2.6 B. Other current financial liabilities

	As at 31 March 2019	As at 31 March 2018
Accrued expenses	10,382	15,411
	10,382	**15,411**

2.6 C. Trade payables

	As at 31 March 2019	As at 31 March 2018
Trade payables to holding and other group companies	119,506	143
	119,506	**143**

2.7 Current provisions

	As at 31 March 2019	As at 31 March 2018
Provision for Compensated absences	1,190	-
	1,190	**-**

2.8 Other current liabilities

	As at 31 March 2019	As at 31 March 2018
Salary and bonus payable	137	63
Due to statutory authorities	771	898
	908	**961**

Dr. Reddy's Laboratories Chile SPA.

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

Note 2 Notes to the financial statements (continued)

2.9 Sales

	For the year ended 31 March 2019	For the period ended 16 June 2017 to 31 March 2018
Sales	79,166	5,118
	79,166	**5,118**

2.10 Other income

	For the year ended 31 March 2019	For the period ended 16 June 2017 to 31 March 2018
Miscellaneous other income	196	-
	196	**-**

2.11 Changes in inventories of finished goods, work-in-progress and stock-in-trade

		For the year ended 31 March 2019		For the period ended 16 June 2017 to 31 March 2018
Opening				
Finished goods	7,631	7,631	-	-
Closing				
Finished goods	104,575	104,575	7,631	7,631
		(96,944)		**(7,631)**

2.12 Employee benefits expense

	For the year ended 31 March 2019	For the period ended 16 June 2017 to 31 March 2018
Salaries, wages and bonus	42,191	24,177
Contribution to provident and other funds	309	392
	42,500	**24,569**

2.13 Depreciation expense

	For the year ended 31 March 2019	For the period ended 16 June 2017 to 31 March 2018
Depreciation of property, plant and equipment	1,687	449
	1,687	**449**

2.14 Finance costs

	For the year ended 31 March 2019	For the period ended 16 June 2017 to 31 March 2018
Interest on long-term borrowings	1,262	-
Interest on other borrowings	2	31
	1,264	**31**

2.15 Selling and other expenses

	For the year ended 31 March 2019	For the period ended 16 June 2017 to 31 March 2018
Other selling expenses	15,882	13
Legal and professional	6,014	7,413
Travel and conveyance	522	227
Rent	1,780	495
Rates and taxes	463	120
Communication	176	16
Foreign exchange loss, net	385	479
Other general expenses	7,132	5,238
	32,354	**14,001**

Dr. Reddy's Laboratories Chile SPA.

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

Note 2 Notes to the financial statements (continued)

2.16 Going Concern

The accounts have been prepared on Going Concern basis, despite havinng accumulated losses, as the company is supported by its parent company in its activities and financial affairs.

2.17 Related parties

a) The following is a summary of related party transactions

Particulars	For the year ended 31 March 2019	For the period ended 16 June 2017 to 31 March 2018
Interest expense to holding company or other group companies:		
Dr. Reddy's Laboratories SA	1,262	-

b) The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in borrowings):		
Dr. Reddy's Laboratories SA	56,414	12,995
Due from holding company and other group companies(included in trade payables and other liabilities):		
Dr. Reddy's Laboratories Limited	119,506	143

2.18 Income taxes

a. Current Taxes

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

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

2.19 Provisions, contingent liabilities and contingent assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

2.20 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Chile SPA.**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr Reddy's Laboratories (EU) Limited

Strategic Report, Report of the Directors and Financial Statements

for the Year Ended 31st March 2019

Dr Reddy's Laboratories (EU) Limited

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for the year ended 31st March 2019

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Dr Reddy's Laboratories (EU) Limited

Company Information
for the year ended 31st March 2019

DIRECTORS:	S Kohli V Mannam C J Troche
SECRETARY:	S Kushwaha
REGISTERED OFFICE:	Riverview Road Beverley East Yorkshire HU17 0LD
REGISTERED NUMBER:	02177715 (England and Wales)
SENIOR STATUTORY AUDITOR:	Alan Brocklehurst
AUDITORS:	cbaSadofskys Statutory Auditors Princes House Wright Street Hull East Yorkshire HU2 8HX
BANKERS:	Bank of Scotland Aldgate House 1/4 Market Place Hull HU1 1RA

Dr Reddy's Laboratories (EU) Limited

Strategic Report
for the year ended 31st March 2019

The directors present their strategic report for the year ended 31st March 2019.

REVIEW OF BUSINESS

The key financial highlights are as follows:

	31/3/19	31/3/18	31/3/17
	£	£	£
Turnover - United Kingdom	672,842	919,510	3,861,147
Turnover growth - United Kingdom	-26.8%	-76.2%	-54.6%
Turnover - Europe and other countries	26,637,067	30,631,666	17,769,208
Turnover growth - Europe and other countries	-13.0%	72.4%	9.9%
Profit before tax	10,118,425	9,770,363	10,835,476
Profit before tax margin	37.1%	31.0%	50.1%

In financial year 2018-19 , Dr Reddy's laboratories (EU) Limited recorded overall sales of £27.3m. Turnover has decreased by 13.4% due to a reduction in volumes for key customers in North America and R&D services which majorly are for ultimate parent company.

There have been no significant changes in the infrastructure of the business except for a few employee reductions at R&D site. The combined number of employees across the two main sites running with an average number of employees of 123 for current year compared to previous year of 118.

During the current year before tax margins have grown to £10.1m, with a year on year growth of 3.56%, driven by a healthy product mix accompanied with stable operating cost throughout the year and also the comparative impact of investment impaired in last financial year.

Dr Reddy's Laboratories (EU) Limited

Strategic Report
for the year ended 31st March 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The company has identified the principal areas of risk that it faces as:

Financial instrument risk

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the company's performance objectives. The objectives aim to ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Impact of pharmaceutical regulations

The business is subject to various regulations and any tightening of these could have a negative impact on earnings.

Price risk

The company sells active pharmaceutical products. The prices of such products tend to reduce on account of severe pricing pressure and competition. This risk is managed by maintaining adequate levels of stock and introducing new products.

Foreign exchange risk

The company sells and purchases some products in foreign currencies. The risk is mitigated by monitoring foreign exchange rates on a daily basis and taking foreign exchange cover, if required.

Credit risk

Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored. The company has little experience of material bad debts in general.

Liquidity risk

Liquidity is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages its cash flow to ensure that sufficient liquid resources are available to meet its operating needs.

Interest rate and cash flow risk

The company had a favourable cash balance during the year and therefore does not consider that interest rates or cash flow pose a significant risk.

REVIEW OF CLOSING POSITION

Overall Dr Reddy's Laboratories (EU) Limited finds itself in a good financial position at the close of financial year 2018-19 with a cash reserve of £715k, which is in line with previous year, with a positive net current asset. During the year the sales have decreased but they remain in line with expectations and there is still a healthy before tax margin. Such results are reflected accordingly in company's balance sheet. Dr Reddy's laboratories (EU) Ltd net assets are £19.1m as on reporting date, which is lower by £24.7m in comparison to previous year and the reason being reduction in amount owned by immediate parent company on account of loan repayment. And the distribution of interim cash dividend (£31.9m) during the year.

Dr Reddy's Laboratories (EU) Limited

Strategic Report
for the year ended 31st March 2019

FUTURE DEVELOPMENTS AND STRATEGY

Dr Reddy's Laboratories (EU) Limited operates from two sites with one focused mainly on manufacturing and the other on R&D. The manufacturing side has a portfolio of good stable products. There are also products in development that are progressing well towards commercialisation. The primary activity of the R&D site is to undertake work on internal projects for its parent. These projects are typically complex and underpinned by in-house expertise and technology. Future manufacture of some of these products will be in its own manufacturing facilities and for others it will be within its parent company's assets. The company has continued to invest in development of new technology both through its own internal resources and through collaborations. This technology will be utilised in new internal projects.

ON BEHALF OF THE BOARD:

S Kushwaha - Secretary

16th May 2019

Dr Reddy's Laboratories (EU) Limited

Report of the Directors
for the year ended 31st March 2019

The directors present their report with the financial statements of the company for the year ended 31st March 2019.

DIVIDENDS
An interim dividend of £3.50 per share was paid on 31st December 2018. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31st March 2019 will be £31,961,748.

RESEARCH AND DEVELOPMENT
Following the acquisition of the business and assets of Chirotech Technology Limited, this is a significant area of activity. The principal research and development activities of the company are developing manufacturing routes to active pharmaceutical ingredients, in particular complex generic products. A limited number of projects are also undertaken for third party companies using the expertise and technology available within the R&D team.

FUTURE DEVELOPMENTS
These details have been provided in the company's strategic report.

DIRECTORS
The directors set out in the table below have held office during the whole of the period from 1st April 2018 to the date of this report unless otherwise stated.

Other changes in directors holding office are as follows:

K S Reddy - resigned 20/12/18
D A Chaplin - resigned 31/1/19

The directors shown below were in office at 31st March 2019 but did not hold any interest in the Ordinary shares of £1 each at 1st April 2018 or 31st March 2019.

S Kohli
V Mannam
C J Troche

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds and finance the company's operations.

Revenue maintenance
The company actively markets and manages its portfolio of products to focus on revenue building and maintenance which, over the life cycle of the products can contribute to the future profits of the business.

Risks and uncertainties
These details have been provided in the company's strategic report.

DONATIONS
Donations totalling £5,799 were made by the company for the year ended 31st March 2019 to the following recipients:

	£
Kirklees Duke of Edinburgh Trust	5,199
Kirkheaton Scouts	200
Mirfield in Bloom	200
Salvation Army	200
	5,799

Dr Reddy's Laboratories (EU) Limited

Report of the Directors
for the year ended 31st March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, ebaSadofskys, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

S Kushwaha - Secretary

16th May 2019

Report of the Independent Auditors to the Members of
Dr Reddy's Laboratories (EU) Limited

Opinion
We have audited the financial statements of Dr Reddy's Laboratories (EU) Limited (the 'company') for the year ended 31st March 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31st March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
Dr Reddy's Laboratories (EU) Limited

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alan Brocklehurst (Senior Statutory Auditor)
for and on behalf of cbaSadofskys
Statutory Auditors
Princes House
Wright Street
Hull
East Yorkshire
HU2 8HX

16th May 2019

Dr Reddy's Laboratories (EU) Limited

Statement of Comprehensive Income
for the year ended 31st March 2019

	Notes	2019 £	2019 £	2018 £	2018 £
TURNOVER	3		27,309,909		31,551,176
Cost of sales			12,857,545		13,496,982
GROSS PROFIT			14,452,364		18,054,194
Distribution costs		139,122		91,951	
Administrative expenses		5,016,462		5,871,713	
			5,155,584		5,963,664
			9,296,780		12,090,530
Other operating income			465,837		460,201
OPERATING PROFIT	5		9,761,017		12,550,731
Interest receivable and similar income			391,061		306,379
			10,152,078		12,857,110
Amounts written off investments	6		(140,918)		2,909,488
			10,293,796		9,947,622
Interest payable and similar expenses	7		175,371		177,259
PROFIT BEFORE TAXATION			10,118,425		9,770,363
Tax on profit	8		1,918,815		2,436,345
PROFIT FOR THE FINANCIAL YEAR			8,199,610		7,334,018
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			8,199,610		7,334,018

The notes form part of these financial statements

Dr Reddy's Laboratories (EU) Limited (Registered number: 02172715)

Balance Sheet
31st March 2019

	Notes	2019 £	2019 £	2018 £	2018 £
FIXED ASSETS					
Intangible assets	10		207,388		365,222
Tangible assets	11		6,535,034		6,969,833
Investments	12		11,048,362		10,907,444
			17,790,784		18,242,499
CURRENT ASSETS					
Stocks	13	3,251,100		2,485,782	
Debtors	14	11,681,533		36,758,892	
Cash at bank and in hand		715,244		778,193	
		15,647,877		40,022,867	
CREDITORS					
Amounts falling due within one year	15	14,849,866		15,124,606	
NET CURRENT ASSETS			1,598,011		24,898,261
TOTAL ASSETS LESS CURRENT LIABILITIES			19,389,595		43,140,760
PROVISIONS FOR LIABILITIES	17		284,799		273,826
NET ASSETS			19,104,796		42,866,934
CAPITAL AND RESERVES					
Called up share capital	18		9,131,928		9,131,928
Capital redemption reserve	19		1,362		1,362
Retained earnings	19		9,971,506		33,733,644
SHAREHOLDERS' FUNDS			19,104,796		42,866,934

The financial statements were approved by the Board of Directors on 16-May-2019 and were signed on its behalf by:

S Kohli - Director

FOR APPROVAL

The notes form part of these financial statements

Dr Reddy's Laboratories (EU) Limited

Statement of Changes in Equity
for the year ended 31st March 2019

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1st April 2017	9,131,928	26,399,626	1,362	35,532,916
Changes in equity				
Total comprehensive income	-	7,334,018	-	7,334,018
Balance at 31st March 2018	9,131,928	33,733,644	1,362	42,866,934
Changes in equity				
Dividends	-	(31,961,748)	-	(31,961,748)
Total comprehensive income	-	8,199,610	-	8,199,610
Balance at 31st March 2019	9,131,928	9,971,506	1,362	19,104,796

The notes form part of these financial statements

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements
for the year ended 31st March 2019

1. STATUTORY INFORMATION

Dr Reddy's Laboratories (EU) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

Turnover
Turnover is the amount derived from ordinary activities, and stated after trade discounts, other sales tax and net of VAT.

Interest received
Interest received is accounted for when it is received.

Royalty income
Royalty income is accounted for when it is received.

Dividends received
Dividends received from subsidiary undertakings are accounted for when they are received.

Goodwill
Goodwill, being the amount paid in connection with the acquisition of a business in 2008, is being amortised evenly over its estimated useful life of ten years.

Intangible assets
The residual value of the patents purchased on 1st May 2008 are being amortised evenly over their estimated useful lives. This varied between 4 and 13 years at the date of purchase.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Freehold property	- 1% on cost and between 1 and 20 years on cost
Plant and machinery	- 20% on cost, 20% on reducing balance and between 1 and 15 years on cost
Fixtures and fittings	- over 4 years on cost
Computer equipment	- over 3 years on cost

Land is not depreciated.

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost less any impairments.

continued...

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

2. **ACCOUNTING POLICIES - continued**

Stocks
Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research, regulatory and development cost
Expenditure on research, regulatory and development cost is written off in the year in which it is incurred.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Trade licences
Expenditure in respect of the renewal of trade licences is charged to the profit and loss account in the year in which it is incurred.

Patents
Patents were valued at cost as of the date at which the patent was first filed and amortised on a straight line basis over their useful economic lives.

continued...

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

2. ACCOUNTING POLICIES - continued

Going concern
The company has the long term support from the group and as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Directors Report.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2019	2018
	£	£
United Kingdom	672,842	909,510
Rest of Europe	13,463,080	12,709,340
North America	8,844,394	10,191,866
Asia/Pacific	5,129,593	7,720,460
	27,309,909	31,551,176

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	8,477,064	7,734,939

The average number of employees during the year was as follows:

	2019	2018
Research and development site	36	43
Production site	84	72
Sales and marketing	3	3
	123	118

	2019	2018
	£	£
Directors' remuneration	-	-

continued. .

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Hire of plant and machinery	44,365	56,512
Depreciation - owned assets	1,049,519	1,078,070
Profit on disposal of fixed assets	-	(333)
Goodwill amortisation	-	101,522
Patents and licences amortisation	157,834	260,539
Auditors' remuneration	4,000	17,500
Auditors' remuneration for non audit work	24,250	15,350
Foreign exchange differences	12,878	649,866
Research and development (credit)/ expenditure	(113,624)	504,735
Interest on loans from group undertakings	175,371	177,259

6. AMOUNTS WRITTEN OFF INVESTMENTS

	2019 £	2018 £
Amounts written off investments	(140,918)	2,909,488

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Loan Interest	175,371	177,259

8. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax	1,907,842	2,468,112
Deferred taxation	10,973	(31,767)
Tax on profit	1,918,815	2,436,345

UK corporation tax has been charged at 19%.

continued...

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

8. TAXATION - continued

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before tax	10,118,425	9,779,363
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	1,922,501	1,856,369
Effects of:		
Expenses not deductible for tax purposes	14,496	14,496
Capital allowances in excess of depreciation	(2,381)	-
Depreciation in excess of capital allowances	-	44,444
Deferred tax	10,973	(31,767)
Investment impairment	(26,774)	552,803
Total tax charge	1,918,815	2,436,345

9. DIVIDENDS

	2019 £	2018 £
Interim	31,961,740	-

10. INTANGIBLE FIXED ASSETS

	Goodwill £	Patents and licences £	Totals £
COST			
At 1st April 2018 and 31st March 2019	1,015,227	4,178,057	5,193,284
AMORTISATION			
At 1st April 2018	1,015,227	3,812,835	4,828,062
Amortisation for year	-	157,834	157,834
At 31st March 2019	1,015,227	3,970,669	4,985,896
NET BOOK VALUE			
At 31st March 2019	-	207,388	207,388
At 31st March 2018	-	365,222	365,222

continued...

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

11. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1st April 2018	1,927,776	10,469,884	199,251	229,571	12,825,682
Additions	3,046	764,842	1,639	21,718	790,445
Disposals	-	(175,725)	-	-	(175,725)
At 31st March 2019	1,930,822	11,057,321	200,890	251,289	13,440,322
DEPRECIATION					
At 1st April 2018	692,497	4,896,429	119,482	147,361	5,855,769
Charge for year	45,225	946,862	17,854	39,578	1,049,519
At 31st March 2019	737,722	5,843,291	137,336	186,939	6,905,288
NET BOOK VALUE					
At 31st March 2019	1,193,100	5,214,030	63,554	64,350	6,535,034
At 31st March 2018	1,235,279	5,572,575	79,769	82,210	6,969,833

12. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1st April 2018	10,987,444
Impairments	140,918
At 31st March 2019	11,048,362
NET BOOK VALUE	
At 31st March 2019	11,048,362
At 31st March 2018	10,987,444

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Dr Reddy's Laboratories (UK) Limited
Registered office: 6 Riverview Road, Beverley, East Yorkshire, HU17 0LD
Nature of business: Manufacture of pharmaceutical products

Class of shares:	% holding
Ordinary	100.00

	2019 £	2018 £
Aggregate capital and reserves	29,386,394	27,312,298
Profit for the year	2,073,938	6,441,032

continued...

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

12. FIXED ASSET INVESTMENTS - continued

Chirotech Technology Limited
Registered office: Chirotech Technology Centre, 410 Cambridge Science Park, Milton Road, Cambridge, CB4 0PE
Nature of business: Non-Trading company in 2018

Class of shares:	% holding
Ordinary	100.00

	2019 £	2018 £
Aggregate capital and reserves	11,047,362	10,906,444
Profit for the year	140,918	340,729

On 1st April 2017 the entire assets of Chirotech Limited were sold to its parent company Dr Reddy's Laboratories (EU) Limited. All existing activities of Chirotech Limited have continued under the new ownership and are included within the results of the financial statements.

13. STOCKS

	2019 £	2018 £
Raw materials	377,643	380,887
Packing materials	96,784	53,486
Work-in-progress	1,808,760	1,802,678
Finished goods	967,913	248,731
	3,251,100	2,485,782

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	4,613,485	5,721,554
Amounts owed by group undertakings	2,254,595	2,341,689
Other debtors	4,626	20,305
Amount owed by immediate parent	4,202,546	28,095,172
VAT	452,570	453,435
Prepayments and accrued income	153,391	126,657
	11,681,533	36,758,892

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	311,359	721,359
Amounts owed to group undertakings	10,955,362	10,352,911
Taxation	(187,469)	211,276
Other creditors	9,730	72,730
Payment in advance	875,000	875,000
Accrued expenses	2,085,084	2,891,330
	14,049,066	15,124,606

continued...

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £	2018 £
Within one year	934,229	935,767
Between one and five years	24,205	944,371
In more than five years	-	7,907
	958,434	1,888,045

17. PROVISIONS FOR LIABILITIES

	2019 £	2018 £
Deferred taxation	284,799	273,826

	Deferred tax £
Balance at 1st April 2018	273,826
Provided during year	10,973
Balance at 31st March 2019	284,799

18. CALLED UP SHARE CAPITAL

Alloted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
9,131,928	Ordinary	£1	9,131,928	9,131,928

19. RESERVES

	Retained earnings £	Capital redemption reserve £	Totals £
At 1st April 2018	33,733,644	1,362	33,735,006
Profit for the year	8,199,610		8,199,610
Dividends	(31,961,748)		(31,961,748)
At 31st March 2019	9,971,506	1,362	9,972,868

continued...

Dr Reddy's Laboratories (EU) Limited

Notes to the Financial Statements - continued
for the year ended 31st March 2019

20. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Dr Reddy's Laboratories Limited, a company registered in India. The group financial statements are available to the public and may be obtained from Door No 8-2-337, Road No 3, Banjara Hills, Hyderabad - 500034, India.

The company's immediate parent company is Dr Reddy's Laboratories SA, a company registered in Switzerland. The group financial statements are available to the public and may be obtained from , Elisabethenanlage 11 CH, 4051 Basel, Switzerland.

21. RELATED PARTY DISCLOSURES

At the balance sheet date, the company was owed amounts from the following related parties:

	31/3/19 £	31/3/18 £
Dr Reddy's Laboratories Limited	1,893,255	2,017,269
Dr Reddy's Laboratories Inc	308,455	307,740
Dr Reddy's SA	4,202,546	28,095,172
Dr Reddy's Laboratories Netherlands	3,291	3,291

During the year the company made sales on normal commercial terms to the following related parties:

	31/3/19 £	31/3/18 £
Dr Reddy's Laboratories Inc	308,455	274,071
Dr Reddy's Laboratories Limited	732,437	938,955

During the year the company made management recharges to the following related parties:

	31/3/19 £	31/3/18 £
Dr Reddy's Laboratories Inc	Nil	57,742
Dr Reddy's Laboratories Limited	3,931,124	5,593,621
Dr Reddy's Research & Developments	274	3,291

During the year the company made purchases on normal commercial terms from the following related parties:

	31/3/19 £	31/3/18 £
Dr Reddy's Laboratories Limited	Nil	735,420
Industrias Quimicas Falcon	Nil	64,690

During the year the company received royalty income from it's immediate parent company Dr Reddy's Laboratories SA of £201,574 (2018 - £274,955) and at the balance sheet date £201,574 was still outstanding (2018 - £408,289).

During the year the company loaned £8,500,000 (2018 - £12,450,000) to it's immediate parent company Dr Reddy's Laboratories SA. At the balance sheet date £4,000,000 was outstanding (2018 - £27,550,000) and is included in the amounts due from related parties disclosure above.

During the year the company charged loan interest to it's immediate parent company Dr Reddy's Laboratories SA of £383,843 (2018 - £304,710). At the balance sheet date £972 was outstanding (2018 - £89,719) and is included in the amounts due from related parties disclosure above.

The inter company transactions were made on normal commercial terms.

Dr Reddy's Laboratories (EU) Limited

Trading and Profit and Loss Account
for the year ended 31st March 2019

	2019		2018	
	£	£	£	£
Turnover				
Sales	27,108,335		31,276,221	
Royalty income	201,574		274,955	
		27,309,909		31,551,176
Cost of sales				
Purchases	2,446,917		3,195,037	
Plant repairs	952,699		1,005,301	
Hazardous waste	218,643		142,070	
Laboratory costs	735,162		798,048	
Research and development	(113,624)		504,735	
Royalty payment	-		109	
Wages	8,477,064		7,734,939	
Other employee costs	140,684		116,751	
		12,857,545		13,496,982
GROSS PROFIT		14,452,364		18,054,194
Other income				
Other income	102,278		72,384	
R&D Tax credits receivable	362,759		387,817	
Interest received	390,520		306,379	
Corporation tax interest received	541		-	
		856,098		766,580
		15,308,462		18,820,774
Expenditure				
Carriage	139,122		91,951	
Legal, regulatory and licence fees	34,673		4,622	
Rates and water	600,790		644,405	
Rent	795,882		771,400	
Insurance	56,977		62,154	
Light and heat	1,003,070		821,882	
Hire of plant and machinery	44,365		56,512	
Telephone	33,339		37,483	
Postage and stationery	50,787		48,556	
Travelling	174,985		189,082	
Computer expenses	13,508		16,080	
Repairs and renewals	678,476		626,170	
Workwear rental and cleaning	36,068		47,801	
Sundry expenses	9,374		6,829	
Subscriptions	89,833		182,413	
Legal and professional fees	162,883		169,281	
Auditors' remuneration	4,000		17,500	
Auditors' remuneration for non audit work	24,250		15,350	
Foreign exchange losses	12,878		649,866	
Carried forward	3,965,260	15,308,462	4,459,337	18,820,774

This page does not form part of the statutory financial statements

Dr Reddy's Laboratories (EU) Limited

Trading and Profit and Loss Account
for the year ended 31st March 2019

	2019		2018	
	£	£	£	£
Brought forward	3,965,260	15,388,462	4,459,337	18,820,774
Amortisation of intangible fixed assets	157,834		362,061	
Depreciation of tangible fixed assets	1,849,519		1,078,670	
Profit/loss on sale of tangible fixed assets	-		(333)	
Bad debts	(38,601)		38,601	
Bank charges	21,572		25,928	
Loan interest	175,371		177,259	
Amounts written off investments	(140,918)		2,909,488	
		5,190,037		9,050,411
NET PROFIT		10,118,425		9,770,363

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dr. Reddy's Laboratories Limited

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Dr. Reddy's Laboratories Inc. (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young Associates LLP

Ernst & Young Associates LLP

Oval office, 18, iLabs Centre,
Madhapur, Hyderabad 500 081.
India

Date. 15 May 2019.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dr. Reddy's Laboratories Limited

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Dr. Reddy's Laboratories Inc. (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

Basis for Opinion

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

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

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young Associates LLP

Ernst & Young Associates LLP

Oval office, 18, iLabs Centre,
Madhapur, Hyderabad 500 081,
India

Date: 15 May 2019.

DR. REDDY'S LABORATORIES INC.

Financial Statements

March 31, 2019 and March 31, 2018

DR. REDDY'S LABORATORIES INC.

Financial Statements

March 31, 2019 and March 31, 2018

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

		As of	
PARTICULARS	**Note**	**March 31, 2019**	**March 31, 2018**
ASSETS			
Current assets			
Cash and cash equivalents	6	2,637,032	3,711,960
Trade and other receivables	7	206,554,796	298,818,796
Inventories	8	172,979,783	114,610,909
Tax assets		1,858,539	14,382,899
Other current assets	9	140,269,525	309,662,971
Total current assets		**524,299,675**	**741,187,535**
Non-current assets			
Property, plant and equipment	10	6,277,992	8,285,641
Goodwill	11	3,291,000	3,291,000
Other intangible assets	12	22,577,944	30,487,433
Deferred tax assets	13	18,240,853	11,198,624
Investments	14	40,310,849	78,760,000
Other non-current assets	9	2,508,017	3,975,534
Total non-current assets		**93,206,655**	**135,998,232**
Total assets		**617,506,330**	**877,185,767**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	15	329,368,342	411,454,020
Provisions	16	29,909,120	27,710,967
Loans and Borrowings	17	30,000,000	25,000,000
Other current liabilities	18	98,117,627	132,042,755
Total current liabilities		**487,395,089**	**596,207,742**
Non-current liabilities			
Other non-current liabilities	18	2,555,620	2,956,656
Total Non-current liabilities		**2,555,620**	**2,956,656**
Total liabilities		**489,950,709**	**599,164,398**
Equity			
Share capital	19	14,010,000	14,010,000
Share Premium		20,000,000	20,000,000
Treasury Shares	19	(14,000,000)	(14,000,000)
Share based payment reserve		13,132,381	11,754,450
Other components of equity		94,413,240	246,256,919
Total equity		**127,555,621**	**278,021,369**
Total liabilities and equity		**617,506,330**	**877,185,767**

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

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

PARTICULARS	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenues	20	859,085,987	943,841,704
Cost of revenues		716,062,643	808,193,046
Gross profit		**143,023,344**	**135,648,658**
Selling, general and administrative expenses		77,586,234	84,046,723
Research and development expenses		13,628,361	15,489,832
Other (income)/expense, net	21	202,946,763	(5,446,193)
Total operating expenses		**294,161,358**	**94,090,362**
Results from operating activities		**(151,138,014)**	**41,558,296**
Finance Income	22	(5,136,738)	(475,038)
Finance Expense	22	1,091,749	483,910
Finance (income)/expense, net		**(4,044,989)**	**8,872**
(Loss)/profit before tax		**(147,093,025)**	**41,549,424**
Tax expense / (benefit)	13	**(11,893,960)**	**52,415,616**
Loss for the year		**(135,199,065)**	**(10,866,192)**

The accompanying notes are an integral part of financial statements

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

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit for the year	**(135,199,065)**	**(10,866,192)**
Other comprehensive income		
Items that will not be reclassified to Income Statement	-	-
Total items that will not be reclassified to Income statement	-	-
Items to be reclassified subsequently to Income statement:		
Foreign currency translation adjustments	(16,273,967)	(1,225,189)
Total items that to be reclassified subsequently to Income statement	(16,273,967)	(1,225,189)
Other comprehensive (loss) / profit for the year, net of tax	-	-
Total comprehensive income for the year	**(151,473,032)**	**(12,091,381)**

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

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

Particulars	Number of Shares	Share Capital	Share premium	Share based payment	Treasury Shares	Foreign currency translation reserve	Retained earnings	Total
Balance as of April 01, 2017 (A)	**1,401,000**	**14,010,000**	**20,000,000**	**10,098,828**	**(14,000,000)**	**2,484,151**	**255,864,149**	**288,457,128**
Total Comprehensive income								
Loss for the period	-	-	-	-	-	-	(10,866,192)	(10,866,192)
Foreign currency translation adjustments	-	-	-	-	-	(1,225,189)	-	(1,225,189)
Total Comprehensive income (B)	**-**	**-**	**-**	**-**	**-**	**(1,225,189)**	**(10,866,192)**	**(12,091,381)**
Transactions with owners of the Company								
Contributions and distributions								
Share based payment expense (Refer Note 25)	-	-	-	1,655,622	-	-	-	1,655,622
Total contributions and distributions	**-**	**-**	**-**	**1,655,622**	**-**	**-**	**-**	**1,655,622**
Total transactions with owners of the Company (C)	-	-		1,655,622			-	1,655,622
Balance as of March 31,2018 [(A)+(B)+(C)]	**1,401,000**	**14,010,000**	**20,000,000**	**11,754,450**	**(14,000,000)**	**1,258,962**	**244,997,957**	**278,021,369**
Balance as of April 01, 2018 (A)	**1,401,000**	**14,010,000**	**20,000,000**	**11,754,450**	**(14,000,000)**	**1,258,962**	**244,997,957**	**278,021,369**
Adjustment on account of transition to IFRS 9 (Refer Note 7)							**(370,647)**	**(370,647)**
Adjusted balance as of April 01, 2018	**1,401,000**	**14,010,000**	**20,000,000**	**11,754,450**	**(14,000,000)**	**1,258,962**	**244,627,310**	**277,650,722**
Total Comprehensive income								
Loss for the period	-	-	-	-	-	-	(135,199,065)	(135,199,065)
Foreign currency translation adjustments	-	-	-	-	-	(16,273,967)	-	(16,273,967)
Total Comprehensive income (B)	**-**	**-**	**-**	**-**	**-**	**(16,273,967)**	**(135,199,065)**	**(151,473,032)**
Transactions with owners of the Company								
Contributions and distributions								
Share based payment expense (Refer Note 25)	-	-	-	1,377,931	-	-	-	1,377,931
Total contributions and distributions	**-**	**-**	**-**	**1,377,931**	**-**	**-**	**-**	**1,377,931**
Total transactions with owners of the Company (C)	-	-	-	1,377,931	-	-	-	1,377,931
Balance as of March 31,2019 [(A)+(B)+(C)]	**1,401,000**	**14,010,000**	**20,000,000**	**13,132,381**	**(14,000,000)**	**(15,015,005)**	**109,428,245**	**127,555,621**

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

Particulars	For the year ended	
	March 31, 2019	**March 31, 2018**
Cash flows from/(used in) operating activities:		
Loss for the year	(135,199,065)	(10,866,192)
Adjustments for:		
Tax expense / (benefit)	(11,893,960)	52,415,616
Depreciation and amortization	5,615,006	5,077,716
Impairment of intangible assets	824,548	-
Allowance for expected credit loss	360,942	83,190
Provision for diminution in value of investment	215,101,645	6,085,900
Provision for doubtful advances	4,988,533	7,539,145
Profit on sale of property, plant and equipment	-	(9,081)
Profit on sale of intangible assets	(897,076)	-
Allowance for sales returns	28,781,254	23,011,689
Inventory write downs	23,783,942	36,641,692
Interest expense, net	1,091,749	483,910
Share based payment expense	1,377,931	1,655,622
Changes in operating assets and liabilities:		
Trade and other receivables	91,532,410	7,742,321
Inventories	(82,152,816)	(18,086,525)
Trade and other payables	(79,756,720)	(37,924,072)
Other assets and other liabilities	(65,952,638)	(87,735,073)
Cash from operating activities	**(2,394,315)**	**(13,884,142)**
Income taxes paid	(724,258)	(48,520)
Net Cash from/ (used in) operating activities	**(3,118,573)**	**(13,932,662)**
Cash flows from/(used in) investing activities:		
Investment in subsidiaries and other companies	(310,849)	-
Purchase of property, plant and equipment	(386,174)	(830,050)
Proceeds from sale of intangible assets	2,491,606	-
Purchase of intangible assets	(3,204,020)	(4,957,743)
Net cash used in investing activities	**(1,409,437)**	**(5,787,793)**
Cash flows from/(used in) financing activities:		
Proceeds from short term borrowings	227,000,000	173,000,000
Repayment of short term borrowings	(222,000,000)	(148,000,000)
Interest paid	(1,546,918)	(456,579)
Net cash from/ (used in) financing activities	**3,453,082**	**24,543,421**
Net increase/ (decrease) in cash and cash equivalents	(1,074,928)	4,822,967
Cash and cash equivalents at the beginning of the year	3,711,960	(1,111,007)
Cash and cash equivalents at the end of the year	**2,637,032**	**3,711,960**

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

1. Reporting entity
Dr. Reddy's Laboratories, Inc., ("the Company"/ "DRI"), was incorporated on May 11, 1992 in the state of New Jersey. The Company is an importer of active pharmaceutical ingredients and chemical intermediary used in the pharmaceutical industry and generic finished dosage drug products for distribution to pharmaceutical wholesalers and retail chains. The Company's customers are primarily located throughout North America.

2. Basis of preparation of financial statements
a. Statement of compliance
These standalone financial statements as at and for the year ended March 31, 2019 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB").

These Standalone financial statements have been prepared for the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company's annual reporting date, March 31, 2019. These Standalone financial statements were authorized for issuance by the Company's Board of Directors on May 15, 2019.

b. Basis of measurement
These standalone financial statements have been prepared on the historical cost convention and on an accrual basis.except for the following material items in the statement of financial position:
• derivative financial instruments are measured at fair value;
• financial assets are measured either at fair value or at amortized cost depending on the classification;
• long term borrowings, except obligations under finance leases, are measured at amortized cost using the effective interest rate method;
• assets held for sale are measured at fair value less costs to sell; and,
• share-based payments are measured at fair value.

c. Functional and presentation currency
The Company operates as marketing arm of Dr. Reddy's Laboratories Limited ("the ultimate parent company") and the operations of DRI are largely restricted to import of finished goods from the ultimate parent company in India, sale of these products in North America and remittance of the sale proceeds to the ultimate parent. The cash flows realized from sale of goods are readily available for remittance to the ultimate parent company and cash is remitted to the parent company on a regular basis. The costs incurred by DRI are primarily the cost of goods imported from the ultimate parent. The financing of the Company is done directly or indirectly by the ultimate parent company and hence the functional currency has been determined to be the functional currency of the ultimate parent company, i.e. the Indian rupee.

All amounts included in the financial statements are reported in US dollar, (presentation currency). The assets and liabilities of the Company are translated into U.S. Dollar, at the rate of exchange prevailing at the balance sheet date. Revenues and expenses are translated into U.S. Dollar at average monthly exchange rates prevailing during the year. Resulting translation adjustment is included in Foreign Currency Translation Reserve (FCTR).

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

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

- Note 2 (c) & 3 (a) — Assessment of functional currency for foreign operations;
- Note 3(b) and 27 — Financial instruments;
- Notes 3(e) and (f) — Useful lives of property, plant and equipment and intangible assets;
- Notes 3(q) — Measurement of recoverable amounts of cash-generating units;
- Note 3(h) — Valuation of inventories;
- Note 3(j) — Provisions;
- Note 3(k) — Sales returns, rebates and charge back provisions;
- Note 3(m) — Evaluation of recoverability of deferred tax assets;
- Note 3(n) — Share-based payment transactions;
- Note 3(p) — Business Combinations;
- Note 26 — Contingencies.

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

3. Significant accounting policies
New Standards adopted by the Company
IFRS 9, Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9, "Financial instruments". IFRS 9 significantly differs from IAS 39, "Financial Instruments: Recognition and Measurement", and includes "expected loss" impairment model. The Company applied the modified retrospective method upon adoption of IFRS 9 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 9 to retained earnings and not to restate prior years. The cumulative effect recorded at April 1, 2018 was a decrease to retained earnings of USD 370,647.
Detailed below is the impact of the implementation of IFRS 9 on the Company.

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

The Company follows a "simplified approach" which does not require the Company to track changes in credit risk but rather recognize impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For this purpose, the Company designed a provision matrix to determine impairment loss allowance on the portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Tabulated below is the impact of the implementation of IFRS 9 on the financial position of the Company on the transition date:

	01-Apr-18	IFRS 9 adjustment	Adjusted April 1, 2018
Current assets:			
Trade and other receivables	298,818,796	(370,647)	298,448,149
Equity:			
Retained earnings	244,997,957	(370,647)	244,627,310

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". This comprehensive new standard supersedes IAS 18, "Revenue", IAS 11, "Construction contracts" and related interpretations. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The impacts of the adoption of the new standard are summarized below:
The Company's revenue is derived from sales of goods and service income. Most of such revenue (approximately 99%) is generated from the sale of goods.

Sale of goods
Revenue from sales of goods is comprised of sale of generic and branded products and sale of active pharmaceutical ingredients and intermediates. Revenue from sale of goods is recognsied where control is transferred to the Company's customers at the time of shipment to or receipt of goods by the customers. There was no change in the point of recognition of revenue upon adoption of IFRS 15.

Service income
Service income, which primarily relates to revenue from contract research, is recognsied as and when the underlying services are performed. There was no change in the point of recognition of revenue upon adoption of IFRS 15. Upfront non refundable payments received under these arrangements continue to be deferred and are recognsied over the expected period that related services are to be performed.

Profit share revenues and milestone payments
Revenues from sales of goods also include revenues from profit sharing arrangements with business partners for sales of the Company's products in certain markets. Furthermore, the Company receives milestone payments related to out-licensing of the intellectual property. Under IFRS 15, the profit share amount is recognsied only to the extent that it is highly probable that a significant reversal in the amount of profit share will not occur when the uncertainty associated with the profit share is subsequently resolved. The adoption of IFRS 15 did not significantly change the timing or amount of revenue recognsied under these arrangements.

The Company applied the modified retrospective method upon adoption of IFRS 15 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 15 to retained earnings and not to restate prior years.

Overall, the application of this standard did not have a material impact on the revenue streams from the sale of goods, service income, license fees, profit share revenues and milestone payments, and associated rebates and sales returns provision.

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

Summary of significant accounting policies

a. Foreign currency

Foreign currency transactions

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

b. Financial instruments

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

Accounting policies relating to financial instruments after March 31, 2018 are as follows:

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

• Debt instruments at amortized cost;
• Debt instruments at fair value through other comprehensive income (FVTOCI);
• Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL); and
• Equity instruments measured at fair value through other comprehensive income (FVTOCI).

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the Standalone income statement. The losses arising from impairment are recognised in the Standalone income statement. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the Standalone income statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the Standalone income statement. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Standalone income statement.

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

Equity investments
All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.
If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Standalone income statement, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.Equity investments designated as FVTOCI are not subject to impairment assessment.
Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the Standalone income statement.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's financial position) when:
• The rights to receive cash flows from the asset have expired; or
• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

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

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

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.The Company's financial liabilities include trade and other payables, loans and borrowings.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the income statement.

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

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the Standalone income statement when the liabilities are derecognised as well as through the EIR amortization process.
amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

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

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

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Accounting policies relating to financial instruments for the periods ending on or prior to March 31, 2018 are as follows:

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, bonds, equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and certain other assets and liabilities.Non-derivative financial instruments are recognsied initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents

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

Held-to-maturity investments

Held-to-maturity investments consist of investments in bonds with fixed or determinable payments and fixed maturity that the Company has the positive intention and the ability to hold to maturity. Such investments are initially measured at fair value, with subsequent measurements made at amortized cost using the effective interest rate method.

Other investments

Other investments consist of term deposits with original maturities of more than three months, and investments in mutual funds and equity securities. Investments in mutual funds and equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognsied in OCI and presented within equity under "fair value reserve". When an investment is derecognsied, the cumulative gain or loss in equity is transferred to the Standalone income statement.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business. After initial recognition, trade payables are recognsied at amortized cost using the effective interest rate method.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business. After initial recognition, trade receivables are recognsied at amortized cost using the effective interest rate method.

Debt instruments and other financial liabilities

The Company initially recognizes debt instruments issued on the date that they originate. All other financial liabilities are recognsied initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. These are recognsied initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other non-derivative financial instruments

Other non-derivative financial instruments are initially recognsied at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual right to the cash flows from that asset expires, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing, at amortized cost, for the proceeds received The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognsied financial liability and the consideration paid is recognsied as profit or loss in the Standalone income statement.

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c. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realised or intended to sold or consumed in the normal operating cycle
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
• It is expected to be settled in the normal operating cycle
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d. Share capital

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

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

e. Property, plant and equipment

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognsied net within "other (income/expense, net)" in income statement.

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

Depreciation
Depreciation is recognsied in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.

Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date.
The estimated useful lives are as follows:

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

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

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

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f. Goodwill and other Intangible assets

Goodwill

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

Other intangible assets

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

Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:
• development costs can be measured reliably;
• the product or process is technically and commercially feasible;
• future economic benefits are probable; and
• the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognsied in the income statement as incurred.
As of March 31, 2019, none of the development expenditure amounts has met the aforesaid recognition criteria.

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

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognsied immediately in the income statement.

Subsequent expenditure

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

Amortization

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

Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows

Trademarks	3 - 12 years
Product related intangibles	5 - 15 years
Customer-related intangibles	1 -11 years
Other intangibles	3 - 15 years
Marketing rights	10 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

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

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g. Leases

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

Finance leases

A finance lease is recognsied 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 recognsied on the Company's statements of financial position. Payments made under operating leases are recognsied in income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Operating lease incentives received from the landlord are recognsied as a reduction of rental expense on a straight line basis over the lease term.

h. Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials which are consumed as indirect materials in the manufacturing process. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

i. Investments in subsidiaries and joint venture:

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the income statement.

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j. Provisions

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
Contingent assets are not recognsied in the financial statements. However, contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognsied in the period in which the change occurs.

k. Revenue

Accounting policies relating to revenue for the periods after March 31, 2018 are as follows:

Sale of goods

Revenue is recognsied when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognsied as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method.

Profit share revenues and milestone payments

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

Revenue in an amount equal to the base purchase price is recognsied in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognsied as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

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Out licensing arrangements, milestone payments and royalties

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue upon delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognsied over the period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognsied as revenues either on achievement of such milestones, over the performance period depending on the terms of the contract. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Royalty income earned through a license is recognsied when the underlying sales have occurred.

Provision for chargeback, rebates and discounts

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

Shelf stock adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by the Company, and are accrued when the prices of certain products decline as a result of increased competition upon the expiration of limited competition or exclusivity periods. These credits are customary in the pharmaceutical industry, and are intended to reduce the customer inventory cost to better reflect the current market prices. The determination to grant a shelf stock adjustment to a customer is based on the terms of the applicable contract, which may or may not specifically limit the age of the stock on which a credit would be offered.

Sales Returns

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

Services

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

License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognsied when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognsied in the period in which the Company completes all its performance obligations.

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Accounting policies relating to revenue for periods ending on or prior to March 31, 2018 are as follows:

Sale of goods

Revenue is recognsied when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Profit share revenues

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

Revenue in an amount equal to the base purchase price is recognsied in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognsied as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognsied for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company's Board of Directors authorizes the issuance of its standalone financial statements for the applicable period.

Milestone payments and out licensing arrangements

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognsied over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognsied as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period the Company has continuing performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Provision for chargeback, rebates and discounts

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

Shelf stock adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by the Company, and are accrued when the prices of certain products decline as a result of increased competition upon the expiration of limited competition or exclusivity periods. These credits are customary in the pharmaceutical industry, and are intended to reduce the customer inventory cost to better reflect the current market prices. The determination to grant a shelf stock adjustment to a customer is based on the terms of the applicable contract, which may or may not specifically limit the age of the stock on which a credit would be offered.

Sales Returns

The Company accounts for sales returns accrual by recording an allowance for sales returns 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, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors.

Services

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

Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

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l. Employee benefits

Short-term employee benefits

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

m. Income tax

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

Deferred tax is recognsied using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

n. Share-based payment transactions

Equity settled share-based payment transactions

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

Cash settled share-based payment transactions

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

o. Government grants

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

p. Business combinations

The Company uses the acquisition method of accounting to account for business combinations that occurred on or after April 1, 2009. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognsied amount of any non-controlling interest in the acquiree, less the net recognsied amount of the identifiable assets acquired and liabilities assumed. When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognsied immediately in the Standalone income statement. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the Standalone income statement. A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

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q. Impairment

Non-financial assets

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognsied in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognsied. Goodwill that forms part of the carrying amount of an investment in an associate is not recognsied separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

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

r. Finance income and expense

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

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

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

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s. Recent accounting pronouncements
Standards issued but not yet effective and not early adopted by the Company

IFRS 16, Leases
In January 2016, the IASB issued a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, "Leases", and related interpretations and is effective for annual reporting periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, "Revenue from Contracts with Customers", has also been applied.

Upon adoption, a portion of the annual operating lease expense, which is currently fully recognsied as functional expense, will be recognsied as finance expense. Further, a portion of the annual lease payments recognsied in the cash flow statement as reduction of lease liability will be recognsied as outflow from financing activities, which are currently fully recognsied as an outflow from operating activities.
The Company is in the process of evaluating the impact on its Standalone financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments
On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes", are applied where there is uncertainty over income tax treatments.
IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. An entity can, on initial application, elect to apply this interpretation either:
• retrospectively applying IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", if possible without the use of hindsight; or
• retrospectively, with the cumulative effect of initially applying the interpretation recognsied at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).
The Company is in the process of evaluating the impact of IFRIC 23 on the Standalone financial statements.

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

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

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

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

(vi) *Non-derivative financial liabilities*
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

(vii) *Share-based payment transactions*
The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

5. Capital management
For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.
The capital gearing ratio as on 31 March 2019 and 31 March 2018 was 19% and 8%, respectively.

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6. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Current		
Cash on hand	4,701	2,883
Balances with banks	2,632,331	3,709,077
Cash and cash equivalents on the statements of financial position	**2,637,032**	**3,711,960**
Cash and cash equivalents in the statement of cash flow	**2,637,032**	**3,711,960**

7. Trade and Other receivables

	As of	
	March 31, 2019	**March 31, 2018**
Trade and other receivables, net of chargebacks and rebates	207,398,028	300,324,259
Receivables from related parties*	1,393,820	-
Less: Allowance for credit losses	(2,237,052)	(1,505,463)
Trade and other receivables	**206,554,796**	**298,818,796**

* Refer note 23

During the year ended March 31, 2019, the Company entered into an arrangement with a bank for sale of trade receivables. Under the arrangement, the Company sold to the Bank certain of its trade receivables forming part of its Global Generics segment, on a non-recourse basis. The receivables sold were mutually agreed with the Bank after considering the credit worthiness of the customers and also other contractual terms with the customer including any gross to net adjustments due to rebates, discounts etc. from the contracted amounts, such that the receivables sold are generally lower than the net amount receivables from trade receivables. The Company has transferred substantially all the risks and rewards of ownership of such receivables sold to the Bank and accordingly, the same are derecognsied in the Balance Sheet.

As on March 31, 2019, the amount of trade receivables de-recognsied pursuant to the aforesaid arrangement was USD 109,776,264.

In accordance with IFRS 9, the Company has implemented the expected credit loss ("ECL") model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers. Before adoption of IFRS 9, the Company used to maintain an allowance for impairment of doubtful accounts based on the financial condition of the customer,aging of the customer accounts receivable and historical experience of collections from customers.

The details of changes in allowance for credit losses during the year ended March 31, 2019 and March 31, 2018 are as follows:

	As of	
	March 31, 2019	**March 31, 2018**
Balance at the beginning of the year	1,505,463	2,780,262
Adjustment on account of transition to IFRS9	370,647	-
Provision / (reversal) for credit losses	360,942	(1,274,799)
Trade and other receivables, net	**2,237,052**	**1,505,463**

8. Inventories

Inventories consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Raw materials	-	2,341,362
Work-In-Progress	336,981	-
Finished goods	172,359,844	111,893,985
Packing materials, stores and spares	282,958	375,562
Total Inventories	**172,979,783**	**114,610,909**

During the years ended March 31, 2019 and 2018, the Company recorded inventory write-downs of USD 23,783,942 and USD 36,641,692 respectively which primarily relate to slow-moving provisions and adjustments to write the inventory to their realisable amounts. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2019 and 2018 includes raw materials, consumables and changes in finished goods and work in progress recognsied in the income statement USD 695,024,550 and USD 787,298,166 respectively. Cost of Revenues for the years ended March 31, 2019 and 2018, includes other expenditures recognsied in the income statement of USD 21,038,093 and USD 20,894,880 respectively.

9. Other Assets

Other assets consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Current		
Due from related parties*	134,283,112	337,647,601
Prepaid expenses	2,401,094	1,818,287
Other assets	3,585,319	3,309,209
	140,269,525	**342,775,097**
Less: Provision for Doubtful advances	-	(33,112,126)
Total Current Assets	**140,269,525**	**309,662,971**

* Refer note 23

Non-current		
Deposits and other assets – non current	2,508,017	3,975,534
Total Non-current Assets	**2,508,017**	**3,975,534**

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10. Property plant and equipment:

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

Particulars	Plant & Machinery	Office equipment	Furniture & fixtures	Leasehold Improvements	Other equipment*	Total
Gross Carrying Value						
Balance as at April 1, 2017	759,987	574,145	1,656,416	9,733,564	2,105,623	**14,829,735**
Additions	259,240	144,377	114,358	834,152	77,186	**1,429,313**
Disposals	(86,195)	-	-	-	(5,952)	**(92,147)**
Effect of changes in foreign exchange rates	(17,188)	(21,833)	(12,525)	50,242	96,094	**94,790**
Balance as at March 31, 2018	**915,844**	**696,689**	**1,758,249**	**10,617,958**	**2,272,951**	**16,261,691**
Balance as at April 1, 2018	915,844	696,689	1,758,249	10,617,958	2,272,951	16,261,691
Additions		37,594		109,968		147,562
Disposals	(259,240)			(768,724)	-	(1,027,964)
Effect of changes in foreign exchange rates	(29,530)	(41,253)	(104,753)	(687,898)	(120,319)	(983,753)
Balance as at March 31, 2019	**627,074**	**693,030**	**1,653,496**	**9,271,304**	**2,152,632**	**14,397,536**
Accumulated Depreciation						
Balance as at April 1, 2017	285,568	454,816	1,542,581	3,937,708	1,877,403	**8,098,076**
Depreciation during the year	280,042	128,947	158,990	1,115,506	275,087	**1,958,572**
Disposals	(86,195)	-	-	-	(5,951)	**(92,146)**
Effect of changes in foreign exchange rates	(17,745)	(39,556)	(183,843)	(376,165)	4,458	**(612,851)**
Balance as at March 31, 2018	**461,670**	**544,207**	**1,517,728**	**4,677,049**	**2,150,997**	**9,351,651**
Balance as at April 1, 2018	461,670	544,207	1,517,728	4,677,049	2,150,997	9,351,651
Depreciation during the year	69,843	90,921	125,884	956,612	107,822	1,351,082
Disposals	(259,240)	-		(768,724)	-	(1,027,964)
Effect of changes in foreign exchange rates	35,810	(85,383)	(92,855)	11,611	(139,154)	(269,971)
Balance as at March 31, 2019	**308,083**	**549,745**	**1,550,757**	**4,876,548**	**2,119,665**	**9,404,798**
Net Carrying Value						
As at April 01, 2017	474,419	119,329	113,835	5,795,856	228,220	6,731,659
Add:-Capital Work in Progress						1,876,397
Total at April 01, 2017						**8,608,056**
	454,174	152,482	240,521	5,940,909	121,954	6,910,040
Add:-Capital Work in Progress						1,375,601
Total at March 31, 2018						**8,285,641**
As at March 31, 2019	318,991	143,285	102,739	4,394,755	32,966	4,992,738
Add:-Capital Work in Progress						1,285,254
Total at March 31, 2019						**6,277,992**

**Others include electrical equipment, canteen equipment, lab equipment and computers.*

Capital commitment: As of March 31, 2019 and 2018 the company had capital commitments of USD Nil and USD 461,134 respectively under agreements to purchase property plant and equipment. This amount is net of capital advances paid in respect of such purchase commitments.

11. Goodwill

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

The following table presents the changes in goodwill during the years ended March 31, 2019 and 2018:

	As of	
	March 31, 2019	**March 31, 2018**
Opening balance, gross	3,291,000	3,291,000
Goodwill arising on business combinations during the year	-	-
Effect of translation adjustments	-	-
Impairment loss	-	-
Closing balance	**3,291,000**	**3,291,000**

For the purpose of impairment testing, goodwill is allocated to a cash generating unit, representing the lowest level within the Company at which goodwill is monitored for internal management purposes and which is not higher than the Company's operating segment.

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

a) Estimated cash flows for five years based on management's projections.

b) Terminal value arrived by extrapolating last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.

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

d) Value-in-use is calculated using after tax assumptions. The use of after tax assumptions does not result in a value-in-use that is materially different from the value-in-use that would result if the calculation was performed using before tax assumptions. The after tax discount rates used for impairment evaluation was 5.9% and the pre-tax discount rate was 7.7%.

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

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12. Other intangible assets

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

Particulars	Product related intangibles	Softwares	Marketing Rights	Total
Gross carrying value				
Balance as at April 1, 2017	26,539,396	3,281,454	-	29,820,850
Additions	4,885,143	72,600	2,000,000	6,957,743
Disposals	-	-	-	-
Effects of changes in foreign exchange rates	30,935	(16,362)	-	14,573
Balance as at March 31, 2018	**31,455,474**	**3,337,692**	**2,000,000**	**36,793,166**
Balance as at April 1, 2018	31,455,474	3,337,692	2,000,000	36,793,166
Additions	1,048,724	155,296		1,204,020
Disposals*	(3,655,089)	-		(3,655,089)
Effects of changes in foreign exchange rates	(2,910,899)	(121,518)	(125,877)	(3,158,294)
Balance as at March 31, 2019	**25,938,210**	**3,371,470**	**1,874,123**	**31,183,803**
amortization/Impairment Loss				
Balance as at April 1, 2017	2,315,648	921,372	-	3,237,020
amortization during the period	2,623,547	495,597	-	3,119,144
Disposals	-	-	-	-
Impairment loss	-	-	-	-
Effect of changes in foreign exchange rates	(40,521)	(9,910)	-	(50,431)
Balance as at March 31, 2018	**4,898,674**	**1,407,059**	**-**	**6,305,733**
Balance as at April 1, 2018	4,898,674	1,407,059	-	6,305,733
amortization during the period	3,370,023	493,901	400,000	4,263,924
Disposals*	(1,460,559)			(1,460,559)
Impairment loss	824,548			824,548
Effect of changes in foreign exchange rates	(1,222,158)	(110,333)	4,704	(1,327,787)
Balance as at March 31, 2019	**6,410,528**	**1,790,627**	**404,704**	**8,605,859**
Net carrying amount				
As at April 01, 2017	**24,223,748**	**2,360,082**	**-**	**26,583,830**
As at March 31, 2018	**26,556,800**	**1,930,633**	**2,000,000**	**30,487,433**
As at March 31, 2019	**19,527,682**	**1,580,843**	**1,469,419**	**22,577,944**

*During the year ended March 31, 2019, the Company has sold one of its brand Bufferin for a total consideration of USD 2,491,606.

Impairment loss recorded for the year ended March 31, 2019

The company has recorded an impairment loss of USD 824,548 for the year ended March 31, 2019 with regard to write down of certain product related intangibles on account of discontinuance of the sale of the product and accordingly such impairment was recorded under "Selling, general and administrative expenses" in the company's income statement.

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13. Income taxes

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

Income tax (expense)/benefit recognsied in the income statement consist of the following:

Particulars	For the year ended	
	March 31, 2019	**March 31, 2018**
Current taxes		
Current taxes (expense)/ benefit	4,851,729	(65,002,544)
Current tax effect of net operation losses carry back	-	23,394,860
	4,851,729	(41,607,684)
Deferred taxes		
Deferred taxes (expense)/benefit	7,042,231	(2,370,124)
Impact on account of change in enacted tax rate	-	(8,437,808)
	7,042,231	(10,807,932)
Total income tax (expense)/benefit in income statement	**11,893,960**	**(52,415,616)**

The Companies subsidiaries are considered as disregarded entities for the purpose of Income taxes. The tax expense in the Income Statement of the Company is on account of tax allocation from the consolidated tax benefit/ (expense) of Dr. Reddy's Laboratories Inc. The tax expenses are computed and presented at consolidated financial statements of Dr. Reddy's Laboratories Inc. as per the tax laws of the United States.

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

There were no income tax expenses / benefits recognsied directly in equity for the year ended March 31, 2019 and 2018.

c. Reconciliation of effective tax rate

Particulars	For the year ended	
	March 31, 2019	**March 31, 2018**
Profit/ (loss) before income taxes	(147,093,025)	41,549,424
Enacted tax rate in US	21.00%	33.71%
Computed expected tax benefit/(expense)	**30,889,535**	**(14,006,476)**
Effect of change in tax laws and rate	-	(8,437,808)
Expenses not deductible for tax purposes	(45,847,813)	2,117,550
Effect of permanent differences	(1,693,216)	(7,039,378)
Others	316,019	33,168
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	28,229,435	(25,082,672)
Income tax benefit/ (expense)	**11,893,960**	**(52,415,616)**
Effective tax rate	-8.09%	-126.15%

(1) The Company's weighted average effective tax rates for the years ended 31 March 2019 and 31 March 2018 were (8.09)% and (126.15)%, respectively. Tthe Company pursuant to the enactment of The Tax Cuts and Jobs Act of 2017 in the United States on 22 December 2017, re-measured its deferred tax assets and liabilities. This has resulted in impact of USD (8,437,808) for the year ended 31 March 2018. Further, the effective tax rate is effected due to allocation of tax expens, which are computed at Parent Company level on consolidated basis, based on Parent Down approach and impairment of investment in Subsidiary.

d. Unrecognsied deferred tax assets and liabilities
During the financial year ending March 31, 2019 and March 31, 2018 the company did not have unrecognsied deferred tax assets.

e. Deferred tax assets and liabilities
The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	For the year ended	
	March 31, 2019	**March 31, 2018**
Deferred tax assets/(liabilities):		
Other current liabilities	254,014	(16,890,141)
Property plant and equipment	225,000	(4,511,269)
Operating loss carry forward		23,394,860
Accounts receivable	1,141,444	(16,716,412)
Research and development credit		900,477
Other current assets	5,586,065	1,342,206
Stock based compensation	(164,294)	1,672,347
Net deferred tax asset/(liabilities)	**7,042,229**	**(10,807,932)**

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

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

f. Movement in temporary differences during the years ended March 31, 2019 and 2018:
The details of movement in deferred tax assets and liabilities are summarised below:

	As at March 31, 2018	**Movement**	**As at March 31, 2019**
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	1,579,261	225,000	1,804,261
Accounts receivable	8,387,468	1,141,444	9,528,912
Stock based compensation	132,185	(164,294)	(32,109)
Other current assets	1,100,462	5,586,065	6,686,527
Research and development credit	-	-	-
Other current liabilities	(752)	254,014	253,262
Net deferred tax assets/(liabilities)	**11,198,624**	**7,042,229**	**18,240,853**

	As at March 31, 2017	**Movement**	**As at March 31, 2018**
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	6,090,530	(4,511,269)	1,579,261
Accounts receivable	25,103,880	(16,716,412)	8,387,468
Stock based compensation	(1,540,162)	1,672,347	132,185
Other current assets	(241,744)	1,342,206	1,100,462
Research and development credit	(900,477)	900,477	-
Other current liabilities	16,889,389	(16,890,141)	(752)
Operating losses carried forward	(23,394,860)	23,394,860	-
Net deferred tax assets/(liabilities)	**22,006,556**	**(10,807,932)**	**11,198,624**

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14. Investments
Investment in Other Companies:

Name of the Entity	As of	
	March 31, 2019	March 31, 2018
Investment in Promisory note of Basepair Inc	310,849	-
Total investment in Other Companies	**310,849**	**-**

Investment in Subsidiaries & Joint Ventures (refer note 23):

Name of the Entity	As of	
	March 31, 2019	March 31, 2018
Dr. Reddy's Laboratories Louisiana LLC	40,000,000	40,000,000
Dr. Reddy's Laboratories Tennessee LLC	-	25,000,000
Promius Pharma LLC *	215,101,645	38,760,000
DRANU LLC (JV)	6,085,900	6,085,900
	261,187,545	**109,845,900**
Less: Provision for diminution in value of investments (refer note 23)*	(221,187,545)	(31,085,900)
Total investment in Subsidiaries & Joint Ventures	**40,000,000**	**78,760,000**
Total investment	**40,310,849**	**78,760,000**

* As at March 31, 2018, the Company advanced an amount of USD 176,341,645 to Promius Pharma Inc, a wholly owned subsidiary of the Company towards working capital requirements. During the quarter ended March 31, 2019, consequent to the changes in the business model of Promius, the Company believes the working capital advances are no more recoverable and hence, entered into an agreement whereby it relinquished its right to recover the money advanced to Promius Pharma Inc. As the relinquishment of right by the Company is more in the capacity as a parent rather than as a lender, the Company believes that it is more appropriate to recognise this transaction as an equity transaction and accordingly reclassified the amount advanced as investment in Promius. Upon relinquishment, the entire amount of investment of USD 215,101,645 has been provided for during the year ended March 31, 2019.

15. Trade and other payables
Trade and other payables consist of the following:

	As of	
	March 31, 2019	March 31, 2018
Due to related parties*	321,723,246	399,939,533
Others trade payables	4,249,934	4,390,888
Capital creditors	-	2,328,959
Creditors for expenses	3,395,162	4,794,640
Total	**329,368,342**	**411,454,020**

* Refer Note 23

Information about the Company's exposure to currency and liquidity risks is included in Note 28.

16. Provisions

Provisions consist of the following:

Particluars	As of	
	March 31, 2019	March 31, 2018
Refund liability	29,909,120	27,710,967
Total	**29,909,120**	**27,710,967**

The details of changes in provisions during the period ended March 31, 2019 are as follows:

Particluars	Refund liability
Balance as at April 1, 2018	27,710,967
Provision made during the year	28,781,254
Credits and payments during the year	(26,583,101)
	29,909,120

Refund liability is accounted for by recording a provision based on the Company's estimate of expected sales returns. See Note 3(k) for the Company's accounting policy on sales returns.

17. Loans and Borrowings

Particluars	As on	
	March 31, 2019	March 31, 2018
Unsecured borrowings	30,000,000	25,000,000
Total Loans and Borrowings	**30,000,000**	**25,000,000**

The company had undrawn borrowings of USD 20,000,000 and USD 25,000,000 as of March 31 2019 and 2018, respectively from its banks for working capital requirement.
The company has a right to draw upon these lines of credit based on its working capital requirement.
The interest rate profit of the above borrowings is LIBOR+95 and LIBOR+85 basis points for March 31, 2019 and 2018 respectively.

Reconciliation of liabilities arising from financing activities:

Particulars	Long-term borrowings	Short-term borrowings	Total
Opening balance	-	25,000,000	25,000,000
Borrowings made during the year	-	227,000,000	227,000,000
Borrowings repaid during the year	-	(222,000,000)	(222,000,000)
Currency translation adjustments	-	-	-
Others (amortization of upfront loan processing fee and interest accrued)	-	-	-
Closing balance	**-**	**30,000,000**	**30,000,000**

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18. Other Liabilities

Other liabilities consist of the following:

Particulars	As of	
	March 31, 2019	**March 31, 2018**
Current Liabilities		
Accrued expenses	26,361,220	23,074,236
Advance from customers	2,843,571	5,009,262
Medicaid	10,584,955	12,310,915
Other Current Liabilities	1,703,765	1,524,620
Other liabilities – related parties	56,624,116	90,123,722
Total Current Liabilities	**98,117,627**	**132,042,755**
Non-current Liabilities		
Other liabilities - Non current	2,555,620	2,956,656
Total Non-current Liabilities	**2,555,620**	**2,956,656**

19. Share Capital

	As of	
	March 31, 2019	**March 31, 2018**
Fully paid up capital	**14,010,000**	**14,010,000**
As at April 01	14,010,000	14,010,000
Add: Additional paid up share capital	-	-
As at March 31	**14,010,000**	**14,010,000**

The Company presently has only one class of equity shares with an par value of USD 10 per share. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date.

Treasury Shares:

During the fiscal year ended March 2000, the Company had acquired 25% of its then outstanding common stock held by a minority shareholder (Pharma, LLC) based on the terms of a Stock Redemption Agreement at values to be determined based on achievement of sales for certain covered products. As per the terms of agreement, contingent consideration payable as part of the transaction should not exceed USD 14,000,000 over the ensuing ten years.

Pursuant to negotiation and settlement of the initial arrangement, the company agreed to pay the contingent consideration to Pharma LLC. Consequently, the total amount paid of USD 14,000,000 has been disclosed as treasury shares within the statement of changes in equity.

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20. Revenue from contract with customers

Revenue consists of the following:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Sales to third parties	854,230,493	939,715,471
Sales to related parties (Note 23)	3,058,754	1,997
Service income	1,796,740	4,124,236
Total Revenue	**859,085,987**	**943,841,704**

Segment disclosure as per the requirement of IFRS 8 Operating Segments is not applicable to the Company, however for the purpose of disclosures under IFRS 15, the Company operations are majorly into Generics and Pharmaceutical Services and Active Ingredients ("PSAI").

Analysis of revenues by segments:	For the year ended	
Segment	**March 31, 2019**	**March 31, 2018**
Generics	797,914,274	889,176,711
PSAI	61,171,713	54,664,993
	859,085,987	**943,841,704**

Analysis of revenues within the Generics segment:	For the year ended	
An analysis of revenues by therapeutic areas in the Company's Generics segment is given below	**March 31, 2019**	**March 31, 2018**
Central Nervous System	143,075,120	102,168,293
Cardiovascular	140,404,754	176,838,660
Oncology	126,960,176	159,819,169
Gastrointestinal	109,314,346	137,443,150
Nicotine Replacement Therapy	54,588,665	75,077,082
Others	223,571,213	237,830,357
	797,914,274	**889,176,711**

The revenue of the company based on country and based on the location of the customers is mainly United States.

Information about major customers

Revenues from two customers of the Company's Generics segment were USD 153,839,381 and USD 144,944,651, representing approximately 18% and 17% respectively of the Company's total revenues for the year ended March 31, 2019.

Revenues from two customers of the Company's Generics segment were USD 166,870,697 and USD 209,243,907, representing approximately 18% and 22% respectively of the Company's total revenues for the year ended March 31, 2018.

Details of significant gross to net adjustments

A roll-forward for each major accrual is presented below for our fiscal years ended March 31, 2018 and 2019 **(All values in USD millions)**

Particulars	**Chargebacks**	**Rebates**	**Medicaid**	**Refund liability**
Beginning Balance: April 1, 2017	191	186	13	36
Current provisions relating to sales during the year	1,750	630	18	22
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,771)	(655)	(19)	(30)
Ending Balance: March 31, 2018	**170**	**161**	**12**	**28**
Beginning Balance: April 1, 2018	170	161	12	28
Current provisions relating to sales during the year	1,415	461	18	29
Provisions and adjustments relating to sales in prior years	*	-	-	-
Credits and payments**	(1,457)	(530)	(19)	(27)
Ending Balance: March 31, 2019	**128**	**92**	**11**	**30**

* Currently, the Company do not separately track provisions and adjustments, in each case to the extent relating to prior years for chargebacks. However, the adjustments are expected to be non-material. The volumes used to calculate the closing balance of chargebacks represent approximately 1.1 months equivalent of sales, which corresponds to the pending chargeback claims yet to be processed.

** Currently, the Company do not separately track the credits and payments, in each case to the extent relating to prior years for chargebacks, rebates, medicaid payments or sales returns.

Chargebacks and rebates provisions for the year ended March 31, 2019 and payments for the year ended March 31, 2019 were each lower as compared to the year ended March 31, 2018, primarily as a result of lower pricing rates per unit for chargebacks, due to a reduction in the invoice price to wholesalers for certain of Companies products, and due to certain product mix changes.

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The overall provision for refund liability as at March 31, 2019 was USD 29,909,120, as compared to a provision of USD 27,710,967 as at March 31, 2018. This increase in provision was primarily attributable to a lower allowance for returns provision created for the year ended March 31, 2018 due to lower sales recorded for the year ended March 31, 2018 based on our historical experience and recent trends in actual sales returns, in the markets in which the Company operate.

Particluars	**Refund liability**
Balance as at April 1, 2018	27,710,967
Provision made during the year	28,781,254
Credits and payments during the year	(26,583,101)
	29,909,120

Details of contract liabilities

	For the year ended	
	March 31, 2019	**March 31, 2018**
Advance from customers	2,843,571	5,009,262
Total	**2,843,571**	**5,009,262**

21. Other (income)/expense, net

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

	For the year ended	
	March 31, 2019	**March 31, 2018**
Corporate services provided to fellow group companies*	(16,695,821)	(18,919,644)
Other expense – related parties*	220,090,178	13,625,045
Royalty expense – related parties*	592,344	527,390
Insurance claim receivable	-	(242,498)
Other (income)/expense, net	(1,039,938)	(436,486)
Total	**202,946,763**	**(5,446,193)**

* Refer Note 23

22. Finance (income)/ expense

Finance income consist of the following:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Interest income	(10,939)	-
Foreign exchange gain	(5,125,799)	(475,038)
Total	**(5,136,738)**	**(475,038)**

Finance expense consist of the following:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Interest expense	1,091,749	483,910
Total	**1,091,749**	**483,910**

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23. Related parties

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

Dr. Reddy's Laboratories Limited	Ultimate Parent Company
Dr. Reddy's Laboratories, SA	Parent company
Industrias Quimicas Falcon de Mexico, S.A.de C.V.	Company under common control
Dr. Reddy's Laboratories EU Limited	Company under common control
Dr. Reddy's Laboratories Louisiana LLC	Subsidiary company
Dr. Reddy's Laboratories Tennessee LLC*	Subsidiary company
Dr. Reddy's Laboratories New York Inc.	Company under common control
Betapharm Arzneimittel GmbH	Company under common control
Dr. Reddy's Laboratories Canada, Inc.	Company under common control
Promius Pharma LLC	Subsidiary company
Dr. Reddy's Laboratories UK Limited	Company under common control
DRANU LLC	Joint venture

** Liquidated with effect from September 28, 2018*

The following is a summary of significant related party transactions:

Purchases from related parties	March 31, 2019	March 31, 2018
Dr. Reddy 's Laboratories Limited	462,767,963	487,431,909
Industrias Quimicas Falcon De Mexico	12,766,498	9,826,909
Dr. Reddy's Laboratories Louisiana LLC	25,354,009	20,491,406
Dr. Reddy's Laboratories Tennessee LLC	695,154	1,177,049
Dr. Reddy's Laboratories , SA	190,381,130	164,481,319
Dr. Reddy's Laboratories EU Limited	396,000	346,800
Betapharm Arzneimittel GmbH	16,237,426	25,858,049
Total	**708,598,180**	**709,613,441**

Profit share to related parties	March 31, 2019	March 31, 2018
Dr. Reddy's Laboratories Louisiana LLC	2,758,067	2,000,345
Promius Pharma LLC	804,939	1,644,029
Dr. Reddy's Laboratories Tennessee LLC	644,800	2,427,142
Total	**4,207,806**	**6,071,516**

Sales to related parties	March 31, 2019	March 31, 2018
Dr. Reddy's Laboratories Limited	-	1,997
Dr. Reddy's Laboratories Canada Inc.	3,058,754	-
Total	**3,058,754**	**1,997**

Services to related parties	March 31, 2019	March 31, 2018
Dr. Reddy 's Laboratories Limited	11,507,579	11,393,830
Dr. Reddy's Laboratories , SA	5,188,241	7,525,814
Total	**16,695,820**	**18,919,644**

Other income (from)/to related parties	March 31, 2019	March 31, 2018
Dr. Reddy's Laboratories Limited	592,344	527,390
Total	**592,344**	**527,390**

Advances given to related parties	March 31, 2019	March 31, 2018
Dr. Reddy's Laboratories Louisiana LLC	11,395,184	10,500,109
Dr. Reddy's Laboratories Tennessee LLC	4,758,428	6,096,165
Dr. Reddy's Laboratories New York Inc.	4,005,553	5,329,231
Promius Pharma LLC	23,880,552	12,643,762
Total	**44,039,716**	**34,569,267**

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

Due from related parties	March 31, 2019	March 31, 2018
Promius Pharma LLC	30,000,000	182,345,682
Dr. Reddy's Laboratories Limited	6,632,242	10,932,427
Dr. Reddy's Laboratories Tennessee LLC	-	37,539,145
Dr. Reddy's Laboratories New York Inc	34,590,614	30,585,162
Dr. Reddy's Laboratories Louisiana LLC	61,215,874	65,183,932
Dr. Reddy's Laboratories, SA	1,807,941	11,060,085
Dr. Reddy's Laboratories Canada, Inc.	1,414,185	1,168
Dr. Reddy's Laboratories UK Limited	8,461	
Betapharm Arzneimittel GmbH	7,615	
Total	**135,676,932**	**337,647,601**

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The Company has the following amounts due to related parties (included in trade payables and other liabilities):

Due to related parties	March 31, 2019	March 31, 2018
Dr. Reddy's Laboratories Limited	214,016,872	323,474,196
Dr. Reddy's Laboratories, SA	93,180,500	66,919,367
Dr. Reddy's Laboratories Louisiana LLC	-	15,363,256
Betapharm Arzneimittel GmbH	12,428,526	6,391,099
Industrias Quimicas Falcon De Mexico	1,701,348	3,234,851
Dr. Reddy's Laboratories EU Ltd	396,000	416,525
Dr. Reddy's Laboratories New York Inc.	-	88,159
Promius Pharma LLC	56,624,116	58,198,727
Dr. Reddy's Laboratories Tennessee LLC	-	15,977,075
Total	**378,347,362**	**490,063,255**

Consequent to the significant decline in the business performance of Promius Pharma LLC the Company evaluated the recoverability of the amounts invested in and advanced to the aforesaid subsidiary and determined that there exist an objective evidence of impairment of such amounts. Accordingly, the following amounts have been provided for during the years ended:

Particulars	March 31, 2019	March 31, 2018
Impairment of investment in Promius Pharma LLC	215,101,645	-
Impairment of investment in DRANU LLC	-	6,085,900
Impairment of advances of Dr. Reddy's Laboratories Tennessee LLC	4,988,533	7,539,145
	220,090,178	**13,625,045**

During the year ended 31 March 2019, the Company has sold its membership interest in its wholly owned subsidiary, Dr. Reddy's Laboratories Tennessee LLC.

The Company evaluated the recoverability of the amounts invested in and advanced to the aforesaid subsidiary and determined that there exist an evidence of impairment of such amounts. Accordingly, the Company has provided for -

Particulars	March 31, 2019	March 31, 2018
Impairment in Promius Pharma LLC	215,101,645	-
Impairment in DRANU LLC	6,085,900	6,085,900
Dr. Reddy's Laboratories Tennessee LLC *	-	25,000,000
Total Impairment	**221,187,545**	**31,085,900**

** Written off during the year*

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

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

b) Terminal value arrived by extrapolating last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.

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

d) Value-in-use is calculated using after tax assumptions. The use of after tax assumptions does not result in a value-in-use that is materially different from the value-in-use that would result if the calculation was performed using before tax assumptions. The after tax discount rates used for impairment evaluation was 5.9% and the pre-tax discount rate was 7.7%.

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

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24. Operating leases

The Company has leased office under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expense under these leases was USD 1,326,445 and USD 1,286,881 for the years ended March 31, 2019 and 2018 respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

Particluars	**For the period ended**	
	March 31, 2019	**March 31, 2018**
Less than one year	2,331,126	2,139,311
Between one and five years	9,154,834	8,689,991
More than five years	1,479,928	3,667,320
	12,965,888	**14,496,622**

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25. Employee stock incentive plan

Dr. Reddy's Employees Stock Option Plan-2002 (the "DRL 2002 Plan")

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

The DRL 2002 Plan, as amended at annual general meetings of shareholders of the Ultimate Parent Company, provides for stock option grants in two categories:

Category A: Options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: Options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., USD 0.12 per option).

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

Stock option activity under the DRL 2002 Plan for the two categories of options during the year ended March 31, 2019 and 2018 is as follows:

Category A — Fair Market Value Options: There was no stock options activity under this category during the year March 31, 2019 and March 31, 2018 and there were no options outstanding under this category as of March 31, 2019 and March 31, 2018.

Category B – Par Value Options

For the year ended March 31, 2019:

The number of options granted and exercised during the year is 6,312 and 6,208 respectively. The exercise price and weighted exercise price of the options is USD 0.12. The options outstanding at the end of the year are 15,348 with a weighted average remaining contractual life of 72 months.

For the year ended March 31, 2018:

The number of options granted and exercised during the year is 6,640 and 8,483 respectively. The exercise price and weighted exercise price of the options is USD 0.12. The options outstanding at the end of the year are 17,071 with a weighted average remaining contractual life of 69 months.

Dr. Reddy's Employees ADR Stock Option Plan 2007 (the "DRL 2007 Plan"):

Dr. Reddy's Laboratories Limited, ("Ultimate Parent Company") instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on July 27, 2005. The DRL 2007 Plan came into effect on approval of the Board of Directors on January 22, 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of the Company. The Committee of the parent Company administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2007 Plan provides for option grants in two categories:

Category A: Stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: Stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., USD 0.12 per option).

Stock option activity under the DRL 2007 Plan for the two categories of options during the years ended March 31, 2019 and 2018 is as follows:

Category A — Fair Market Value Options - Fiscal Year ended March 31, 2019

	Shares arising out of options	Exercise price	Weighted-average exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	46,200	USD 36.27	USD 36.27	90
Expired/ Forfeited during the year	(3,100)	USD 36.27	USD 36.27	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	43,100	USD 36.27	USD 36.27	84
Exercisable / vested at the end of the year	-	-	-	-

The weighted average grant date fair value of options granted during the year ended March 31, 2019 was USD 9.29 per option.
As of 31 March 2019, options outstanding had an aggregate intrinsic value of USD 107,976.

Category B – Par Value Options - Fiscal Year ended March 31, 2019

	Shares arising out of options	Exercise price	Weighted-average exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the year	89,523	USD 0.12	USD 0.12	74
Granted during the year	53,248	USD 0.12	USD 0.12	90
Expired/ Forfeited during the year	(27,455)	USD 0.12	USD 0.12	-
Exercised during the year	(27,739)	USD 0.12	USD 0.12	-
Outstanding at the end of the year	87,577	USD 0.12	USD 0.12	74
Exercisable / vested at the end of the year	4,629	USD 0.12	USD 0.12	45

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Category B – Par Value Options - Fiscal Year ended March 31, 2018

	Shares arising out of options	Exercise price	Weighted-average exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the year	77,665	USD 0.12	USD 0.12	75
Granted during the year	53,792	USD 0.12	USD 0.12	90
Expired/ Forfeited during the year	(20,606)	USD 0.12	USD 0.12	-
Exercised during the year	(21,328)	USD 0.12	USD 0.12	-
Outstanding at the end of the year	89,523	USD 0.12	USD 0.12	74
Exercisable / vested at the end of the year	6,134	USD 0.12	USD 0.12	46

The weighted average grant date fair value of options granted during the years ended March 31, 2019 and March 31, 2018 was USD 30.20 and USD 39.37 per option, respectively. The weighted average share price on the date of exercise of options during the years ended March 31, 2019 and March 31, 2018 was USD 35.05 and USD 35.15 per share, respectively.

The aggregate intrinsic value of options exercised during the years ended March 31, 2019 and 2018 was USD 970,342 and USD 627,973, respectively. As of March 31, 2019, options outstanding had an aggregate intrinsic value of USD 3,514,541 and options exercisable had an aggregate intrinsic value of USD 185,766.

Dr. Reddy's Employees Stock Option Scheme, 2018 (the "DRL 2018 Plan"):
The Parent Company instituted the DRL 2018 Plan for all eligible employees pursuant to the special resolution approved by the shareholders at the Annual General Meeting held on July 27, 2018. The DRL 2018 Plan covers all employees and directors (excluding independent and promoter directors) of the parent company and its subsidiaries (collectively, "eligible employees"). The Nomination, Governance and Compensation Committee of the Board of the parent company (the "Compensation Committee") administers the DRL 2018 Plan and grants stock options to eligible employees. The Compensation Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2018 Plan vest in periods ranging between the end of one and five years, and generally have a maximum contractual term of five years.

The DRL 2018 Plan provides for option grants having an exercise price equal to the fair market value of the underlying equity shares on the date of grant.

Stock option activity under the DRL 2018 Plan during the year ended 31 March 2019 is as follows:

For the year ended March 31, 2019:
The number of options granted and exercised during the year is 2,200 and Nil respectively. The exercise price and weighted exercise price of the options is USD 36.27. The options outstanding at the end of the year are 2,200 with a weighted average remaining contractual life of 84 months.

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

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options, the expected term of an option (or "option life) is estimated based on the vesting term, contractual term, as well as expected exercise behavior of the employees receiving the option. In respect of Fair Market Value options, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the Indian government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock based compensation expense could be materially impacted in future years.

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

The weighted average inputs used by Parent Company in computing the fair value of options granted during the years March 31 2019 and 31 March 31, 2018 were as follows:

Particulars	Grants made on			
	21-Sep-18	26-Jul-18	21-May-18	11-May-17
Expected volatility	33.98%	34.89%	32.97%	31.08%
Exercise price	INR 5.00/ INR 2,607.00	INR 5.00	INR 5.00	INR 5.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	7.90%	7.47%	7.46%	6.69%
Expected dividends	0.78%	0.94%	1.06%	0.77%
Grant date share price	INR 2,556.25	INR 2,132.75	INR 1,893.05	INR 2,594.00

For the years ended March 31, 2019 and 2018 an amount of USD 1,377,931 and USD 1,655,622 respectively, has been recorded as employee share-based payment expense under all employee stock incentive plans with a corresponding credit to the Additional paid in capital, disclosed as part of stock holders' equity, representing capital contribution by Dr. Reddy's Laboratories Limited, the ultimate parent company. As of March 31, 2019, there was approximately USD 1,686,012 of total unrecognsied compensation cost related to unvested stock options. This cost is expected to be recognsied over a weighted-average period of 1.99 years.

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27. Financial Instruments

Financial Instruments by category

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

Particulars	Note	As of			
		March 31, 2019		March 31, 2018	
		Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Assets:					
Cash and cash equivalents	6	2,637,032	2,637,032	3,711,960	3,711,960
Trade and other receivables	7	206,554,796	206,554,796	298,818,796	298,818,796
Other assets*	9	139,601,266	139,601,266	304,535,475	304,535,475
Total		**348,793,094**	**348,793,094**	**607,066,231**	**607,066,231**
Liabilities:					
Trade and other payables	15	329,368,342	329,368,342	411,454,020	411,454,020
Borrowings	17	30,000,000	30,000,000	25,000,000	25,000,000
Other liabilities and provisions#	16 & 18	94,071,023	94,071,023	130,242,777	130,242,777
Total		**453,439,365**	**453,439,365**	**566,696,797**	**566,696,797**

* Other assets that are not financial assets (such as receivables from prepaid expenses, government grants of USD 3,176,274 and USD 9,103,029 as of March 31, 2019 and 2018, respectively, are not included.

Other liabilities that are not financial liabilities (such as refund liability, advances from customers and certain other accruals) of USD 36,511,343 and USD 32,467,601 as of March 31, 2019 and 2018, respectively, are not included.

28. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

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

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country, in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, were past due or impaired as at March 31, 2019. Of the total gross trade receivables (excluding chargeback and other rebates), USD 520,248,496 and USD 677,503,653 as at March 31, 2019 and 2018 consisted of customer balances which were neither past due nor impaired.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 20-95 days. The age analysis of the trade receivables has been considered from the date of the invoice. The aging of trade receivables that are past due, net of allowance for doubtful receivables, is given below:

Period (in days)	As of	
	March 31, 2019	March 31, 2018
00-90	49,970,968	15,906,666
90-180	504,312	1,178,710
More than 180	800,199	1,199,393
Total	**51,275,479**	**18,284,769**

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b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

As of March 31, 2019 and 2018 the Company had working capital of USD 36,904,585 and USD 144,979,795 respectively. Based on the projected cash flows and available lines of credit, the Company has sufficient resources to meet the capital expenditure needs and working capital requirements over the course of the next 12 months.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2019:

Particulars	2020	2021	2022	2023	Thereafter	Total
Trade and other payables	329,368,342	-	-	-	-	329,368,342
Borrowings	30,000,000	-	-	-	-	30,000,000
Other liabilities and provisions	94,071,023	-	-	-	-	94,071,023
Total	**453,439,365**	**-**	**-**	**-**	**-**	**453,439,365**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018:

Particulars	2019	2020	2021	2022	Thereafter	Total
Trade and other payables	411,454,020	-	-	-	-	411,454,020
Borrowings	25,000,000	-	-	-	-	25,000,000
Other liabilities and provisions	130,242,777	-	-	-	-	130,242,777
Total	**566,696,797**	**-**	**-**	**-**	**-**	**566,696,797**

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and short term/or long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

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

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26. Contingencies

Launch of product

On June 14, 2018, the U.S.FDA granted the Company final approval for Buprenorphine and Naloxone Sublingual Film, 2 mg/0.5 mg, 4 mg/1 mg, 8 mg/2 mg, and 12 mg/3 mg dosages, a therapeutic equivalent generic version of Suboxone® sublingual film.The U.S. FDA approval came after the conclusion of litigation in the U.S. District Court for the District of Delaware (the "Delaware District Court"), where the Delaware District Court held that patents covering Suboxone® sublingual film would not be infringed by the Company's commercial launch of its generic sublingual film product. In light of the favorable decision from the Delaware District Court, the Company launched its generic sublingual film product in the U.S. immediately following the U.S. FDA approval on June 14, 2018. Indivior has appealed the Delaware District Court's decision to the U.S. Court of Appeals for the Federal Circuit ("Court of Appeals"). Oral argument on Indivior's appeal occurred on April 2, 2018. The parties are awaiting a ruling from the Court of Appeals.

After the Delaware Court's decision, Indivior filed a second lawsuit against the Company alleging infringement of three additional patents in the U.S. District Court for the District of New Jersey, styled Indivior Inc. et al. v. Dr. Reddy's Laboratories S.A., Civil Action No. 2:17-cv-07111 (D.N.J.) (the "New Jersey District Court"). Following the launch, on June 15, 2018, Indivior PLC ("Indivior") filed an emergency application for a temporary restraining order and preliminary injunction against the Company in the New Jersey District Court. Indivior's motion alleged that the Company's generic sublingual film product infringed one of three patents at issue in the New Jersey District Court. Pending a hearing and decision on the injunction application, the New Jersey District Court initially issued a temporary restraining order against the Company with respect to further sales, offer for sales, and imports of its generic sublingual film product in the United States. Subsequently, on July 14, 2018, the New Jersey District Court granted a preliminary injunction in favor of Indivior. Under the Order, Indivior was required to and did post a bond of $72 to pay the costs and damages sustained by the Company if it was found to be wrongfully enjoined. The Company immediately appealed the decision and Court of Appeals agreed to expedite the appeal.

The Court of Appeals heard oral argument on the Company's appeal on October 4, 2018. On November 20, 2018, the Court of Appeals issued a decision vacating the preliminary injunction. On December 20, 2018, Indivior filed a petition seeking rehearing of the appeal and the Court of Appeals asked the Company to respond to Indivior's petition on January 16, 2019. The Company filed its response to Indivior's petition, for rehearing on January 17, 2019. On February 4, 2019, the Federal Circuit Court denied Indivior's petition for rehearing. Indivior subsequently filed two emergency motions in the Federal Circuit Court to stay issuance of the mandate to vacate the preliminary injunction, which the Federal Circuit Court denied. Indivior then petitioned the U.S. Supreme Court to stay issuance of the mandate. Indivior's petition was denied by the Chief Justice of the U.S.Supreme Court on February 19, 2019 and the mandate was issued on the same day. The Company resumed its launch of its generic Suboxone product after the mandate was issued. Litigation has resumed in the New Jersey District Court. No trial date has been set by the New Jersey District Court.

The Company intends to vigorously defend its positions and pursue a claim for damages caused by the preliminary injunction. Any liability that may arise on account of this litigation is unascertainable. Accordingly, no provision was made in the standalone financial statements of the Company.

Child resistant packaging matter complaint under the False Claims Act ("FCA")

In May 2012, the Consumer Product Safety Commission (the "CPSC") requested that Dr. Reddy's Laboratories Inc., a wholly-owned subsidiary of the Company in the United States, provide certain information with respect to compliance with requirements of special packaging for child resistant blister packs for 6 products sold by the Company in the United States during the period commencing in 2002 through 2011. The Company provided the requested information. The CPSC subsequently alleged in a letter dated April 30, 2014 that the Company had violated the Consumer Product Safety Act (the "CPSA") and the Poison Prevention Packaging Act (the "PPPA") and that the CPSC intended to seek civil penalties. Specifically, the CPSC asserted, among other things, that from or about August 14, 2008 through June 1, 2012, the Company sold prescription drugs having unit dose packaging that failed to comply with the CPSC's special child resistant packaging regulations under the PPPA and failed to issue general certificates of conformance. In addition, the CPSC asserted that the Company violated the CPSA by failing to immediately advise the CPSC of the alleged violations. The Company disagrees with the CPSC's allegations.

Simultaneously, the U.S. Department of Justice (the "DOJ") began to investigate a sealed complaint which was filed in the United States District Court for the Eastern District of Pennsylvania under the Federal False Claims Act ("FCA") related to these same issues (the "FCA Complaint"). The Company cooperated with the DOJ in its investigation. The DOJ and all States involved in the investigation declined to intervene in the FCA Complaint. On November 10, 2015, the FCA Complaint was unsealed and the plaintiff whistleblowers, who are two former employees of the Company, proceeded without the DOJ's and applicable States' involvement. The unsealed FCA Complaint relates to the 6 blister pack products originally subject to the investigation and also 38 of the Company's generic prescription products sold in the U.S. in various bottle and cap packaging.

The Company filed its response to the FCA Complaint on February 23, 2016 in the form of a motion to dismiss for failure to state a claim upon which relief can be granted. On March 26, 2017, the Court granted the Company's motion to dismiss, dismissing the FCA Complaint and allowing the plaintiffs one more chance to refile this complaint in an attempt to plead sustainable allegations. On March 29, 2017, the plaintiffs filed their final amended FCA Complaint, which the Company opposed and during the three months ended March 31, 2018, the Company obtained dismissal of the FCA Complaint with prejudice. The plaintiffs filed a petition with the Court requesting that the Court reconsider its decision to dismiss the FCA Complaint with prejudice, and that request was denied.

The parallel investigation by the CPSC under the CPSA and the PPPA was referred by the CPSC to the DOJ's office in Washington, D.C. in April 2016, with the recommendation that the DOJ initiate a civil penalty action against the Company. The CPSC matter referred to the DOJ relates to five of the blister pack products.

On January 18, 2018, the Company and the DOJ entered into a settlement of the action and agreed to a consent decree providing for a civil penalty of USD 5 million, and injunctive relief. The settlement was without adjudication of any issue of fact or law, and the Company has not admitted any violations of law pursuant to this settlement.

During the three months ended March 31, 2018, the Company obtained dismissal of the FCA Complaint with prejudice. The plaintiffs subsequently filed a petition with the Court requesting that the Court reconsider its decision to dismiss the FCA Complaint with prejudice, and that request was denied.

In June 2018, the plaintiffs filed their Notice of Appeal to the Third Circuit Court of Appeals. During the three months ended September 2018, the plaintiffs and the DOJ settled and thus this appeal was dismissed. The plaintiffs then filed an application for recovery of attorneys' fees from the Company under the "alternative remedy doctrine." The Company made opposing filings to this and in response the plaintiffs withdrew their application.

The Company believes that the likelihood of any liability that may arise on account of the FCA Complaint is not probable. Accordingly, no provision has been made in these standalone financial statements.

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Namenda United States Litigations
In August 2015, Sergeants Benevolent Assoc. Health & Welfare Fund ("Sergeants") filed suit against the Company in the United States District Court for the Southern District of New York. Sergeants alleged that certain parties, including the Company, violated federal antitrust laws as a consequence of having settled patent litigation related to the Alzheimer's drug Namenda® (memantine) tablets during a period from about 2009 until 2010. Sergeants seeks to represent a class of "end payor" purchasers of Namenda® tablets (i.e., insurers, other third-party payors and consumers).

Sergeants seeks damages based upon an allegation made in the complaint that the defendants entered into patent settlements regarding Namenda® tablets for the purpose of delaying generic competition and facilitating the brand innovator's attempt to shift sales from the original immediate release product to the more recently introduced extended release product. The Company believes that the complaint lacks merit and that the Company's conduct complied with all applicable laws and regulations.

Defendants' motions to dismiss were denied. A stay on discovery has been lifted and some discovery has been taken but there is currently no schedule in place. Four other class action complaints, each containing similar allegations to the Sergeants complaint, have also been filed in the U.S. District Court for the Southern District of New York. However, two of those complaints were voluntarily dismissed, and the other two do not name the Company as a defendant.
In addition, the State of New York filed an antitrust case in the U.S. District Court for the Southern District of New York. The case brought by the State of New York contained some (but not all) of the allegations set forth in the class action complaints, but the Company was not named as a party. The case brought by the State of New York was dismissed by stipulation on November 30, 2015.

The Company believes that the likelihood of any liability that may arise on account of alleged violation of federal antitrust laws is not probable. Accordingly, no provision has been made in these standalone financial statements.

Class Action and Other Civil Litigation on Pricing/Reimbursement Matters
On December 30, 2015 and on February 4, 2016, respectively, a class action complaint (the "First Pricing Complaint") and another complaint (not a class action) (the "Second Pricing Complaint") were filed against the Company and eighteen other pharmaceutical defendants in State Court in the Commonwealth of Pennsylvania. In these actions, the class action plaintiffs allege that the Company and other defendants, individually or in some cases in concert with one another, have engaged in pricing and price reporting practices in violation of various Pennsylvania state laws. More specifically, the plaintiffs allege that: (1) the Company provided false and misleading pricing information to third party drug compendia companies for the Company's generic drugs, and such information was relied upon by private third party payers that reimbursed for drugs sold by the Company in the United States, and (2) the Company acted in concert with certain other defendants to unfairly raise the prices of generic divalproex sodium ER (bottle of 80, 500 mg tablets ER 24H) and generic pravastatin sodium (bottle of 500, 10 mg tablets).
The First Pricing Complaint was removed to the U.S. District Court for the Eastern District of Pennsylvania (the "E.D.P.A. Federal Court") and, pending the outcome of the First Pricing Complaint, the Second Pricing Complaint was stayed. On September 25, 2017, the E.D.P.A. Federal Court dismissed all the claims of the plaintiffs in the First Pricing Complaint and denied leave to amend such complaint as futile. Subsequent to this decision, the plaintiffs right to appeal the dismissal of the First Pricing Complaint expired.
Further, on November 17, 2016, certain class action complaints were filed against the Company and a number of other pharmaceutical companies as defendants in the E.D.P.A. Federal Court. Subsequently, these complaints were standalone into one amended complaint as part of a multi-district, multi product litigation pending with the E.D.P.A. Federal Court. These complaints allege that the Company and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets and divalproex sodium extended-release tablets in the United States.
In March 2017, plaintiffs agreed by stipulation to dismiss Dr. Reddy's Laboratories Inc. and Dr. Reddy's Laboratories Limited from the actions related to pravastatin sodium tablets without prejudice. The Company denies any wrongdoing and intends to vigorously defend against these allegations.
In response to the standalone new complaint, the Company filed a motion to dismiss in October 2017. The plaintiffs filed opposition to the motion to dismiss in December 2017 and a reply was filed by the Company in January 2018. In October 2018, the Court denied the motion to dismiss on the grounds that the allegations pled leave open the possibility of conspiracy. Therefore, discovery will proceed to look into this possibility.

The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Also any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in the standalone financial statements of the Company.

Civil litigation with Mezzion
On January 13, 2017, Mezzion Pharma Co. Ltd. and Mezzion International LLC (collectively, "Mezzion") filed a complaint in the New Jersey Superior Court against the Company and its wholly owned subsidiary in the United States. The complaint pertains to the production and supply of the active pharmaceutical ingredient ("API") for udenafil (a patented compound) and an udenafil finished dosage product during a period from calendar years 2007 to 2015. Mezzion alleges that the Company failed to comply with the U.S. FDA's current Good Manufacturing Practices ("cGMP") at the time of manufacture of the API and finished dosage forms of udenafil and, consequently, that this resulted in a delay in the filing of a NDA for the product by Mezzion. In this regard, the Company filed a motion to dismiss Mezzion's complaint on the technical grounds that the Court lacks jurisdiction over the Company. In January 2018, the Court denied the Company's motion to dismiss the complaint on the jurisdictional matter. The Company's interlocutory appeal of the said denial, was also denied.

The Commercial Court, Hyderabad has accepted the request of the Company to withdraw the suit, in view of the Court granting the Company's motion of Dr. Reddy's to file a Counterclaim in U.S. Action.

The Company denies any wrongdoing or liability in this regard, and intends to vigorously defend against the claims asserted in Mezzion's complaint. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in the standalone financial statements of the Company.

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Securities Class Action Litigation
On August 25, 2017, a securities class action lawsuit was filed against the Company, its Chief Executive Officer and its Chief Financial Officer in the United States District Court for the District of New Jersey. The Company's Co-Chairman, its Chief Operating Officer, and Dr. Reddy's Laboratories, Inc., were also subsequently named as defendants in the case. The operative complaint alleges that the Company made false or misleading statements or omissions in its public filings, in violation of U.S. federal securities laws, and that the Company's share price dropped and its investors were affected. On May 9, 2018, the Company and other defendants filed a motion to dismiss the complaint in the United States District Court for the District of New Jersey.
On June 25, 2018, the plaintiffs filed an opposition to the motion to dismiss and, on July 25, 2018, a further reply in support of the motion to dismiss was filed by the Company. In August 2018, oral argument on the motion to dismiss was heard by the Court.
On March 21, 2019, the District Court issued its decision granting in part and denying in part the motion to dismiss. Pursuant to that decision, the Court dismissed the plaintiffs claims with respect to seventeen out of the twenty two alleged misstatements and omissions.
The Company believes that the asserted claims are without merit and intends to vigorously defend itself against the allegations. Any liability that may arise on account of this claim is unascertainable. Accordingly, no provision was made in the standalone financial statements of the Company.

United States Antitrust Multi-District Litigation:
The following cases against the Company's U.S. subsidiary, Dr. Reddy's Laboratories, Inc., have been filed and are pending and standalone in In re Generic Pharmaceutical Pricing Antitrust Litigation, MDL 2724, 14-MD-2724 (Eastern District of Pennsylvania), Multi District Litigation ("MDL") in the Eastern District of Pennsylvania ("MDL-2724"):

a) U.S. States Attorneys General Antitrust Complaints
On October 30, 2017, the Attorneys General of forty-nine U.S. States, the Commonwealth of Puerto Rico and the District of Columbia, filed an Amended Complaint in the United States District Court for the Eastern District of Pennsylvania, against eighteen generic pharmaceutical companies (including the Company's U.S. subsidiary) with respect to fifteen generic drugs, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the fifteen named drugs. The Company's U.S. subsidiary is specifically named as a defendant with respect to two generic drugs (meprobamate and zoledronic acid), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" with respect to the other thirteen generic drugs named. The Amended Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and the consumer protection and antitrust laws of each of the jurisdictions that are plaintiffs.

The Amended Complaint seeks injunctive relief, statutory penalties, punitive damages, and recovery of treble damages, plus attorney's fees and costs, against all named defendants on a joint and several basis, on behalf of the plaintiff jurisdictions and their citizens and inhabitants. The Company denies the claims asserted and intends to vigorously defend against the claims asserted.
On May 10, 2019, the Attorneys General of forty-nine U.S. States, the Commonwealth of Puerto Rico and the District of Columbia, filed a Complaint in the United States District Court for the District of Connecticut against twenty-one generic pharmaceutical companies (including the Company's U.S. subsidiary) and fifteen individual defendants, with respect to 116 generic drugs, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the 116 named drugs. Under the MDL rules, this action will be designated a related "tag along" action and will be transferred to and become a part of the MDL-2724. The Company's U.S. subsidiary is specifically named as a defendant with respect to five generic drugs (Ciprofloxacin HCL tablets, Glimepiride tablets, Oxaprozin tablets, Paricalcitol and Tizanidine), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" with respect to the other thirteen generic drugs named. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and the consumer protection and antitrust laws of each of the jurisdictions that are plaintiffs.

The Complaint seeks injunctive relief, statutory penalties, punitive damages, and recovery of treble damages, plus attorney's fees and costs, against all named defendants on a joint and several basis, on behalf of the plaintiff jurisdictions and their citizens and inhabitants. The Company denies the claims asserted and intends to vigorously defend against the claims asserted.

b) Divalproex Antitrust Class Action Cases Filed by Direct Payor Plaintiffs ("DPP"), End Payor Plaintiffs ("EPP") and Indirect Reseller Plaintiffs ("IRP") Classes:
Since November 17, 2016, certain class action complaints on behalf of Direct Purchaser Plaintiffs ("DPP"), Indirect Purchaser Plaintiffs ("IRP") and End Payor Plaintiffs ("EPP") were filed against the Company's U.S. subsidiary, , Dr. Reddy's Laboratories, Inc., and a number of other pharmaceutical defendants in the United States District Court for the District of Pennsylvania, alleging that the Company's U.S. subsidiary and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of divalproex ER tablets in the United States. The actions allege violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and of state consumer protection and antitrust laws and asserts claims of unjust enrichment under a total of thirty-one states and the District of Columbia. The actions seek injunctive relief and recovery of treble damages, punitive damages, plus attorney's fees and costs, on a joint and several basis, on behalf of the plaintiff classes. The Company denies the claims and intends to vigorously defend against these class action complaints.

c) Pravastatin Antitrust Class Action Cases Filed by Direct Payor Plaintiffs ("DPP"), End Payor Plaintiffs ("EPP") and Indirect Reseller Plaintiffs ("IRP") Classes:
Since November 17, 2016, certain class action complaints on behalf of Direct Purchaser Plaintiffs ("DPP"), Indirect Purchaser Plaintiffs ("IRP") and End Payor Plaintiffs ("EPP") were filed against the Company and a number of other pharmaceutical defendants in the United States District Court for the District of Pennsylvania, alleging that the Company's U.S. subsidiary and the other named defendants engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets in the United States. The Company's U.S. subsidiary has been dismissed from these actions, without prejudice, in exchange for a tolling agreement with the plaintiffs suspending the statute of limitations as to the claims asserted. The Company denies any wrongdoing and intends to vigorously defend against these claims.

d) Antitrust "Overarching Conspiracy" Cases Filed by Direct Payor Plaintiffs ("DPP"), End Payor Plaintiffs ("EPP") and Indirect Reseller Plaintiffs ("IRP") Classes:
In June 2018, three class action complaints were filed in the MDL-2724 by the Direct Purchaser Plaintiffs ("DPP"), Indirect Purchaser Plaintiffs ("IRP") and End Payor Plaintiffs ("EPP") classes. All three complaints allege conspiracies in restraint of trade in violation of Sections 1 of the Sherman Act, and violations of thirty-one State antitrust statutes, Consumer Protection statutes and claims of unjust enrichment seeking injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs. They allege an "overarching conspiracy" among the named defendants involving fifteen drugs and, with slight variations, name approximately twenty-five generic pharmaceutical manufacturers including the Company's U.S. subsidiary, Dr. Reddy's Laboratories, Inc. The drug-specific allegations against the Company's U.S. subsidiary involve two of the fifteen drugs, meprobamate and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaints. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of thirty-one State antitrust statutes, Consumer Protection statutes and claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

e) Antitrust Case Filed by The Kroger Co., Albertsons Companies, LLC, and H.E. Butt Grocery Company, L.P.:
On January 22, 2018, each of the Kroger Co., Albertsons Companies, LLC, and H.E. Butt Grocery Company, L.P., filed a Complaint against the Company's U.S. subsidiary and thirty-one other companies alleging that they had engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of the thirty named generic drugs. The Company's U.S. subsidiary is specifically named as a defendant with respect to three generic drugs (divalproex ER, meprobamate and zoledronic acid), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" claim with respect to the other generic drugs named.

This action alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and seeks injunctive relief and recovery of treble damages, punitive damages, plus attorney's fees and costs, on a joint and several basis. The Company denies the claims and intends to vigorously defend against these class action complaints.

f) Antitrust Case Filed by Humana Inc.:
On August 3, 2018, Humana, Inc., filed a Complaint against the Company's U.S. subsidiary and thirty-nine other companies alleging that they had engaged in a conspiracy to fix prices and to allocate bids and customers in the United States in the sale of twenty-nine named generic drugs. The Company's U.S. subsidiary is specifically named as a defendant with respect to one generic drugs (divalproex ER), and is named as an alleged co-conspirator on an alleged "overarching conspiracy" claim with respect to the other generic drugs named. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of thirty-one state antitrust statutes, consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

g) Antitrust Case Filed by Marion Diagnostic Center, LLC, and Marion Healthcare, LLC:
On September 25, 2018, Marion Diagnostic Center, LLC, and Marion Healthcare, LLC, filed a complaint in the MDL-2724, on behalf of itself and a class of all direct purchasers from distributors, against the Company's U.S. subsidiary and twenty-two other defendants, including a major distributor of pharmaceutical products, involving a total of sixteen generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to sixteen generic drugs. The Company's U.S. subsidiary is specifically named with respect to two drugs: meprobamate and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaints. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of twenty-four State antitrust statutes, consumer protection statutes and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, attorney's fees and costs against all named defendants on a joint and several basis. The Company denies any wrongdoing and intends to vigorously defend against these claims.

h) Antitrust Case Filed by United Healthcare Services, Inc.:
On January 16, 2019, United Healthcare Services, Inc., filed a complaint against the Company's U.S. subsidiary and forty-two other defendants, involving a total of thirty generic drugs, alleging an "overarching conspiracy" to fix prices and to rig bids and allocate customers with respect to the thirty drugs. The Company's U.S. subsidiary is specifically named with respect to four drugs: divalproex ER, meprobamate, pravastatin and zoledronic acid. Plaintiffs also allege that the Company's U.S. subsidiary (as well as all other manufacturers named) were part of a larger "overarching conspiracy" as to all of the drugs named in the complaints. The Complaint alleges violations of Section 1 of the Sherman Act, 15 U.S.C. §1, and violations of the thirty State's antitrust laws, consumer protection statutes, and asserts claims of unjust enrichment. The complaint seeks injunctive relief, recovery of treble damages, punitive damages, and attorney's fees and cost against all defendants on a joint and several basis.

The Company believes that the aforesaid asserted claims are without merit and intends to vigorously defend itself against the allegations. Also, any liability that may arise on account of these claims is unascertainable. Accordingly, no provision was made in the standalone financial statements of the Company.

Other matters

Civil Investigative Demand from the Office of the Attorney General, State of Texas
On or about November 10, 2014, Dr. Reddy's Laboratories, Inc., one of the Company's subsidiaries in the United States, received a Civil Investigative Demand ("CID") from the Office of the Attorney General, State of Texas (the "Texas AG") requesting certain information, documents and data regarding sales and price reporting in the U.S. marketplace of certain products for the period of time between January 1, 1995 and the date of the CID. The Company responded to all of the Texas AG's requests to date, and it understands that the investigation is continuing.

Subpeona duces tecum from the Office of the Attorney General, California
On November 3, 2014, Dr. Reddy's Laboratories, Inc. received a subpoena duces tecum to appear before the Office of the Attorney General, California (the "California AG") and produce records and documents relating to the pricing of certain products. A set of five interrogatories related to pricing practices was served as well. On July 18, 2016, the California AG sent a letter to inform Dr. Reddy's Laboratories, Inc. that, in light of the information which had been provided, no further information would be requested at such time in response to this subpoena.

Subpoenas from the U.S. Department of Justice ("DOJ") and the office of the Attorney General for the State of Connecticut
On July 6, 2016 and August 7, 2016, Dr. Reddy's Laboratories, Inc. received subpoenas from the DOJ (Anti-trust Division) and the office of the Attorney General for the State of Connecticut, respectively, seeking information relating to the marketing, pricing and sale of certain of our generic products and any communications with competitors about such products. On May 15, 2018, another subpoena was served on Dr. Reddy's Laboratories, Inc. by the DOJ (False Claims Division) seeking similar information. The Company has been cooperating, and intends to continue to fully cooperate, with these inquiries.

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

29. Nature of Expense

The following table shows the expenses by nature:

	For the year ended March 31, 2019			
Particulars	**Cost of revenue**	**Selling, general and administrative expenses**	**Research and Development**	**Total**
Employee benefits	261,367	33,438,597	9,306,401	43,006,365
Depreciation and amortization	-	4,924,352	690,654	5,615,006
	261,367	**38,362,949**	**9,997,055**	**48,621,371**

The following table shows the expenses by nature:

	For the year ended March 31, 2018			
Particulars	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	79,252	37,798,230	9,985,266	47,862,748
Depreciation and amortization	-	4,269,197	808,519	5,077,716
	79,252	**42,067,427**	**10,793,785**	**52,940,464**

30. Employee Benefits

The Company's employees participate in Dr. Reddy's Laboratories, Inc., 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2019 and 2018 was USD 1,178,310 and USD 1,171,756 respectively.

31. Subsequent Events

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

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories International SA

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories International SA,** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories International SA
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	1,530	1,738
Financial assets			
Investments	2.2	225,582	225,582
Tax assets, net	2.3	707	491
Total non current assets		**227,819**	**227,811**
Current assets			
Financial assets			
Loans	2.4	48,633	47,980
Cash and cash equivalents	2.5	1,833	2,315
Other current assets	2.6	16	9
Total current assets		**50,482**	**50,304**
Total assets		**278,301**	**278,115**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.7	275,120	275,120
Other equity			
Retained earnings		2,461	2,248
Total equity		**277,581**	**277,368**
Current liabilities			
Financial Liabilities			
Other current financial liabilities	2.8	705	747
Other current liabilities	2.9	15	-
Total Liabilities		**720**	**747**
Total equity and liabilities		**278,301**	**278,115**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories International SA**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Raymond De Vre
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories International SA

Statement of Profit and Loss

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

	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Other Income	2.10	1,032	2,971
Total Income		**1,032**	**2,971**
Expenses			
Depreciation and amortisation expense	2.11	208	195
Selling and other expenses	2.12	611	717
Total expense		**819**	**912**
Profit /(Loss) before tax		**213**	**2,059**
Income tax expense		-	-
Profit / (Loss) for the year		**213**	**2,059**
Earnings per share:			
Basic earnings per share of CHF 1 each		0.04	0.40
Diluted earnings per share of CHF 1 each		0.04	0.40
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories International SA**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Raymond De Vre
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories International SA

Statement of Changes in Equity

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

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2018	**5,100,000**	**275,120**	**2,248**	**277,368**
Profit for the period	-	-	213	213
Balance as of 31 March 2019	**5,100,000**	**275,120**	**2,461**	**277,581**

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2017	**5,100,000**	**275,120**	**189**	**275,309**
Profit for the period	-	-	2,059	2,059
Balance as of 31 March 2018	**5,100,000**	**275,120**	**2,248**	**277,368**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories International SA**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Raymond De Vre
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories International SA
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
(Loss)/Profit before taxation	213	2,059
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	208	195
Interest Income	(126)	(119)
Net foreign exchange differences	(683)	(2,700)
Operating cash flows before working capital changes	**(388)**	**(565)**
Working capital adjustments:		
Increase/Decrease in other assets & liabilities,net	(40)	179
	(428)	**(386)**
Income tax paid	(212)	(289)
Net cash flows from operating activities	**(640)**	**(675)**
Net cash flows used in investing activities		
Loans and advances received from/(given to) holding company and other group companies, net	126	103
	126	**103**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(514)	(572)
Cash and cash equivalents at the beginning of the year	2,315	2,753
Effect of foreign exchange loss on cash and cash equivalents	32	134
Cash and cash equivalents at the end of the year	**1,833**	**2,315**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,833	2,315
Cash and bank balances at the end of the year	**1,833**	**2,315**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories International SA**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Raymond De Vre
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories International SA

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

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company

Dr. Reddy's Laboratories International SA (" the Company") incorporated in Switzerland , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the

1.4 Significant accounting policies

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

Liabilities:

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

b) it is held primarily for the purpose of being traded;

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

Foreign currency transactions

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

Revenue

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

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

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest on loans and advances given to related parties. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dr. Reddy's Laboratories International SA

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

Income tax

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

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

• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

• taxable temporary differences arising upon the initial recognition of goodwill.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

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

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

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

Buildings
- Factory and administrative buildings
- Ancillary structures
Plant and machinery
Furniture, fixtures and office equipment
Vehicles

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

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

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

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Contingent liabilities

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

Contingent assets

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

Dr. Reddy's Laboratories International SA

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

Financial instruments

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

Financial assets

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

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

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

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

Financial liabilities

Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories International SA

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies (continued)

1.5 Going Concern

The accounts have been prepared on Going Concern basis.

1.6 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest income from holding company or other group companies:		
Dr. Reddy's Laboratories SA	126	119
Rental Income from holding company or other group companies:		
Dr. Reddy's Laboratories SA	218	150

b. The company has the following amounts due from related parties :

Particulars	As at 31 March 2019	As at 31 March 2018
Due from holding company and other group companies(included in other current financial assets):		
Dr. Reddy's Laboratories SA	48,633	47,980

1.7 Taxation

a. Current Taxes

The Company is paid in accordance with the relevant tax regulations applicable to the Company.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.8 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.9 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Laboratories International SA

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

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

	Gross Block				Depreciation				Net Block	
Description	**As at 01.4.2018**	**Acquisitions**	**Additions**	**As at 31.03.2019**	**As at 01.4.2018**	**For the year**	**Disposals**	**As at 31.03.2019**	**As at 31.03.2019**	**As at 31.03.2018**
Plant and machinery	3,581		-	3,581	1,843	208	-	2,051	1,530	1,738
Total	**3,581**	**-**	**-**	**3,581**	**1,843**	**208**	**-**	**2,051**	**1,530**	**1,738**
Previous year	3,581	-	-	3,581	1,648	195	-	1,843	1,738	

Dr. Reddy's Laboratories International SA

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

Note 2: Notes to the financial statements (continued)

Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.2: Investments carried at cost		
Investment in subsidiary companies		
5,000 (previous year :5,000) equity shares of Dr. Reddy's Laboratories New York, Inc.	225,582	225,582
	225,582	**225,582**

Other Assets

	As at 31 March 2019	As at 31 March 2018
2.3 : Tax assets		
Advance income tax, net of provision	707	491
	707	**491**

Financial Assets

	As at 31 March 2019	As at 31 March 2018
2.4 : Loans and Advances		
Other advances from holding and other group companies	48,633	47,980
	48,633	**47,980**

	As at 31 March 2019	As at 31 March 2018
2.5 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	1,833	2,315
	1,833	**2,315**

	As at 31 March 2019	As at 31 March 2018
2.6 : Other current assets		
Balances with statutory authorities	16	9
	16	**9**

Dr. Reddy's Laboratories International SA

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

Note 2: Notes to the financial statements (continued)

2.7 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
6,900,000 (Previous year : 6,900,000) equity shares of CHF 1 each	372,221	372,221
Issued equity capital		
5,100,000 (Previous year : 5,100,000) equity shares of CHF 1 each	275,120	275,120
Subscribed and fully paid-up		
5,100,000 (Previous year : 5,100,000) equity shares of CHF 1 each	275,120	275,120
	275,120	**275,120**

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	5,100,000	275,120	5,100,000	275,120
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**5,100,000**	**275,120**	**5,100,000**	**275,120**

(b) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	5,100,000	100%	5,100,000	100%

FINANCIAL LIABILITIES

	As at 31 March 2019	As at 31 March 2018
2.8 : Other financial liabilities		
Accrued expenses	705	747
	705	**747**

Other Liabilities

	As at 31 March 2019	As at 31 March 2018
2.9 : Other Current Liabilities		
Due to statutory authorities	15	-
	15	**-**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.10 : Other income		
Interest income	126	119
Other operating revenues	218	150
Foreign exchange gain,net	688	2,702
	1,032	**2,971**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.11 : Depreciation and amortisation expense		
Depreciation of Property, plant and equipment	208	195
	208	**195**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.12 : Selling and other expenses		
Legal and professional	202	656
Foreign exchange loss, net	-	-
Bank Charges	34	61
Other expenses	375	
	611	**717**

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories Japan KK.

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Japan KK** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Loss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Japan KK
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	59	-
Financial assets			
Others	2.2 A	318	-
Total non-current assets		**377**	**-**
Current assets			
Financial assets			
Cash and cash equivalents	2.3	3,693	2,174
Others	2.2 B	438	-
Other assets	2.4	177	242
Total current assets		**4,308**	**2,416**
Total assets		**4,685**	**2,416**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	28,750	20,319
Other equity			
Retained earnings		(25,972)	(18,476)
Total equity		**2,778**	**1,843**
Current liabilities			
Financial Liabilities			
Other current financial liabilities	2.6	1,623	402
Other current liabilities	2.7	284	171
Total Liabilities		**1,907**	**573**
Total equity and liabilities		**4,685**	**2,416**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Japan KK

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

M V Narasimham
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Japan KK
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Other income	2.8	440	35
Total income		**440**	**35**
Expenses			
Depreciation and amortisation expense	2.1	29	-
Employee benefits expense	2.9	9,986	7,246
Selling and other expenses	2.10	6,352	4,995
Total expense		**16,367**	**12,241**
Loss before tax		**(15,927)**	**(12,206)**
Income tax expense		-	-
Loss for the year		**(15,927)**	**(12,206)**
Earnings per share:			
Basic earnings per share of JPY 100 each		(25.86)	(25.46)
Diluted earnings per share of JPY 100 each		(25.86)	(25.46)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Japan KK

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

M V Narasimham
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Japan KK

Statement of Changes in Equity

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

Total equity

Particulars	Share capital		Reserves and surplus		Total Equity
	Shares	Amount	Securities premium	Retained earnings	
Balance as of 1 April 2018	**479,420**	**20,319**	**6,570**	**(25,046)**	**1,843**
Issue of equity shares	274,000	8,431	8,431	-	16,862
Loss for the period	-	-	-	(15,927)	(15,927)
Balance as of 31 March 2019	**753,420**	**28,750**	**15,001**	**(40,973)**	**2,778**

Particulars	Share capital		Reserves and surplus		Total Equity
	Shares	Amount	Securities premium	Retained earnings	
Balance as of 1 April 2017	**254,420**	**13,749**	**-**	**(12,840)**	**909**
Issue of equity shares	225,000	6,570	6,570	-	13,140
Loss for the period	-	-	-	(12,206)	(12,206)
Balance as of 31 March 2018	**479,420**	**20,319**	**6,570**	**(25,046)**	**1,843**

As per our report of even date attached

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

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Japan KK

Saumen Chakraborty
Director

M V Narasimham
Director

Dr. Reddy's Laboratories Japan KK
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Loss before taxation	(15,927)	(12,206)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	29	
Net foreign exchange differences	(103)	(122)
Operating cash flows before working capital changes	**(16,001)**	**(12,328)**
Working capital adjustments:		
Increase in other assets and other liabilities, net	640	(52)
Increase in trade and other payables		
	(15,361)	**(12,380)**
Income tax paid	-	-
Net cash flows from operating activities	**(15,361)**	**(12,380)**
Net cash flows used in investing activities		
Purchase of property, plant and equipment	(88)	-
	(88)	**13,140**
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	16,862	13,140
	16,862	**13,140**
Net increase / (decrease) in cash and cash equivalents	1,413	760
Cash and cash equivalents at the beginning of the year	2,174	1,267
Effect of foreign exchange loss on cash and cash equivalents	107	148
Cash and cash equivalents at the end of the year	**3,693**	**2,174**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	3,693	2,174
Cash and bank balances at the end of the year	**3,693**	**2,174**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Japan KK

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

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

M V Narasimham
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Japan KK

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company

Dr. Reddy's Laboratories Japan KK (" the Company") incorporated in Japan , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

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

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

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

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Foreign currency transactions

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Revenue

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

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

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dr. Reddy's Laboratories Japan KK

Significant Accounting Policies & Notes to financial statements

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

Income tax

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

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

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

Dr. Reddy's Laboratories Japan KK

Significant Accounting Policies & Notes to financial statements

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

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

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

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

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Provisions, contingent liabilities and contingent assets

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Contingent liabilities

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

Contingent assets

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

Dr. Reddy's Laboratories Japan KK

Significant Accounting Policies & Notes to financial statements

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

Financial instruments

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

Financial assets

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

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

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

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

Financial liabilities

Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories Japan KK

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies(continued)

1.5 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.6 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.7 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.8 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Laboratories Japan KK

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

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Furniture, fixtures and office equipment	-	88	-	88	-	29	-	29	59
Total	**-**	**88**	**-**	**88**	**-**	**29**	**-**	**29**	**59**
Previous Year	-	-	-	-	-	-	-	-	

Dr. Reddy's Laboratories Japan KK

Notes to the Financial Statements

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

Financial Assets

2.2 : Other financial assets	**As at 31 March 2019**	**As at 31 March 2018**
Others	756	-
Other financial assets	**756**	**-**
B. Non-current	318	-
A. Current	438	-

2.3 : Cash and cash equivalents	**As at 31 March 2019**	**As at 31 March 2018**
Balances with banks:		
- On current accounts	3,693	2,174
Cash and cash equivalents	**3,693**	**2,174**

2.4: Loans	**As at 31 March 2019**	**As at 31 March 2018**
(Unsecured, considered good unless otherwise stated)		
Advances to Other parties	177	242
	177	**242**

2.5 : Share capital	**As at 31 March 2019**	**As at 31 March 2018**
Authorised Share Capital		
753,420(Previous year: 479,420) equity shares of JPY100 each	28,750	20,319
Issued equity capital		
753,420(Previous year: 479,420) equity shares of JPY100 each	28,750	20,319
Subscribed and fully paid-up		
753,420(Previous year: 479,420) equity shares of JPY100 each	28,750	20,319
	28,750	**20,319**

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

Particulars	**As at 31 March 2019**		**As at 31 March 2018**	
	No. of equity shares	**Amount**	**No. of equity shares**	**Amount**
Number of shares outstanding at the beginning of the year	479,420	20,319	254,420	13,749
Add:Shares issued during the year	274,000	8,431	225,000	6,570
Number of shares outstanding at the end of the year	**753,420**	**28,750**	**479,420**	**20,319**

(b) **Terms / rights attached to the equity shares**

The company has only one class of equity shares having a par value of JPY 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**

Particulars	**As at 31 March 2019**		**As at 31 March 2018**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Laboratories SA	753,420	100%	479,420	100%

Financial Liabilities

2.6 : Other financial liabilities	**As at 31 March 2019**	**As at 31 March 2018**
Accrued expenses	1,623	402
	1,623	**402**

Other Liabilities

2.7 : Other current liabilities	**As at 31 March 2019**	**As at 31 March 2018**
Due to statutory authorities	284	171
	284	**171**

Dr. Reddy's Laboratories Japan KK
Notes to the Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.8 : Other income		
Foreign exchage gain, net	440	35
	440	**35**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.9 : Employee Benefit expenses		
Salaries,wages and bonus	9,986	7246
	9,986	**7246**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.10 : Selling and other expenses		
Legal and professional	3,066	2,341
Rent	2,245	2,278
Other general expenses	1,041	376
	6,352	**4,995**

Independent Auditors' Report

To the Members of
Dr Reddy's Laboratories Kazakhstan LLP.

We have audited the accompanying financial statements of **Dr Reddy's Laboratories Kazakhstan LLP**a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr Reddy's Laboratories Kazakhstan LLP
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property,plant and equipment	2.1	11,419	15,352
Deferred tax assets, net		40,435	32,082
Tax assets, net		21,670	-
		73,524	**47,434**
Current assets			
Inventories	2.2	570,708	219,853
Financial assets			
Trade receivables	2.3	169,310	301,296
Cash and cash equivalents	2.4	12,086	68,847
Other assets	2.5	82,026	108,780
Other current assets	2.6	17,408	4,058
Total current assets		**851,538**	**702,834**
Total assets		**925,062**	**750,268**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.7	80,687	80,687
Other equity			
Retained earnings		109,174	107,085
Total equity		**189,861**	**187,772**
Current liabilities			
Financial Liabilities			
Trade payables	2.8	678,414	329,672
Other current financial liabilities	2.9	15,766	138,651
Tax liability, net		-	49,745
Provisions	2.10	3,549	3,742
Other current liabilities	2.11	37,472	40,686
Total Liabilities		**735,201**	**562,496**
Total equity and liabilities		**925,062**	**750,268**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr Reddy's Laboratories Kazakhstan LLP**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Nitul Kumar
General Director

Place: Hyderabad
Date: 15 May 2019

Dr Reddy's Laboratories Kazakhstan LLP
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Sales		1,397,891	897,709
License fees and service income		314,432	282,924
Total revenue from operations		**1,712,323**	**1,180,633**
Other income	2.13	-	175
Total income		**1,712,323**	**1,180,808**
Expenses			
Cost of materials consumed		1,232,220	696,391
Employee benefit expense	2.14	208,818	193,353
Depreciation and amortisation expense	2.1	4,992	2,094
Finance costs	2.15	-	116
Selling and other expenses	2.16	270,422	150,632
Total expense		**1,716,452**	**1,042,586**
Profit/(Loss) before tax		**(4,129)**	**138,222**
Tax expense			
Current tax		6,684	57,936
Deferred tax		(12,902)	(30,608)
Profit/(Loss) for the year		**2,089**	**110,894**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Dr Reddy's Laboratories Kazakhstan LLP**

PSRVV Surya Rao
Partner
Membership No. 202367

Nitul Kumar
General Director

Place: Hyderabad
Date: 15 May 2019

Dr Reddy's Laboratories Kazakhstan LLP

Statement of Changes in Equity

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

2.3 Total equity

Particulars	Share Capital	Reserves and surplus	Total Equity
	Amount	Retained Earnings	
Balance as of 1 April 2018	**80,687**	**107,085**	**187,772**
Profit for the period	-	2,089	2,089
Balance as of 31 March 2019	**80,687**	**109,174**	**189,861**

Particulars	Share Capital	Reserves and surplus	Total Equity
	Amount	Retained Earnings	
Balance as of 1 April 2017	**30,862**	**(3,809)**	**27,053**
Shares issued during the year	49,825	-	-
Profit for the period	-	110,894	160,719
Balance as of 31 March 2018	**80,687**	**107,085**	**187,772**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr Reddy's Laboratories Kazakhstan LLP**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Nitul Kumar
General Director

Place: Hyderabad
Date: 15 May 2019

Dr Reddy's Laboratories Kazakhstan LLP
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
Loss before taxation	(4,129)	138,222
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	4,992	2,094
Finance costs	-	116
Allowances for credit losses, net	2,991	2
Net foreign exchange differences	(35,564)	1,334
Operating cash flows before working capital changes	**(31,710)**	**141,768**
Changes in operating assets and liabilities:		
Trade receivables	97,798	**(297,555)**
Inventories	(350,855)	(209,175)
Trade payables	423,405	313,654
Other assets and liabilities, net	(120,131)	68,989
	18,507	**17,681**
Income tax paid	(72,084)	(10,689)
Net cash flows from operating activities	**(53,577)**	**6,992**
Net cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	-	**275**
Purchase of property, plant and equipment	(1,059)	(17,630)
	(1,059)	**(17,355)**
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	-	49,825
Interest paid	-	(116)
	-	**49,709**
Net increase / (decrease) in cash and cash equivalents	(54,636)	39,346
Cash and cash equivalents at the beginning of the year	68,847	27,305
Effect of foreign exchange differences on cash and cash equivalents	(2,125)	2,196
Cash and cash equivalents at the end of the year	**12,086**	**68,847**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	12,086	68,847
Cash and bank balances at the end of the year	**12,086**	**68,847**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr Reddy's Laboratories Kazakhstan LLP**

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

PSRVV Surya Rao
Partner
Membership No. 202367

Nitul Kumar
General Director

Place: Hyderabad
Date: 15 May 2019

Dr Reddy's Laboratories Kazakhstan LLP
Significant Accounting Policies & Notes to financial statements

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr Reddy's Laboratories Kazakhstan LLP (" the Company") incorporated in Kazakhstan , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies
Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr Reddy's Laboratories Kazakhstan LLP
Significant Accounting Policies & Notes to financial statements

Note 1 Description of the Company and significant accounting policies (continued)

Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:
• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.
Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation
Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.
Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .
The estimated useful lives are as follows:

Buildings
- Factory and administrative buildings
- Ancillary structures
Plant and machinery
Furniture, fixtures and office equipment
Vehicles

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.
Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Inventories
Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Dr Reddy's Laboratories Kazakhstan LLP
Significant Accounting Policies & Notes to financial statements

Note 1 Description of the Company and significant accounting policies (continued)

Employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
Defined contribution plans
The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Provisions, contingent liabilities and contingent assets
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.
Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

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

Contingent liabilities
A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
Contingent assets
Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.

Impairment of trade receivables
In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.
For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.
As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.
Financial liabilities
Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

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

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr Reddy's Laboratories Kazakhstan LLP
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

1.5 Going Concern
The accounts have been prepared on Going Concern basis.

1.6 Related Party Transactions
a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Service income from holding and other group companies		
Dr. Reddy's Laboratories Limited	314,432	282,924
Purchases and services rendered from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	1,489,018	825,350

b. The company has the following amounts due to/from related parties:

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in Trade payables):		
Dr. Reddy's Laboratories Limited	672,803	299,500
Dr. Reddy's Laboratories SA	-	29,249
Due from holding company and other group companies(included in other current financial assets):		
Dr. Reddy's Laboratories Limited	82,021	100,935

1.7 Taxation
a. Current Taxes
The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the company.
b. Deferred Taxes
The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

Particulars	As at 31 March 2019	As at 31 March 2018
Deferred tax assets / (liabilities)		
Inventory	4,949	55
Accounts receivable	2,841	4,102
Other current assets	32,645	27,925
Deferred tax asset,net	**40,435**	**32,082**

1.8 Provisions, Contingent Liabilities and Contingent Assets
Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.9 Recent accounting pronouncements
Ind AS 116, 'Leases'
On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.
Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.
The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes
On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr Reddy's Laboratories Kazakhstan LLP
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Property, plant and equipment

Description	Gross Block				Depreciation				Net Block
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019
Furnitures, fixtures and office equipment	17,445	1,059	91	18,413	2,093	4,992	91	6,994	11,419
Total	**17,445**	**1,059**	**91**	**18,413**	**2,093**	**4,992**	**91**	**6,994**	**11,419**
Previous year	94	17,630	279	17,445	3	2,094	4	2,093	15,352

Dr Reddy's Laboratories Kazakhstan LLP

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

Note 2: Notes to the financial statements

	As at 31 March 2019	As at 31 March 2018
2.2 : Inventories		
(Valued at lower of cost or net realisable value)		
Finished goods	570,708	219,853
	570,708	**219,853**

Financial Assets

2.3 : Trade Receivables	As at 31 March 2019	As at 31 March 2018
Trade receivables	169,310	301,296
	169,310	**301,296**

2.4 : Cash and cash equivalents	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- On current accounts	12,086	68,847
	12,086	**68,847**

2.5 : Other assets

	As at 31 March 2019	As at 31 March 2018
Other financial assets	5	7,845
Receivables from holding and other group companies	82,021	100,935
	82,026	**108,780**

Other Assets

2.6 : Other assets	As at 31 March 2019	As at 31 March 2018
Prepaid expenses	990	355
Balances with statutory agencies	7,843	3,703
Others	8,575	-
	17,408	**4,058**

Dr Reddy's Laboratories Kazakhstan LLP

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

2.7 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
KZT 390,000,000 (Previous year : KZT 390,000,000)*	80,687	80,687
Issued equity capital		
KZT 390,000,000 (Previous year : KZT 390,000,000)*	80,687	80,687
Subscribed and fully paid-up		
KZT 390,000,000 (Previous year : KZT 390,000,000)*	80,687	80,687
	80,687	**80,687**

*No concept of nature and number of shares in the Company.

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

Particulars	As at 31 March 2019		As at 31 March 2018	
	Amount in KZT ('000)	% holding in the class	Amount in KZT ('000)	% holding in the class
Dr. Reddy's Laboratories SA	390,000	100%	390,000	100%

Financial Liabilities

2.8 : Trade payables

	As at 31 March 2019	As at 31 March 2018
Trade payables to others	5,611	923
Payables to holding and other group companies	672,803	328,749
	678,414	**329,672**

2.9 : Other financial liabilities

	As at 31 March 2019	As at 31 March 2018
Accrued expenses	15,766	138,651
Other liabilities	-	-
	15,766	**138,651**

Provisions

2.10 : Provisions

	As at 31 March 2019	As at 31 March 2018
Current		
Compensated absences	3,549	3,742
	3,549	**3,742**

Other Liabilities

2.11 : Other current liabilities

	As at 31 March 2019	As at 31 March 2018
Salary and bonus payable	18,129	17,456
Due to statutory authorities	19,282	18,712
Other current liabilities	61	4,518
	37,472	**40,686**

Dr Reddy's Laboratories Kazakhstan LLP

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

Note 2: Notes to the financial statements

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.13: Other income		
Foreign exchange gain, net	-	175
	-	**175**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.14 : Employee benefit expenses		
Salaries,wages and bonus	179,605	167,305
Contribution to provident and other funds	18,032	16,907
Staff welfare expenses	11,181	9,141
	208,818	**193,353**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.15 : Finance costs		
Interest expense	-	116
	-	**116**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.16 : Selling and other expenses		
Legal and professional	4,309	6,326
Travel expenses	29,275	23,819
Rent expense	13,898	14,973
Advertisements	27,547	444
Other selling expenses	115,310	85,014
Insurance	522	232
Rates and taxes	479	14,407
Allowances for credit losses, net	2,991	2
Foreign exchange losses, net	68,707	-
Other general expenses	7,384	5,415
	270,422	**150,632**

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Ref. No. 24-3/20.02.2019/1255 Г.Н.
as of 20.02.2019

INDEPENDENT AUDITOR'S REPORT

To: Owners

Management of
"Dr. Reddy's Laboratories" LLC

Opinion

We have audited financial statements of "Dr. Reddy's Laboratories" LLC (further – the Company), which comprise the Balance Sheet as at December 31, 2018, Profit and Loss Statement, Statement of Changes in Equity, Cash Flows Statement for the year then ended on a specified date, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Company are prepared, in all material respects, in accordance with the Ukrainian Accounting Standards (UAS).

Basis for Opinion

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

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

Management is responsible for the preparation of the financial statements in accordance with the Ukrainian Accounting Standards (UAS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise form fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken of the basis of these financial statements.

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HLB Ukraine is a member of Nexia International. A world-wide network of independent accounting and business advisers.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Partner of the audit engagement, the result of which is this independent auditor's report is Halyna Nepliuieva.

General Director –
Audit Engagement Partner
"HLB UKRAINE" LLC

Halyna Nepliuieva

HLB UKRAINE LLC

11/11 Gusovskogo Street, office 3, Kyiv, Ukraine

February 20, 2019

Annex No. 1
to the Provision (standard) of the accounting No. 1
"General requirements to financial statements"

			Codes		
		DATE (Year, month, day)	2019	01	01
Enterprise	"Dr. Reddy's Laboratories" LLC	USREOU	37590808		
Territory	Kyiv Oblast	COATSU	3220800000		
Type of ownership	Limited Liability Company	CTO	240		
Type of economic activity	Wholesale trade in pharmaceutical goods	CEA	46.46		
Average number of employees[1]	223				
Address, telephone	121 A, Kyivskyy Shliakh Street, Vehka Oleksandrivka Village, Boryspil District, Kyiv Region, 08320				
Unit of measurement:	Thousands UAH without decimal place (except for Section IV of the Statement on Financial Results (Comprehensive Income Statement), indexes of which are provided with kopecks)				

Prepared (please tick «v» where requested)

according to accounting standards	v
according to international financial reporting standards	

BALANCE SHEET
(STATEMENT OF FINANCIAL POSITION)

as of 31.12.2018

Form No. 1 SCAD code 1801001

Assets	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Intangible assets:	1000	983	902
historical cost	1001	1 236	1 456
depreciation	1002	253	554
Capital investments in-progress	1005	4	877
Fixed assets:	1010	3 125	2 082
historical cost	1011	9 965	10 566
depreciation	1012	6 840	8 484
Investment property	1015	-	-
historical cost	1016	-	-
depreciation	1017	-	-
Long-term biological assets	1020	-	-
historical cost	1021	-	-
Accumulated depreciation	1022	-	-
Long-term financial investments:			
accounted for under equity method	1030	-	-
other financial investments	1035	-	-
Long-term accounts receivable	1040	2 997	3 573
Deferred tax assets	1045	13 833	18 295
Goodwill	1050	-	-
Deferred acquizition costs	1060	-	-
Cash balance in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-
Total under the section I	**1095**	**20 942**	**25 729**
II. Current assets			
Stocks	1100	253 134	242 259
Production stocks	1101	326	407
Not finished production	1102	-	-
Finished goods	1103	-	-
Goods	1104	252 808	241 852
Current biological assets	1110	-	-
Deposits of reinsurance	1115	-	-
Received bills	1120	-	-

Receivables for the products, goods, work, services	1125	239 333	269 534
Receivables under the settlements:			
on advances issued	1130	2 747	4 901
with budget	1135	-	-
including income tax	1136	-	-
from accrued income	1140	-	-
from internal settlements	1145	-	-
Other current receivables	1155	5 920	5 901
Current financial investment	1160	-	-
Cash assets and their equivalents:	1165	9 273	15 280
Cash	1166	-	-
Accounts in the banks	1167	9 273	15 280
Expenditures of the future periods	1170	893	1 003
Reinsurers' share in insurance reserves	1180	-	-
including in: provisions for long term liabilities	1181	-	-
provisions for losses or provisions for due payments	1182	-	-
provisions for unearned bonuses	1183	-	-
other insurance provisions	1184	-	-
Other current assets	1190	955	674
Total under the section II	**1195**	**512 255**	**539 552**
III. Non-current assets held for sale and groups of disposal	**1200**	-	-
Balance	**1300**	**533 197**	**565 281**
Liabilities	**Line code**	**At the beginning of the reporting period**	**At the end of the reporting period**
1	2	3	4
I. Equity capital			
Registered (share) capital	1400	11 968	11 968
Contributions to unregistered capital	1401	-	-
Capital in revaluation	1405	-	-
Additional capital	1410	-	-
Share premium	1411	-	-
Accumulated currency differences	1412	-	-
Reserve capital	1415	-	-
Non-distributed income (non-covered loss)	1420	3 164	16 602
Non-paid capital	1425	-	-
Excluded capital	1430	-	-
Other provisions	1435	-	-
Total under the section I	**1495**	**15 132**	**28 570**
II. Long-term liabilities and provisions			
Deferred tax liabilities	1500	-	-
Pension liabilities	1505	-	-
Long-term bank loans	1510	-	-
Other long-term liabilities	1515	-	-
Long-term provisions	1520	-	-
Long term ensurance of personel expenses	1521	-	-
Special-purpose financing	1525	-	-
Charity assistance	1526	-	-
Insurance provisions	1530	-	-
including in: provisions for long term liabilities	1531	-	-
provisions for losses or provisions for due payments	1532	-	-
provisions for unearned bonuses	1533	-	-
other insurance provisions	1534	-	-
Investment agreements	1535	-	-
Prize fund	1540	-	-
Provision for payment of jackpot	1545	-	-
Total under the section II	**1595**	-	-

III. Current liabilities and provisions			
Short-term bank loans	1600	83 272	102 140
Provided bills	1605	-	-
Current payables under:			
long-term liabilities	1610	-	-
goods, work, services	1615	400 819	371 915
settlements with budget	1620	2 517	4 590
including under income tax	1621	860	3 951
insurance	1625	71	113
labor payment	1630	54	126
current payables under advances received	1635	-	-
settlements with members	1640	-	-
internal settlements	1645	-	-
insurance activity	1650	-	-
Current provisions	1660	30 432	55 140
Income of future periods	1665	-	-
Deferred commission income from reinsurers	1670	-	-
Other current liabilities	1690	900	2 687
Total under the section III	**1695**	**518 065**	**536 711**
IV. Liabilities related to non-current assets held for sale and groups of disposal	**1700**	-	-
V. Net cost of the assets of non-government pension fund	**1800**	-	-
Balance	**1900**	**533 197**	**565 281**

1 To be determined according to the procedure established by the central body of executive power which implements the state policy in the area of statistics.

Head Arun Prasad Maniganahalli Suryaprakash

Chief Accountant Viktoriya Tsvetkova

	Codes
DATE (Year, month, day)	2019 01 01
Enterprise "Dr. Reddy's Laboratories" LLC USREOU	37560808

STATEMENT OF FINANCIAL RESULTS (COMPREHENSIVE INCOME STATEMENT)

for 2018

Form No. 2 SCAD code 1801003

I. FINANCIAL RESULTS

Item	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sale of products (goods, works, services)	2000	1 076 935	872 980
Net earned insurance premiums	2010	-	-
Bonuses signed, gross amount	2011	-	-
Bonuses transferred to reinsurance	2012	-	-
Change in provision for unearned bonuses, gross amount	2013	-	-
Change in share of reinsurers in provision for unearned bonuses	2014	-	-
Cost of sold products (goods, work, services)	2050	(856 678)	(680 215)
Net incurred loss under insurance payments	2070	-	-
Gross:			
profit	2090	220 257	192 765
loss	2095	-	-
Income (loss) from changes in the provisions of long-term liabilities	2105	-	-
Income (loss) from changes in other insurance provisions	2110	-	-
Change in other insurance provisions, gross amount	2111	-	-
Change in share of reinsurers in other insurance provisions	2112	-	-
Other operating income	2120	67 963	50 821
Profit from change in the cost of assets that are evaluated at fair cost	2121	-	-
Profit from the initial recognition of biological assets and agricultural products	2122	-	-
Administrative expenses	2130	(20 367)	(18 009)
Selling expenses	2150	(188 031)	(138 650)
Other operating expenses	2180	(47 962)	(77 534)
Expenses from change of cost of assets that are evaluated at fair cost	2181	-	-
Expenses from the initial recognition of biological assets and agricultural products	2182	-	-
Financial result from operational activities:		-	-
profit	2190	31 820	9 193
loss	2195	-	-
Profit from capital membership	2200	-	-
Other financial income	2220	958	805
Other income	2240	7	81
Charity income	2241	-	-
Financial expenses	2250	(16 299)	(4 298)
Loss from capital membership	2255	-	-
Other expenses	2270	(31)	(13)
Profit (loss) from inflation on monetary articles	2275	-	-
Financial result before tax:		-	-
profit	2290	16 455	5 768
loss	2295	-	-

Loss (profit) under income tax	2300	(3 017)	1 755
Profit (loss) from discontinued operations after taxation	2305	-	-
Net financial result:			
profit	2350	13 436	7 523
loss	2355	-	-

II. COMPREHENSIVE INCOME

Name of the index	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Increase (decrease) in the value of non-current assets	2400	-	-
Increase (decrease) in the value of financial instruments	2405	-	-
Accumulated exchange rate differences	2410	-	-
Share of other comprehensive income of associated and joint enterprises	2415	-	-
Other comprehensive income	2445	-	-
Other comprehensive income before taxation	2450	-	-
Income tax related to other comprehensive income	2455	-	-
Other comprehensive income after taxation	**2460**	-	-
Comprehensive income (sum of lines 2350, 2355 and 2460)	**2465**	**13 436**	**7 523**

III. ELEMENTS OF OPERATING EXPENSES

Name of the index	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material expenses	2500	23 474	29 741
Salary expenses	2505	113 509	104 975
Contributions on social events	2510	16 872	14 169
Depreciation	2515	2 173	2 258
Other operational expenses	2520	272 539	246 642
Total	**2550**	**428 567**	**397 785**

IV. CALCULATION OF SHARES PROFITABILITY INDEXES

Name of the index	Line code	For the reporting period	For the previous period
1	2	3	4
Average annual number of ordinary shares	2600	-	-
Adjusted average annual number of ordinary shares	2605	-	-
Net profit (loss) per one ordinary share	2610	-	-
Adjusted net profit (loss) per one ordinary share	2615	-	-
Dividends per one ordinary share	2650	-	-

Head _____ Arun Prasad Maniganahalli Suryaprakash

Chief Accountant _____ Viktoriya Tsvetkova

	Codes
DATE (Year, month, day)	2019 01 01
Enterprise "Dr. Reddy's Laboratories" LLC USREOU	37560606

CASH FLOW STATEMENT (direct method)

for 2018

Form No. 3 SCAD code 1801004

Item	Line code	For the reporting period	For the same previous period of previous year
1	2	3	4
I. Cash flow from operational activities			
Incomings from:			
Sale of products (goods, work, services)	3000	1 153 939	811 459
Return of taxes and fees	3005	-	-
Including VAT	3006	-	-
Purpose financing	3010	1 653	1 004
Receipt of grants, donations	3011	-	-
Advances of buyers and customers	3015	342	759
Return of advances	3020	629	586
Interests of bank institutions on current accounts	3025	958	805
Debtors' forfeits (fines, penalties)	3035	-	-
Operational lease	3040	-	-
Receipt of royalty, author's remuneration	3045	-	-
Insurance bonuses	3050	-	-
Financial organizations for loans return	3055	-	-
Other incomings	3095	789	374
Expenses for payment of:			
Goods (work, services)	3100	(718 882)	(536 425)
Employees	3105	(85 712)	(78 383)
Deductions for social events	3110	(17 616)	(15 233)
Taxes and duties liabilities	3115	(58 247)	(83 505)
Income tax liabilities	3116	(4 485)	(8 616)
VAT liabilities	3117	(29 632)	(53 742)
Other taxes and duties (obligatory payments) liabilities	3118	(24 130)	(20 947)
Advances	3135	(263 354)	(178 201)
Return of advances	3140	(6)	(57)
Purpose contributions	3145	-	-
Liabilities under insurance contracts	3150	-	-
Financial organizations for loans provision	3155	-	-
Other expenses	3190	(4 090)	(3 563)
Net cash flow from operational activities	**3195**	**10 403**	**-80 380**
II. Cash flow from investment activities			
Sale of:			
financial investments	3200	-	-
non-current assets	3205	-	-
Received:			
interest	3215	-	-
dividends	3220	-	-
Derivatives	3225	-	-
Loan repayment	3230	-	-
Disposal of subsidiary company or other economic unit	3235	-	-
Other incomings	3250	-	-
Purchase of: financial investments	3255	-	-
Purchase of non-current assets	3260	(2 026)	(1 737)
Payment for derivatives	3270	-	-
Expenses for loan provision	3275	-	-
Payment for purchase of subsidiary company or other economic unit	3280	-	-
Other payments	3290	-	-
Net cash flow from investment activities	**3295**	**-2 026**	**-1 737**

III. Cash flows as a result of financial activities			
Incomings of own capital	3300	-	-
Loans received	3305	36 724	105 958
Incomings from sale of the share in subsidiary company	3310	-	-
Other incomings	3340	-	-
Expenses for. redemption of own shares	3345	-	-
Loan repayment	3350	17 856	22 686
Dividends	3355	-	-
Interest payment	3360	(16 299)	(4 298)
Payment of debt from financial lease	3365	-	-
Purchase of the share in subsidiary company	3370	-	-
Payment to non-controlling shares in subsidiary companies	3375	-	-
Other payments	3390	-	-
Net cash flow from financial activities	**3395**	**2 569**	**78 974**
Net cash flow for reporting period	**3400**	**10 946**	**-3 143**
Cash balance at beginning of year	3405	9 273	13 419
Forex differences impact on cash balance	3410	(4 939)	(1 004)
Cash balance at the end of year	3415	15 280	9 272

Head Arun Prasad Manganahalli Suryaprakash

Chief Accountant Viktorya Tsvetkova

	Codes
DATE (Year, month, day)	2019 01 01
USREOU	37560808

Enterprise "Dr Reddy's Laboratories" LLC

STATEMENT OF EQUITY

for 2018

Form No. 4 SCAD code 1801006

Item	Code	Registered capital	Capital in revaluation	Additional capital	Reserve capital	Non-distributed income (non-covered loss)	Non-paid capital	Excluded capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	11 968	-	-	-	3 164	-	-	15 132
Adjustment:									
Change of accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-		-	-	
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	11 968	-	-	-	3 164	-	-	15 132
Net profit (loss) for the reporting period	4100	-	-	-	-	13 438	-	-	13 438
Other comprehensive profit for the reporting period,	4110	-	-	-	-	-	-	-	-
Additional evaluation of fixed assets	4111	-	-	-	-	-	-	-	-
Additional evaluation of financial instruments	4112	-	-	-	-	-	-	-	-
Accumulated exchange differences	4113	-	-	-	-	-	-	-	-
Share of other comprehensive profit of associated and joint companies	4114	-	-	-	-	-	-	-	-
Other comprehensive profit	4116	-	-	-	-	-	-	-	-
Distribution of profit: Payments to owners (dividends)	4200	-	-	-	-	-	-	-	-
Directing profit to statutory capital	4205	-	-	-	-	-	-	-	-
Deductions to reserve capital	4210	-	-	-	-	-	-	-	-
Net profit amount to budget according to legislation	4215	-	-	-	-	-	-	-	-
Net profit amount for creation of specialized (purpose) funds	4220	-	-	-	-	-	-	-	-
Net profit amount for financial incentives	4225	-	-	-	-	-	-	-	-
Contributions of shareholders:									
Contributions of capital	4240	-	-	-	-	-	-	-	-

1	2	3	4	5	6	7	8	9	10
Repayment of debt from capital	4245	-	-	-	-	-	-	-	-
Exclusion of capital:									
Repurchase of shares	4260	-	-	-	-	-	-	-	-
Resale of repurchased shares	4265	-	-	-	-	-	-	-	-
Cancellation of repurchased shares	4270	-	-	-	-	-	-	-	-
Exclusion of share in capital	4275	-	-	-	-	-	-	-	-
Reduction of the nominal cost of shares	4280	-	-	-	-	-	-	-	-
Other changes in capital:	4290	-	-	-	-	-	-	-	-
Purchase (sale) of non-controlling share in the subsidiary company	4291	-	-	-	-	-	-	-	-
Total changes in capital	4295	-	-	-	-	13 438	-	-	13 438
Balance at the end of the year	4300	11 968	-	-	-	16 602	-	-	28,570

Head Arun Prasad Maniganahalli Suryaprakash

Chief Accountant Viktoriya Tsvetkova

	Codes
DATE (Year, month, day)	2019 01 01
USREOU	37560808

Enterprise "Dr. Reddy's Laboratories" LLC

NOTES TO FINANCIAL STATEMENTS
for 2018

I. Intangible assets

Groups of intangible assets	Line code	Balance at the beginning of the year		Received within the year	Revaluation (additional estimation +, markdown -)		Disposed within the year		Depreciation accrued for a year	Losses due to decrease of usefulness for a year	Other changes for a year		Balance at the end of the year	
		Historical (revaluated) cost	Accumulated depreciation		Historical (revaluated) cost	Accumulated depreciation	Historical (revaluated) cost	Accumulated depreciation			Historical (revaluated) cost	Accumulated depreciation	Historical (revaluated) cost	Accumulated depreciation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Natural resources usage rights	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Property usage rights	020	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights on commercial designations	030	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights on industry property objects	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Copyrights and related rights	050	-	-	-	-	-	-	-	-	-	-	-	-	-
	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Other intangible assets	070	1 236	253	247	-	-	27	27	328	-	-	-	1 456	554
Total	080	1 236	253	247	-	-	27	27	328	-	-	-	1 456	554
Goodwill	090	-	-	-	-	-	-	-	-	-	-	-	-	-

From line 060 graph 14	Cost of intangible assets regarding which exist limitations of property rights	(061)	-
	Cost of pledged intangible assets	(062)	-
	Cost of intangible assets created by the Company	(063)	-
From line 060 graph 5	Cost of intangible assets received at the expense of purpose allocations	(064)	-
From line 060 graph 15	Accumulated depreciation of intangible assets regarding which exist limitations of property rights	(065)	-

II. Fixed assets

Groups of fixed assets	Line code	Balance at the beginning of the year		Received within the year	Revaluation (additional estimation +, markdown -)		Disposed within the year		Depreciation accrued for a year	Losses due to decrease of usefulness	Other changes for a year		Balance at the end of the year		Including			
															Received under financial lease		Transferred to operational lease	
		Historical (revaluated) cost	Depreciation		Historical (revaluated) cost	Depreciation	Historical (revaluated) cost	Depreciation			Historical (revaluated) cost	Depreciation	Historical (revaluated) cost	Depreciation	Historical (revaluated) cost	Depreciation	Historical (revaluated) cost	Depreciation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Land plots	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenses on land improvement	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings, constructions and radio equipment	120	2 601	2 252	-	-	-	-	-	348	-	-	-	2 601	2 600	-	-	-	
Machines and equipment	130	4 452	2 111	778	-	-	219	154	1 277	-	32	-	5 043	3 234	-	-	-	-
Vehicles	140	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tools, instruments, equipment (furniture)	150	2 117	1 819	-	-	-	-	-	108	-	-	-	2 117	1 927	-	-	-	-
Animals	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perennial plantations	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other fixed assets	180	177	140	-	-	-	-	-	24	-	-	-	177	164	-	-	-	-
Library funds	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Low-value non-current tangible assets	200	618	518	52	-	-	44	44	85	-	2	-	628	559	-	-	-	-
Temporary (non-title) constructions	210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Natural resources	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Packing	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental items	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current tangible assets	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	260	9 965	6 840	830	-	-	263	198	1 842	-	34	-	10 566	8 484	-	-	-	

From line 260 graph 14 Cost of fixed assets regarding which exist limitations of property rights stipulated by the current legislation (261) -
Cost of pledged fixed assets (262) -
Residual cost of fixed assets temporarily not in use (conservation, reconstruction, etc.) (263) -
Historical (revaluated) cost of completely depreciated fixed assets (264) -
Fixed assets of leased integral property complexes (264.1) -
From line 260 graph 8 Cost of fixed assets for sale (265) -
Residual cost of fixed assets lost due to extraordinary events (265.1) -
From line 260 graph 5 Cost of fixed assets purchased at the expense of purpose financing (266) -
Cost of fixed assets under operational lease (267) -
From line 260 graph 15 Depreciation of fixed assets regarding which exist limitations of property rights (268) -
From line 185 graph 14 Cost of investment property evaluated under fair cost (269) -

III. Capital investments .

Index's name	Line code	For a year	At the end of a year
1	2	3	4
Capital building	280	-	-
Purchase (production) of fixed assets	290	778	-
Purchase (production) of other non-current tangible assets	300	107	1
Purchase (creation) of intangible assets	310	1 124	876
Purchase (growing) of long-term biological assets	320	-	-
Other	330	-	-
Total	340	2 009	877

From line 340 graph 3 capital investments in investment activities (341) -
financial expenses included in the structure of capital investments (342) (342) -

IV. Financial investments

Index's name	Line code	For a year	At the end of a year	
			long-term	current
1	2	3	4	5
A. Financial investments under equity method in:				
associated companies	350	-	-	-
subsidiaries	360	-	-	-
joint activity	370	-	-	-
Б. Other financial investments in:				
shares in the statutory capital of other companies	380	-	-	-
shares	390	-	-	-
bonds	400	-	-	-
other	410	-	-	-
Total (section A + section Б)	420	-	-	-

From line 045 graph 4 of the Balance Sheet Other long-term financial investments are reflected

at prime cost (421) -
at fair cost (422) -
at depreciated cost (423) -

From line 220 graph 4 of the Balance Sheet Current financial investments are reflected:

at prime cost (424) -
at fair cost (425) -
at depreciated cost (426) -

V. Income and expenses

Index's name	Line code	Income	Expenses
1	2	3	4
A. Other operational income and expenses			
Operational lease of assets	440	602	-
Operational exchange difference	450	47 938	38 290
Sale of other current assets	460	13	7
Fines, penalties, forfeits	470	-	233
Maintenance of public objects of social and cultural purpose	480	-	-
Other operational income and expenses	490	19 212	9 452
Including: deduction to doubtful debts provisions	491	X	-
Non-productive expenses and losses	492	X	6 755
Б. Income and expenses from participation in capital under investments in:			
associated companies	500	-	-
subsidiaries	510	-	-
joint activity	520	-	-
В. Other financial income and expenses			
Dividends	530	-	X
Interest	540	X	16 299
Financial lease of assets	550	-	-
Other financial income and expenses	560	958	-
Г. Other income and expenses			
Sale of financial investments	570	-	-
Income from business association	580	-	-
Result of usefulness evaluation	590	-	-
Non-operational exchange difference	600	-	-
Assets received free of charge	610	-	X
Write-off of non-current assets	620	X	31
Other income and expenses	630	7	-

Exchange of commodities (barter) transactions with products (goods, works, services) (631) -

Part of income from sale of products (goods, works, services) under exchange of commodities (barter) contracts with related parties (632) - %

From lines 540-580 graph 4 financial expenses are included in the prime cost of main activity products (633) -

VI. Cash assets

Index's name	Line code	At the end of a year
1	2	3
Cashier's desk	640	-
Current account in bank	650	15 280
Other accounts in bank (letter of credit, check books)	660	-
Cash in transit	670	-
Cash assets equivalents	680	-
Total	690	15 280

From line 670 graph 4 of the Balance Sheet Cash assets the usage of which is limited (691) -

VII. Provisions and reserves

Types of provisions and reserves	Line code	Balance at the beginning of the year	Increase for the reporting year		Used in reporting year	Reversed amount used in reporting year	Amount of expected expenses reimbursement by other party, which is included when estimation of provision	Balance at the end of the year
			Accrued (created)	Additional deductions				
1	2	3	4	5	6	7	8	9
Provisions for payment of leaves to employees	710	2 036	8 202	-	7 435	-	-	2 803
Provisions of future expenses on additional pension	720	-	-	-	-	-	-	-
Provisions of future expenses on execution of warranty obligations	730	28 395	23 940	-	-	-	-	52 335
Provisions of future expenses on restructuring	740	-	-	-	-	-	-	-
Provisions of future expenses on execution of liabilities regarding onerous contracts	750	-	-	-	-	-	-	-
Other provisions	760	-	-	-	-	-	-	-
	770	-	-	-	-	-	-	-
Doubtful debts provisions	775	38 365	-	-	-	-	-	38 365
Total	780	68 796	32 142	-	7 435	-	-	93 503

VIII. Inventories

Index's name	Line code	Balance cost at the end of the year	Revaluation for a year	
			Increase of net sale cost*	Markdown
1	2	3	4	5
Raw materials and materials	800	407	-	-
Purchasing semi-goods and component products	810	-	-	-
Fuel	820	-	-	-
Packing and packing materials	830		-	-
Building materials	840	-	-	-
Spare parts	850	-	-	-
Materials of agricultural purpose	860	-	-	-
Current biological assets	870	-	-	-
Low-value and non-durable assets	880	-	-	-
Production in progress	890	-	-	-
Ready-made production	900	-	-	-
Goods	910	241 852	-	-
Total	**920**	**242 259**	-	-

* Determined under item 29 of the Provision (standard) of the accounting No. 9 Inventories

From line 920 graph 3 Balance cost of inventories:

Reflected under fair sale cost	(921)	-
Transferred in processing	(922)	-
Pledged	(923)	-
Transferred under commission	(924)	-
Assets under custody (off-balance account 02)	(925)	-
From line 275 graph 4 of the Balance Sheet inventories for sale	(926)	-

IX. Receivables

Index's name	Line code	Total at the end of the year	Including under lines of non-repayment		
			up to 12 months	from 12 up to 18 months	from 18 up to 36 months
1	2	3	4	5	6
Receivables for goods, works, services	940	269 534	-	-	-
Other current receivables	950	5 901	-	-	-

Doubtful debts written-off in the reporting year	(951)	-
From lines 930 and 950 graph 3 liabilities with related parties	(952)	-

X. Shortages and losses due to damage of valuables

Index's name	Line code	Amount
1	2	3
Revealed (written-off) shortages and losses for a year	960	-
Recognized as debt of persons responsible in the reporting period	970	-
Amount of shortages and losses on which final decision regarding persons responsible was not made at the end of the year (off-balance account 072)	980	-

XI. Building contracts

Index's name	Line code	Amount
1	2	3
Income under building contract for the reporting year	1110	-
Debt at the end of reporting year:		
gross debt of the Customers	1120	-
gross debt to the Customers	1130	-
on advances received	1140	-
Amount of trapped cash at the end of the year	1150	-
Cost of work performed by subcontractors under not finished building contracts	1160	-

XII. Income tax

Index's name	Line code	Amount
1	2	3
Current income tax	1210	7 478
Deferred tax assets: at the beginning of the reporting year	1220	13 833
at the end of reporting year	1225	18 295
Deferred tax liabilities: at the beginning of the reporting year	1230	-
at the end of reporting year	1235	-
Included in the Statement on financial results - total	1240	3 017
including: current income tax	1241	7 478
decrease (increase) of deferred tax assets	1242	-4 461
increase (decrease) of deferred tax liabilities	1243	-
Reflected in the structure of own equity – total	1250	-
including: current income tax	1251	-
decrease (increase) of deferred tax assets	1252	-
increase (decrease) of deferred tax liabilities	1253	-

XIII. Use of depreciation deductions

Index's name	Line code	Amount
1	2	3
Accrued in the reporting year	1300	2 170
Used within the year – total	1310	-
including for: building of objects	1311	-
purchase (production) and improvement of fixed assets	1312	-
including machines and equipment	1313	-
purchase (creation) of intangible assets	1314	-
repayment of loans received for capital investments	1315	-
	1316	-
	1317	-

XIV. Biological assets

Groups of biological assets	Line code	Accounted under historical cost										Accounted under fair cost				
		Balance at the beginning of the year		Received within the year	Disposed within the year		Depreciation accrued for a year	Losses due to decrease of usefulness	Benefits from restore of usefulness	Balance at the end of the year		Balance at the beginning of the year	Received within the year	Cost changes for a year	Disposed within the year	Balance at the end of the year
		Historical cost	Accumulated depreciation		Historical cost	Accumulated depreciation				Historical cost	Accumulated depreciation					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Long-term biological assets – total including:	1410	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
draft cattle	1411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
livestock	1412	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
perennial plantations	1413	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1414	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term biological assets	1415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current biological assets - total including:	1420	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
animals on feeding and breeding	1421	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
biological assets in the state of biological transformation (except animals on feeding and breeding)	1422	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
	1423	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
Other current biological assets	1424	-	x	-	-	x	x	-	-	-	x	-	-	-	-	-
Total	1430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

From line 1430 graph 5 and graph 14 cost of biological assets purchased at the expense of purpose financing (1431) -

From line 1430 graph 6 and graph 16 residual cost of long-term biological assets, historical cost of current biological assets and law cost of biological assets lost due to extraordinary events (1432) -

From line 1430 graph 11 and graph 17 balance cost of biological assets regarding which exist limitations of property rights stipulated by the current legislation (1433) -

XV. Financial results from primary recognition and sale of agricultural products and additional biological assets

Index's name	Line code	Cost of primary recognition	Expenses related to biological transformation	Result of primary recognition		Markdown	Sales income	Sales prime cost	Financial result (profit +, loss -) from	
				Income	Expenses				Sale	Primary recognition and sale
1	2	3	4	5	6	7	8	9	10	11
Products and additional plant biological assets - total	1500	-	-	-	-	-	-	-	-	-
including:		-	-	-	-	-	-	-	-	-
cereals and legumes	1510	-	-	-	-	-	-	-	-	-
including: wheat	1511	-	-	-	-	-	-	-	-	-
soybean	1512	-	-	-	-	-	-	-	-	-
sunflower	1513	-	-	-	-	-	-	-	-	-
rape	1514	-	-	-	-	-	-	-	-	-
sugar beet (factory)	1515	-	-	-	-	-	-	-	-	-
potato	1516	-	-	-	-	-	-	-	-	-
fruits (seeded, stoned)	1517	-	-	-	-	-	-	-	-	-
other crops	1518	-	-	-	-	-	-	-	-	-
Additional plant biological assets	1519	-	-	-	-	-	-	-	-	-
Products and additional animal biological assets - total	1520	-	-	-	-	-	-	-	-	-
including:		-	-	-	-	-	-	-	-	-
Increase of live weight – total	1530	-	-	-	-	-	-	-	-	-
including cattle	1531	-	-	-	-	-	-	-	-	-
pigs	1532	-	-	-	-	-	-	-	-	-
milk	1533	-	-	-	-	-	-	-	-	-
wool	1534	-	-	-	-	-	-	-	-	-
eggs	1535	-	-	-	-	-	-	-	-	-
other animal products	1536	-	-	-	-	-	-	-	-	-
additional animal biological assets	1537	-	-	-	-	-	-	-	-	-
fish products	1538	-	-	-	-	-	-	-	-	-
	1539	-	-	-	-	-	-	-	-	-
Agricultural products and additional biological assets - total	1540	-	-	-	-	-	-	-	-	-

Head Arun Prasad M.S. Arun Prasad Manigarahalli Suryaprakash

Chief Accountant Viktoriya Tsvetkova

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories Louisiana LLC (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

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as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young Associates LLP

Ernst & Young Associates LLP

Oval office, 18, iLabs Centre,
Madhapur, Hyderabad 500 081,
India

Date: 16 May 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories Louisiana LLC (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

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as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young Associates LLP

Ernst & Young Associates LLP

Oval office, 18, iLabs Centre,
Madhapur, Hyderabad 500 081,
India

Date: 16 May 2019

DR. REDDY'S LABORATORIES LOUISIANA LLC

Financial Statements

March 31, 2019 and March 31, 2018

DR. REDDY'S LABORATORIES LOUISIANA LLC

Financial Statements

March 31, 2019 and March 31, 2018

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

		As of	
PARTICULARS	**Note**	**March 31, 2019**	**March 31, 2018**
ASSETS			
Current assets			
Cash and cash equivalents	6	80,886	59,773
Trade and other receivables	7	2,395,853	4,846,802
Inventories	8	12,621,904	9,176,002
Other current assets	9	343,199	777,414
Total current assets		**15,441,842**	**14,859,991**
Non-current assets			
Property, plant and equipment	10	42,997,108	45,513,424
Goodwill	11	2,479,209	2,479,209
Other intangible assets	12	-	-
Total non-current assets		**45,476,317**	**47,992,633**
Total assets		**60,918,159**	**62,852,624**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	2,445,705	3,327,709
Loans and Borrowings	18	61,215,874	50,200,931
Other current liabilities	14	3,739,616	3,518,104
Total current liabilities		**67,401,195**	**57,046,744**
Non- Current Liabilities			
Deferred Tax Liabilities	19	4,433,645	4,278,544
Total Non Current Liabilities		**4,433,645**	**4,278,544**
Total liabilities		**71,834,840**	**61,325,288**
Equity			
Share capital	15	40,000,000	40,000,000
Retained Earnings		(51,255,556)	(38,773,187)
Share based payment reserve		338,875	300,523
Total equity		**(10,916,681)**	**1,527,336**
Total liabilities and equity		**60,918,159**	**62,852,624**

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

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

PARTICULARS	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue	16	41,562,527	29,730,692
Cost of revenues		48,137,425	47,928,168
Gross loss		**(6,574,898)**	**(18,197,476)**
Selling, general and administrative expenses		3,629,484	3,683,920
Research and development expenses		838,418	1,631,347
Other (income)/expense, net	17	(2,080)	(136,573)
Total operating expenses		**4,465,822**	**5,178,694**
Loss before income tax		**(11,040,720)**	**(23,376,170)**
Tax Expense	19	**1,441,649**	**239,590**
Loss for the year		**(12,482,369)**	**(23,615,760)**

The accompanying notes are an integral part of financial statements

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

	For the year ended	
PARTICULARS	**March 31, 2019**	**March 31, 2018**
Loss for the year	**(12,482,369)**	**(23,615,760)**
Other comprehensive income		
Items that will not be reclassified to profit or loss:	-	-
Total items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:	-	-
Total items that to be reclassified subsequently to Income statement	-	-
Other comprehensive (loss) / profit for the year, net of tax	-	-
Total comprehensive loss for the year	**(12,482,369)**	**(23,615,760)**

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

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

Particulars	Share Capital	Share based payment reserve	Retained earnings	Total
Balance as of April 01, 2017 (A)	**40,000,000**	**258,082**	**(15,157,427)**	**25,100,655**
Total Comprehensive income				
Loss for the period	-	-	(23,615,760)	(23,615,760)
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**(23,615,760)**	**(23,615,760)**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense	-	42,441	-	42,441
Total contributions and distributions	**-**	**42,441**	**-**	**42,441**
Total transactions with owners of the Company (C)	-	42,441	-	42,441
Balance as of March 31,2018 [(A)+(B)+(C)]	**40,000,000**	**300,523**	**(38,773,187)**	**1,527,336**
Balance as of April 01, 2018 (A)	**40,000,000**	**300,523**	**(38,773,187)**	**1,527,336**
Total Comprehensive income				
Loss for the period	-	-	(12,482,369)	(12,482,369)
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**(12,482,369)**	**(12,482,369)**
Transactions with owners of the Company				
Contributions and distributions				
Share based payment expense	-	38,352	-	38,352
Total contributions and distributions	**-**	**38,352**	**-**	**38,352**
Total transactions with owners of the Company (C)	-	38,352	-	38,352
Balance as of March 31,2019 [(A)+(B)+(C)]	**40,000,000**	**338,875**	**(51,255,556)**	**(10,916,681)**

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

Particulars	For the year ended	
	March 31, 2019	**March 31, 2018**
Cash flows from/(used in) operating activities:		
Loss for the year	(12,482,369)	(23,615,760)
Adjustments for:		
Depreciation and amortization	3,711,685	4,271,663
Loss on disposal of property, plant and equipment	1,346	192,574
Share based payment expense	38,352	42,441
Inventory write downs	1,290,303	321,601
Income tax (benefit)/expense	1,441,649	239,590
Changes in operating assets and liabilities:		
Trade and other receivables	2,450,949	(4,846,802)
Inventories	(4,736,205)	(153,868)
Other assets and other liabilities	(1,011,062)	62,393
Trade and other payables	(771,028)	759,708
Net cash used in operating activities	**(10,066,380)**	**(22,726,460)**
Cash flows from/(used in) investing activities:		
Purchase of property, plant and equipment	(1,389,580)	(2,760,320)
Proceeds from sale of property, plant and equipment	81,889	-
Net cash used in investing activities	**(1,307,691)**	**(2,760,320)**
Cash flows from/(used in) financing activities:		
Proceeds from loans and borrowings from parent company, net	11,395,184	25,483,105
Net cash from financing activities	**11,395,184**	**25,483,105**
Net decrease in cash and cash equivalents	**21,113**	**(3,675)**
Cash and cash equivalents at the beginning of the year	59,773	63,448
Cash and cash equivalents at the end of the year	**80,886**	**59,773**

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

1. Reporting entity

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

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2019 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared for the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company's annual reporting date, March 31, 2019. These financial statements were authorized for issuance by the Company's Board of Directors on May 16, 2019.

b. Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis.except for the following material items in the statement of financial position:

• derivative financial instruments are measured at fair value;
• certain financial assets are measured either at fair value or at amortized cost depending on the classification;
• assets held for sale are measured at fair value less costs to sell;
• share-based payments are measured at fair value;

c. Functional currency

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

d. Going Concern

The Company's financial statement for the year ended March 31, 2019 and March 31, 2018 have been prepared on a going concern basis which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As of March 31, 2019 and 2018 the Company had working capital deficit of USD 51,959,352 and USD 42,186,753 respectively. The Company had incurred losses of USD 12,482,369 and USD 23,615,760 and had negative cash flow from operations of USD 10,066,380 and USD 22,726,460 for the year ended March 31, 2019 and March 31, 2018 respectively. Dr. Reddy's Laboratories Inc. (the 'Holding Company') has undertaken to provide such financial support as necessary, to enable the Company to meet the operational requirements as they arise and to meet it's liabilities as and when they fall due. The management expects that there will be significant increase in the operations of the Company that will lead to improved cash flow and long term sustainability.

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

e. Use of estimates and judgments

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

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

- Note 2(c) — Functional currency;
- Note 3(b) and 20 — Financial instruments;
- Note 3(e) — Useful life of property plant and equipment;
- Note 3(f) — Useful life of intangible assets;
- Note 3(h) — Valuation of inventories;
- Note 3(i) — Provisions;
- Note 3(l) —Income tax
- Note 3(m) —Share based payment transactions

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

3. Significant accounting policies
New Standards adopted by the Company
IFRS 9, Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9, "Financial instruments". IFRS 9 significantly differs from IAS 39, "Financial Instruments: Recognition and Measurement", and includes "expected loss" impairment model. The Company applied the modified retrospective method upon adoption of IFRS 9 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 9 to retained earnings and not to restate prior years. The cumulative effect recorded at April 1, 2018 was a decrease to retained earnings of USD Nil.

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

The Company follows a "simplified approach" which does not require the Company to track changes in credit risk but rather recognize impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For this purpose, the Company designed a provision matrix to determine impairment loss allowance on the portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

IFRS 15, Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". This comprehensive new standard supersedes IAS 18, "Revenue", IAS 11, "Construction contracts" and related interpretations. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted IFRS 15 effective as of April 1, 2018.The impacts of the adoption of the new standard are summarized below:

The impacts of the adoption of the new standard are summarized below:
The Company's revenue is derived from sales of goods and service income. Most of such revenue (approximately 93%) is generated from the sale of goods.

Sale of goods
Revenue from sales of goods is comprised of sale of generic and branded products. Revenue from sale of goods is recognsied where control is transferred to the Company's customers at the time of shipment to or receipt of goods by the customers. There was no change in the point of recognition of revenue upon adoption of IFRS 15

Profit share revenues
Revenues from sales of goods also include revenues from profit sharing arrangements with business partners for sales of the Company's products in certain markets. Under IFRS 15, the profit share amount is recognsied only to the extent that it is highly probable that a significant reversal in the amount of profit share will not occur when the uncertainty associated with the profit share is subsequently resolved. The adoption of IFRS 15 did not significantly change the timing or amount of revenue recognsied under these arrangements.

The Company applied the modified retrospective method upon adoption of IFRS 15 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 15 to retained earnings and not to restate prior years.
Overall, the application of this standard did not have a material impact on the revenue streams from the sale of goods, profit share revenues and sales returns provision.

a. Foreign currency
Foreign currency transactions
Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.
Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.
Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognsied in the income statement in the period in which they arise.
When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

b. Financial instruments

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

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Accounting policies relating to financial instruments after March 31, 2018 are as follows:

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

• Debt instruments at amortized cost;
• Debt instruments at fair value through other comprehensive income (FVTOCI);
• Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL); and
• Equity instruments measured at fair value through other comprehensive income (FVTOCI).

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the income statement. The losses arising from impairment are recognised in the income statement. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
b) The asset's contractual cash flows represent SPPI.
Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the income statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the income statement. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortized cost or as FVTOCI, is classified as at FVTPL.
In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.
Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the income statement.

Equity investments

All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.
If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the income statement, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.Equity investments designated as FVTOCI are not subject to impairment assessment.
Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's financial position) when:
• The rights to receive cash flows from the asset have expired; or
• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

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

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

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.The Company's financial liabilities include trade and other payables, loans and borrowings.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the income statement.

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

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortization process.
amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

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

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

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Accounting policies relating to financial instruments for the periods ending on or prior to March 31, 2018 are as follows:

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, bonds, equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and certain other assets and liabilities.Non-derivative financial instruments are recognsied initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents

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

Held-to-maturity investments

Held-to-maturity investments consist of investments in bonds with fixed or determinable payments and fixed maturity that the Company has the positive intention and the ability to hold to maturity. Such investments are initially measured at fair value, with subsequent measurements made at amortized cost using the effective interest rate method.

Other investments

Other investments consist of term deposits with original maturities of more than three months, and investments in mutual funds and equity securities. Investments in mutual funds and equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognsied in OCI and presented within equity under "fair value reserve". When an investment is derecognsied, the cumulative gain or loss in equity is transferred to the income statement.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business. After initial recognition, trade payables are recognsied at amortized cost using the effective interest rate method.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business. After initial recognition, trade receivables are recognsied at amortized cost using the effective interest rate method.

Debt instruments and other financial liabilities

The Company initially recognizes debt instruments issued on the date that they originate. All other financial liabilities are recognsied initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. These are recognsied initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other non-derivative financial instruments

Other non-derivative financial instruments are initially recognsied at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual right to the cash flows from that asset expires, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing, at amortized cost, for the proceeds received The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognsied financial liability and the consideration paid is recognsied as profit or loss in the income statement.

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c. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realised or intended to sold or consumed in the normal operating cycle
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
• It is expected to be settled in the normal operating cycle
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

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

e. Property, plant and equipment

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

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

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

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

Depreciation
Depreciation is recognsied in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.
Leasehold improvements are depreciated over period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives are as follows:	
Buildings	
- Factory and administrative buildings	25 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years

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

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

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f. Goodwill and other Intangible assets

Goodwill

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

Other intangible assets

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

Research and development

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

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

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

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

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

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognsied immediately in the income statement.

Subsequent expenditure

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

Amortization

Amortization is recognsied in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

Intangible assets that are not available for use are amortized from the date they are available for use.
The estimated useful lives are as follows:

Product related intangibles	5 - 15 years
Customer-related intangibles	1 -11 years
Other intangibles	3 - 15 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

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

g. Leases
At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Finance leases
A finance lease is recognsied 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 recognsied on the Company's statements of financial position. Payments made under operating leases are recognsied in income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Operating lease incentives received from the landlord are recognsied as a reduction of rental expense on a straight line basis over the lease term.

h. Inventories
Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials which are consumed as indirect materials in the manufacturing process. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

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

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

Onerous contracts

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

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

Contingent liabilities and contingent assets
A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
Contingent assets are not recognsied in the financial statements. However, contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognsied in the period in which the change occurs.

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i. Revenue

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements. Most of such revenue is generated from the sale of goods.

Accounting policies relating to revenue for the periods after March 31, 2018 are as follows:

Sale of goods

Revenue is recognsied when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either upon shipment or upon receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services.

Profit share revenues

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

Revenue in an amount equal to the base purchase price is recognsied in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognsied as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Accounting policies relating to revenue for periods ending on or prior to March 31, 2018 are as follows:

Sale of goods

Revenue is recognsied when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably,there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the

Profit share revenues

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

Revenue in an amount equal to the base purchase price is recognsied in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognsied as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognsied for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company's Board of Directors authorizes the issuance of its financial statements for the applicable period.

Interest income:

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

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k. Employee benefits

Short-term employee benefits

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

l. Income tax

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

Deferred tax is recognsied using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

m. Share-based payment transactions

Equity settled share-based payment transactions

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

Cash settled share-based payment transactions

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

n. Government grants

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

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o. Impairment

Non-financial assets

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

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

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

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

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

p. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 16, Leases

In January 2016, the IASB issued a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, "Leases", and related interpretations and is effective for annual reporting periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, "Revenue from Contracts with Customers", has also been applied.

Upon adoption, a portion of the annual operating lease expense, which is currently fully recognsied as functional expense, will be recognsied as finance expense. Further, a portion of the annual lease payments recognsied in the cash flow statement as reduction of lease liability will be recognsied as outflow from financing activities, which are currently fully recognsied as an outflow from operating activities.

The Company is in the process of evaluating the impact on its financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes", are applied where there is uncertainty over income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. An entity can, on initial application, elect to apply this interpretation either:

• retrospectively applying IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", if possible without the use of hindsight; or

• retrospectively, with the cumulative effect of initially applying the interpretation recognsied at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).

The Company is in the process of evaluating the impact of IFRIC 23 on the financial statements.

q. Finance income and expense

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

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

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

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4. Determination of fair values

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

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

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

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

(iv) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

(v) Share-based payment transactions
The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

5. Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.

The capital gearing ratio as on 31 March 2019 and 31 March 2018 was 122% and 97%, respectively.

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6. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Current		
Cash on hand	1,212	1,212
Balances with banks	79,674	58,561
Cash and cash equivalents in the statement of cash flow	**80,886**	**59,773**

7. Trade and Other receivables

	As of	
	March 31, 2019	**March 31, 2018**
Trade and other receivables	1,662,693	4,757,617
Due from Related parties *	733,160	89,185
Less: Allowance for credit losses	-	-
Trade and other receivables, net	**2,395,853**	**4,846,802**

* Refer note 18

In accordance with IFRS 9, the Company has implemented the expected credit loss ("ECL") model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers. Before adoption of IFRS 9, the Company used to maintain an allowance for impairment of doubtful accounts based on the financial condition of the customer,aging of the customer accounts receivable and historical experience of collections from customers.

8. Inventories

Inventories consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Raw materials	6,865,410	6,247,333
Packing materials, stores and spares	1,479,100	1,136,884
Work-In-Progress	3,001,250	983,457
Finished goods	1,276,144	808,328
Total Inventories	**12,621,904**	**9,176,002**

During the years ended March 31, 2019 and 2018, the Company recorded inventory write-downs of USD 1,290,303 and USD 321,601 respectively. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2019 and 2018 includes raw materials, consumables and changes in finished goods and work in progress recognsied in the income statement of USD 20,043,918 and USD 18,637,794 respectively. Cost of revenues for the years ended March 31, 2019 and 2018, includes other expenditures recognsied in the income statement of USD 28,093,507 and USD 29,290,374 respectively.

9. Other Assets

Other assets consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Current		
Due from related parties *	-	383,221
Prepaid expenses	230,815	298,077
Other assets	112,384	96,116
Total Other Current Assets	**343,199**	**777,414**

* Refer note 18

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

Particulars	Land	Buildings	Plant & Machinery	Furniture & fixtures	Office equipment	Vehicles	Total
Gross Carrying Value							
Balance as at April 1, 2017	839,844	18,129,408	38,322,427	1,299,676	646,895	4,384	**59,242,634**
Additions	-	586,155	5,987,088	-	85,283	-	**6,658,526**
Disposals	-	-	324,559	310	-	-	**324,869**
Balance as at March 31, 2018	**839,844**	**18,715,563**	**43,984,956**	**1,299,366**	**732,178**	**4,384**	**65,576,291**
Balance as at April 1, 2018	839,844	18,715,563	43,984,956	1,299,366	732,178	4,384	**65,576,291**
Additions		52,918	1,124,634	-	1,740	22,000	**1,201,292**
Disposals		-	90,659	5,593	-	-	**96,252**
Balance as at March 31, 2019	**839,844**	**18,768,481**	**45,018,931**	**1,293,773**	**733,918**	**26,384**	**66,681,331**
Accumulated Depreciation							
Balance as at April 1, 2017	-	3,754,028	12,993,025	832,460	569,857	4,384	**18,153,754**
Depreciation during the year	-	801,107	3,249,441	135,820	57,898	-	**4,244,266**
Disposals	-	-	131,540	305	-	-	**131,845**
Balance as at March 31, 2018	**-**	**4,555,135**	**16,110,926**	**967,975**	**627,755**	**4,384**	**22,266,175**
Balance as at April 1, 2018	-	4,555,135	16,110,926	967,975	627,755	4,384	**22,266,175**
Depreciation during the year		806,920	2,781,126	80,558	41,020	2,061	**3,711,685**
Disposals		-	9,753	3,264	-	-	**13,017**
Balance as at March 31, 2019	**-**	**5,362,055**	**18,882,299**	**1,045,269**	**668,775**	**6,445**	**25,964,843**
Net Carrying Value							
As at April 01, 2017	**839,844**	**14,375,380**	**25,329,402**	**467,216**	**77,038**	**-**	**41,088,880**
Add:-Capital Work in Progress							**6,225,182**
Total at April 01, 2017							**47,314,062**
As at March 31, 2018	**839,844**	**14,160,428**	**27,874,030**	**331,391**	**104,423**	**-**	**43,310,116**
Add:-Capital Work in Progress							**2,203,308**
Total at March 31, 2018							**45,513,424**
As at March 31, 2019	**839,844**	**13,406,426**	**26,136,632**	**248,504**	**65,143**	**19,939**	**40,716,488**
Add:-Capital Work in Progress							**2,280,620**
Total at March 31, 2019							**42,997,108**

Capital commitment: As of March 31, 2019 and 2018 the company had capital commitments of USD 363,327 and USD 492,557 under agreements for purchase property plant and equipment. The amount is net of capital advances paid in respect of such commitments.

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11. Goodwill

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

The following table presents the changes in goodwill during the years ended March 31, 2019 and 2018:

	As of,	
	March 31, 2019	**March 31, 2018**
Opening balance, gross	2,479,209	2,479,209
Goodwill arising on business combinations during the year	-	-
Effect of translation adjustments	-	-
Impairment loss	-	-
Closing balance	**2,479,209**	**2,479,209**

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

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

b) Terminal value arrived by extrapolating last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.

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

d) Value-in-use is calculated using after tax assumptions. The use of after tax assumptions does not result in a value-in-use that is materially different from the value-in-use that would result if the calculation was performed using before tax assumptions. The after tax discount rates used for impairment evaluation was 5.9% and the pre-tax discount rate was 7.7%.

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

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12. Other intangible assets

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

Particulars	Customer related intangibles	Product related intangibles	Other intangibles	Total
Gross carrying value				
Balance as at April 1, 2017	-	500,000	3,713,291	4,213,291
Additions	-	-	-	-
De–recognitions	-	-	-	-
Balance as at March 31, 2018	**-**	**500,000**	**3,713,291**	**4,213,291**
Balance as at April 1, 2018	-	500,000	3,713,291	4,213,291
Additions	-	-	-	-
De–recognitions*	-	-	-	-
Balance as at March 31, 2019	**-**	**500,000**	**3,713,291**	**4,213,291**
amortization/Impairment Loss				
Balance as at April 1, 2017	-	500,000	3,685,894	4,185,894
amortization during the period	-	-	27,397	27,397
De–recognitions*	-	-	-	-
Balance as at March 31, 2018	**-**	**500,000**	**3,713,291**	**4,213,291**
Balance as at April 1, 2018	-	500,000	3,713,291	4,213,291
amortization during the period	-	-	-	-
De–recognitions*	-	-	-	-
Balance as at March 31, 2019	**-**	**500,000**	**3,713,291**	**4,213,291**
Net carrying amount				
As at April 01, 2017	-	-	**27,397**	**27,397**
As at March 31, 2018	-	-	-	-
As at March 31, 2019	-	-	-	-

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13. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Due to related parties*	223,336	417,582
Others trade payables	1,791,849	2,122,692
Capital creditors	175,129	286,105
Creditors for expenses	255,391	501,330
Total	**2,445,705**	**3,327,709**

* Refer Note 18

14. Other Liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2019	**March 31, 2018**
Current Liabilities		
Accrued expenses	2,422,347	1,891,781
Other Current Liabilities	1,317,269	1,626,323
Total	**3,739,616**	**3,518,104**

15. Share Capital

	As of	
	March 31, 2019	**March 31, 2018**
Fully paid up capital	**40,000,000**	**40,000,000**
As at April 01	40,000,000	40,000,000
Add: Additional paid up share capital	-	-
As at March 31	**40,000,000**	**40,000,000**

The company presently has only one class of equity shares with an par value of USD 10 per share. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company on the date of shareholders meeting shall have one vote in respect of each share field.

In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date.

16. Revenue from contract with customers

Revenue consists of the following:

	For the year ended	
	March 31, 2019	**March 31, 2018**
Sales to third parties	12,717,291	7,149,757
Sales to related parties*	26,087,169	20,580,591
Service income from related parties*	2,758,067	2,000,344
	41,562,527	**29,730,692**

* Refer note 18

17. Other (income)/expense, net

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

	For the year ended	
	March 31, 2019	**March 31, 2018**
Net loss on disposal of property, plant and equipment	1,346	192,574
Others	(3,426)	(329,147)
	(2,080)	**(136,573)**

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18. Related parties

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

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

The following is a summary of significant related party transactions:

Particulars	For the year ended	
	March 31, 2019	**March 31, 2018**
Purchases from:		
Dr. Reddy's Laboratories Limited	223,336	1,317,582
Loan from:		
Dr. Reddy's Laboratories Inc.	11,395,184	10,500,109
Sales to:		
Dr. Reddy's Laboratories Inc.	25,354,009	20,491,406
Dr. Reddy's Laboratories, SA	733,160	-
Dr. Reddy's Laboratories Limited	-	89,185
Service income from:		
Profit share from Dr. Reddy's Laboratories Inc.	2,758,067	2,000,344
Reimbursement of Expenses to:		
Dr. Reddy's Laboratories Tennessee, LLC	-	1,029
Dr. Reddy's Laboratories New York,Inc	-	1,873
Dr. Reddy Labs Canada	-	78

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

Particulars	As of	
	March 31, 2019	**March 31, 2018**
Dr. Reddy's Laboratories Inc.	-	380,241
Dr. Reddy's Laboratories Tennessee, LLC	-	1,029
Dr. Reddy's New York,Inc	-	1,873
Dr. Reddy Labs Canada	-	78
Dr. Reddy's Laboratories, SA	733,160	-
Dr. Reddy's Laboratories Ltd	-	89,185
Total amounts due from related parties	**733,160**	**472,406**

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

Particulars	As of	
	March 31, 2019	**March 31, 2018**
Dr. Reddy's Laboratories Limited	223,336	417,582
Dr. Reddy's Laboratories Inc. (refer note a)	61,215,874	50,200,931
Total amounts due to related parties	**61,439,210**	**50,618,513**

Note a:

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

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19. Income taxes

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

Income tax (expense)/benefit recognsied in the income statement consist of the following:

Particulars	Years ended March 31	
	2019	**2018**
Current taxes (expense)		
Current taxes (expense)/ benefit	(1,286,548)	20,989,174
Current tax effect of net operation losses carry back		(5,983,542)
	(1,286,548)	15,005,632
Deferred taxes (expense)/benefit		
Deferred taxes (expense)/benefit	(155,101)	(17,582,198)
Impact on account of change in enacted tax rate		2,336,976
	(155,101)	(15,245,222)
Total income tax (expense)/benefit in income statement	**(1,441,649)**	**(239,590)**

The Company is considered as disregarded entity for the purpose of Income taxes. The tax expense in the Income Statement of the Company is on account of tax allocation from the consolidated tax benefit/ (expense) of Dr. Reddy's Laboratories Inc. The tax expenses are computed and presented at consolidated financial statements of Dr. Reddy's Laboratories Inc. as per the tax laws of the United States.

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

There were no income tax expenses / benefits recognsied directly in equity for the year ended March 31, 2019 and 2018.

c. Reconciliation of effective tax rate

Particulars	For the year ended March 31	
	2019	**2018**
Profit/ (loss) before income taxes	(11,040,720)	(23,376,170)
Enacted tax rate in US	21.00%	33.71%
Computed expected tax benefit/(expense)	**2,318,551**	**7,880,200**
Effect of change in tax laws and rate	-	2,336,976
Expenses not deductible for tax purposes	(121,213)	(920,199)
Effect of permanent differences	481,982	(524,300)
Others	21,937	231,970
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	(4,142,906)	(9,244,237)
Income tax benefit/ (expense)	**(1,441,649)**	**(239,590)**
Effective tax rate	13.06%	1.02%
		-

(1) The Company's weighted average effective tax rates for the years ended 31 March 2019 and 31 March 2018 were 13.06% and 1.02%, respectively. Tthe Company pursuant to the enactment of The Tax Cuts and Jobs Act of 2017 in the United States on 22 December 2017, re-measured its deferred tax assets and liabilities. This has resulted in impact of USD 2,336,976 for the year ended 31 March 2018. Further, effective tax rate is effected due to allocation of tax expenses based on Parent Down approach which are computed at Parent Company level and consolidated basis.

d. Unrecognsied deferred tax assets and liabilities

During the financial year ending March 31, 2019 and 2018, the Company does not have any unrecognsied deferred tax assets.

e. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

	2019	2018
Deferred tax assets/(liabilities):		
Property plant and equipment	(105,186)	(4,167,262)
Operating loss carry forward	-	(5,983,542)
Accounts receivable	-	(4,996,603)
R&D credit	-	(230,309)
Other current assets	(4,018)	711,557
Stock based compensation/ equity	(4,455)	288,987
Intangibles	-	-
Other current liabilities	(41,442)	(868,050)
Net deferred tax asset/(liabilities)	**(155,101)**	**(15,245,222)**

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

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

f. Movement in temporary differences during the years ended March 31, 2019 and 2018:

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

	March 31, 2018	Movement	As at March 31, 2019
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	(4,573,662)	(105,186)	(4,678,848)
Accounts receivable	75,154	-	75,154
Stock based compensation	3,333	(4,455)	(1,122)
Other current assets	216,626	(4,018)	212,608
R and D credit	-	-	-
Other current liabilities	5	(41,442)	(41,437)
Operating losses carried forward	-	-	-
Net deferred tax assets/(liabilities)	**(4,278,544)**	**(155,101)**	**(4,433,645)**

	As at March 31, 2017	Movement	As at March 31, 2018
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	(406,400)	(4,167,262)	(4,573,662)
Accounts receivable	5,071,757	(4,996,603)	75,154
Stock based compensation	(285,654)	288,987	3,333
Other current assets	(494,931)	711,557	216,626
R and D credit	230,309	(230,309)	-
Other current liabilities	868,055	(868,050)	5
Operating losses carried forward	5,983,542	(5,983,542)	-
Net deferred tax assets/(liabilities)	**10,966,678**	**(15,245,222)**	**(4,278,544)**

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

20. Financial Instruments

Financial Instruments by category

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

Particulars	Note	As of			
		March 31, 2019		March 31, 2018	
		Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Assets:					
Cash and cash equivalents	6	80,886	80,886	59,773	59,773
Trade and other receivables	7	2,395,853	2,395,853	4846802	4,846,802
Other assets*	9	94,257	94,257	479,337	479,337
Total		**2,570,996**	**2,570,996**	**5,385,912**	**5,385,912**
Liabilities:					
Trade and other payables	13	2,445,705	2,445,705	3,327,709	3,327,709
Loans and borrowings	18	61,215,874	61,215,874	50,200,931	50,200,931
Other liabilities and provisions#	14	3,595,878	3,595,878	2,060,116	2,060,116
Total		**67,257,457**	**67,257,457**	**55,588,756**	**55,588,756**

***** Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD 248,942 and USD 298,077 as of March 31, 2019 and 2018, respectively, are not included.

Other liabilities that are not financial liabilities (such as deferred revenue, vacation accrual) of USD 143,738 and 1,457,988 as of March 31, 2019 and 2018, respectively, are not included.

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

21. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

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

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country, in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, were past due or impaired as at March 31, 2019. Of the total trade receivables, USD 2,395,853 as at March 31, 2019 and USD 4,757,617 as at March 31, 2018 consisted of customer balances which were neither past due nor impaired.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 0 – 30 days. The age analysis of the trade receivables has been considered from the date of the invoice. The aging of trade receivables that are past due, net of allowance for doubtful receivables, is given below:

Period (in days)	Year ended	
	March 31, 2019	**March 31, 2018**
00-90	-	-
90-180	-	-
More than 180	-	89,185
Total	**-**	**89,185**

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

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

b. Liquidity risk

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

As of March 31, 2019 and 2018 the Company had working capital deficit of USD 51,959,352 and USD 42,186,753 respectively.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2019:

Particulars	2020	2021	2022	2023	Thereafter	Total
Trade and other payables	2,445,705	-	-	-	-	2,445,705
Loans and borrowings	61,215,874	-	-	-	-	61,215,874
Other liabilities and provisions	3,595,878	-	-	-	-	3,595,878
Total	**67,257,457**	**-**	**-**	**-**	**-**	**67,257,457**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018:

Particulars	2019	2020	2021	2022	Thereafter	Total
Trade and other payables	3,327,709	-	-	-	-	3,327,709
Loans and borrowings	50,200,931	-	-	-	-	50,200,931
Other liabilities and provisions	2,060,116	-	-	-	-	2,060,116
Total	**55,588,756**	**-**	**-**	**-**	**-**	**55,588,756**

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and short term/or long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

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

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. The Company has historically not entered into any derivative financial instruments or futures contracts to hedge exposure to fluctuations in commodity prices.

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

22. Nature of Expense

The following table shows the expenses by nature:

Particulars	**For the year ended March 31, 2019**			
	Cost of revenue	**Selling, general and administrative expenses**	**Research and Development**	**Total**
Employee benefits	16,807,266	1,839,010	341,307	18,987,583
Depreciation and amortization	3,711,685	-	-	3,711,685
	20,518,951	**1,839,010**	**341,307**	**22,699,268**

Particulars	**For the year ended March 31, 2018**			
	Cost of revenue	**Selling, general and administrative expenses**	**Research and Development**	**Total**
Employee benefits	18,311,208	1,504,915	-	19,816,123
Depreciation and amortization	4,244,264	27,397	-	4,271,661
	22,555,472	**1,532,312**	**-**	**24,087,784**

23. Employee benefits

The Company's employees participate in Dr. Reddy's Laboratories 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2019 and 2018 was USD 768,148 and USD 828,324 respectively.

24. Subsequent Events

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

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories Malaysia SDN. BHD.

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Malaysia SDN. BHD.,** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Loss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Malaysia SDN. BHD.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property,plant and equipment	2.1	2,981	4,320
Tax assets, net		193	-
Financial assets			
Other assets	2.4	224	222
		3,398	**4,542**
Current assets			
Inventories		4,250	-
Financial assets			
Trade receivables	2.2	7,864	
Cash and cash equivalents	2.3	25,126	15,287
Other current assets	2.5	902	675
Total current assets		**38,142**	**15,962**
Total assets		**41,540**	**20,505**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.6	49,191	32,329
Other equity			
Retained earnings		(21,874)	(13,977)
Total equity		**27,317**	**18,352**
Current liabilities			
Financial Liabilities			
Trade payables	2.7	10,640	-
Other current financial liabilities	2.8	2,044	2,153
Other liabilities	2.9	1,539	-
Total Liabilities		**14,223**	**2,153**
Total equity and liabilities		**41,540**	**20,505**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Malaysia SDN. BHD.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Malaysia SDN. BHD.
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2019	For the period 16 June 2017 to 31 March 2018
Continuing operations			
Income			
Sales		54,334	-
Revenue from operations		**54,334**	**-**
Other income - Foreign exchange gain,net		-	1,777
Total Income		**54,334**	**1,777**
Expenses			
Cost of materials consumed		19,594	-
Employee benefit expense	2.10	23,552	9,234
Depreciation and amortisation expense	2.1	1,405	453
Selling and other expenses	2.11	17,680	6,067
Total expense		**62,231**	**15,754**
Loss before tax		**(7,897)**	**(13,977)**
Income tax expense		-	-
Loss for the year		**(7,897)**	**(13,977)**
Earnings per share			
Basic - Par value MYR 10 per share		(28.66)	(84.46)
Basic - Par value MYR 10 per share		(28.66)	(84.46)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Malaysia SDN. BHD.**

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Malaysia SDN. BHD.

Statement of Changes in Equity

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

2.3 Total equity

Particulars	Share Capital		Reserves and surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2018	**209,000**	**32,329**	**(13,977)**	**18,352**
Shares issued during the year	100,010	16,862	-	16,862
Profit for the period	-	-	(7,897)	(7,897)
Balance as of 31 March 2019	**309,010**	**49,191**	**(21,874)**	**27,317**

Particulars	Share Capital		Reserves and surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 16 June 2017	-	-	-	-
Shares issued during the year	209,000	32,329	-	32,329
Profit for the period	-	-	(13,977)	(13,977)
Balance as of 31 March 2018	**209,000**	**32,329**	**(13,977)**	**18,352**

As per our report of even date attached

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

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Malaysia SDN. BHD.**

M V Ramana
Director

Dr. Reddy's Laboratories Malaysia SDN. BHD.
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the period 16 June 2017 to 31 March 2018
Operating activities		
Loss before taxation	(7,897)	(13,977)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	1,405	453
Net foreign exchange differences	55	(2,479)
Operating cash flows before working capital changes	**(6,437)**	**(16,003)**
Working capital adjustments:		
Trade receivables	(7,759)	-
Inventories	(4,250)	-
Trade payables	10,651	-
Other assets and liabilities, net	1,207	1,076
	(6,588)	**(14,927)**
Income tax paid	(196)	-
Net cash flows from operating activities	**(6,784)**	**(14,927)**
Net cash flows used in investing activities		
Purchase of property, plant and equipment,net	(66)	**(4,773)**
	(66)	**(4,773)**
Net cash flows from/ (used in) financing activities		
Proceeds from issuance of share capital	16,862	32,329
	16,862	**32,329**
Net increase / (decrease) in cash and cash equivalents	10,012	12,629
Cash and cash equivalents at the beginning of the year	15,287	-
Effect of foreign exchange differences on cash and cash equivalents	(173)	2,658
Cash and cash equivalents at the end of the year	**25,126**	**15,287**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	25,126	15,287
Cash and bank balances at the end of the year	**25,126**	**15,287**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Malaysia SDN. BHD.**

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

PSRVV Surya Rao
Partner
Membership No. 202367

M V Ramana
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Malaysia SDN. BHD.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Laboratories Malaysia SDN. BHD. (" the Company") incorporated in Malaysia , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies
Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Laboratories Malaysia SDN. BHD.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

Income tax

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

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

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

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

Buildings
- Factory and administrative buildings
- Ancillary structures
Plant and machinery
Furniture, fixtures and office equipment
Vehicles

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

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

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

Dr. Reddy's Laboratories Malaysia SDN. BHD.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

Employee benefits
Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
Defined contribution plans
The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Provisions, contingent liabilities and contingent assets
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.
Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.
Reimbursement rights
Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.
Contingent liabilities
A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.
Contingent assets
Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial assets
All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.
Impairment of trade receivables
In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.
For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.
As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.
Financial liabilities
Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

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

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories Malaysia SDN. BHD.

Significant Accounting Policies & Notes to financial statements

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

Note 1 Description of the Company and significant accounting policies(continued)

1.5 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the Company is supported by its parent company in its activities and financial affairs

1.6 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Purchases from holding and other group companies		
Dr. Reddy's Laboratories Limited	23,809	-

b. The company has the following amounts due to related parties

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in Trade		
Dr. Reddy's Laboratories Limited	10,640	-

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.8 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.9 The company is incorporated on 16 June 2017 under the laws of Malaysia , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.10 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Laboratories Malaysia SDN. BHD.
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Property, plant and equipment

Description	Gross Block				Depreciation				Net Block	
	As at 1 April 2018	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018
Furniture and fixtures	4,773	66	-	4,839	453	1,405	-	1,858	2,981	4,320
Total	**-**	**4,773**	**-**	**4,773**	**-**	**453**	**-**	**453**	**4,320**	**-**

Dr. Reddy's Laboratories Malaysia SDN. BHD.

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

Note 2: Notes to the financial statements

Financial Assets

2.2 : Trade receivables

	As at 31 March 2019	As at 31 March 2018
Trade receivables	7,864	-
	7,864	**-**

2.3 : Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balances with banks:		
- On current accounts	25,118	15,280
Cash on hand	8	7
Cash and cash equivalents	**25,126**	**15,280**

2.4 : Other financial assets

	As at 31 March 2019	As at 31 March 2018
Non current assets		
Security deposits	224	222
	224	**222**

Other Assets

2.5 : Other current assets

	As at 31 March 2019	As at 31 March 2018
Other current assets	902	675
	902	**675**

Dr. Reddy's Laboratories Malaysia SDN. BHD.

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

2.6 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
309,010 (31 March 2018: 209,000) equity shares of MYR 10 each	49,191	32,329
Issued equity capital		
309,010 (31 March 2018: 209,000) equity shares of MYR 10 each	49,191	32,329
Subscribed and fully paid-up		
309,010 (31 March 2018: 209,000) equity shares of MYR 10 each	49,191	32,329
	49,191	**32,329**

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

Particulars	**As at 31 March 2019**		**As at 31 March 2018**	
	No. of equity shares	**Amount**	**No. of equity shares**	**Amount**
Number of shares outstanding at the beginning of the year	209,000	32,329	-	-
Add:Shares issued during the year	100,010	16,862	209,000	32,329
Number of shares outstanding at the end of the year	**309,010**	**49,191**	**209,000**	**32,329**

(b) **Terms / rights attached to the equity shares**

The company has only one class of equity shares having a par value of MYR 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**

Particulars	**As at 31 March 2019**		**As at 31 March 2018**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Laboratories SA	309,010	100%	209,000	100%

Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
2.7 : Trade Payables		
Trade payables to holding and other group companies	10,640	-
	10,640	**-**

	As at 31 March 2019	As at 31 March 2018
2.8 : Other financial liabilities		
Accrued expenses	314	-
Other liabilities	1,730	2,153
	2,044	**2,153**

Other Liabilities

	As at 31 March 2019	As at 31 March 2018
2.9 : Other liabilities		
Salary and bonus payable	1,539	-
	1,539	**-**

Dr. Reddy's Laboratories Malaysia SDN. BHD.

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

Note 2: Notes to the financial statements

	For the year ended 31 March 2019	For the period 16 June 2017 to 31 March 2018
2.10 : Employee benefit expenses		
Salaries,wages and bonus	20,511	7,458
Contribution to provident and other funds	2,520	1,020
Staff welfare expenses	521	756
	23,552	**9,234**

2.11 : Selling and other expenses	For the year ended 31 March 2019	For the period 16 June 2017 to 31 March 2018
Foreign exchange loss, net	309	-
Legal and professional	4,369	2,870
Travel expenses	4,772	1,396
Rent expense	797	312
Other general expenses	7,433	1,489
	17,680	**6,067**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories New York Inc. (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs)

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

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as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young Associates LLP

Ernst & Young Associates LLP

Oval office, 18, iLabs Centre,
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Date: 16 May 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories New York Inc (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

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as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Ernst + Young Associates LLP

Ernst & Young Associates LLP

Oval office, 18, iLabs Centre,
Madhapur, Hyderabad 500 081,
India

Date: 16 May 2019

DR. REDDY'S LABORATORIES NEW YORK INC.

Financial Statements

March 31, 2019 and March 31, 2018

DR. REDDY'S LABORATORIES NEW YORK INC.

Financial Statements

March 31, 2019 and March 31, 2018

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

PARTICULARS	Note	As of March 31,2019	As of March 31,2018
ASSETS			
Current assets			
Cash and cash equivalents	9	681	5,485
Other current assets	8	414,561	567,751
Tax assets		75,545	75,738
Total current assets		**490,787**	**648,974**
Non-current assets			
Property, plant and equipment	6	11,766,893	13,105,428
Intangible assets	7	562,500	812,500
Other non-current assets	8	308,955	608,955
Total non-current assets		**12,638,348**	**14,526,883**
Total assets		**13,129,135**	**15,175,857**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	138,760	169,999
Loans and Borrowings	16	34,590,614	30,585,061
Other current liabilities	12	891,189	786,641
Total current liabilities		**35,620,563**	**31,541,701**
Total liabilities		**35,620,563**	**31,541,701**
Equity			
Share capital	10	5,000	5,000
Additional Paid up capital	10	49,995,000	49,995,000
Retained Earnings		(72,633,872)	(66,494,072)
Share based payment reserve		142,444	128,228
Total equity		**(22,491,428)**	**(16,365,844)**
Total liabilities and equity		**13,129,135**	**15,175,857**

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

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

PARTICULARS	Note	For the year ended March 31,2019	For the year ended March 31,2018
Revenues		-	-
Cost of revenues		-	-
Gross (loss) / profit		**-**	**-**
Selling, general and administrative expenses	13	(28,018)	(8,072)
Research and development expenses	14	6,316,024	7,848,954
Other (income)/expense, net	15	(99,763)	(56,629)
Total operating expenses		**6,188,243**	**7,784,253**
Results from Operating Activities		**(6,188,243)**	**(7,784,253)**
Finance Income	16	48,443	73,966
Finance Expense		-	-
Finance Income/Expense		**48,443**	**73,966**
Loss before tax		**(6,139,800)**	**(7,710,287)**
Income Tax Expense		-	(54,646)
Loss for the year		**(6,139,800)**	**(7,655,641)**

The accompanying notes are an integral part of financial statements

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

	March 31,2019	March 31,2018
Loss for the year	**(6,139,800)**	**(7,655,641)**
Other comprehensive income		
Items that will not be reclassified to Income Statement:	-	-
Total items that will not be reclassified to Income Statement	-	-
Items that may be reclassified subsequently to Income Statement:	-	-
Total items that may be reclassified subsequently to Income Statement	-	-
Other comprehensive (loss) / profit for the year, net of income tax	-	-
Total comprehensive loss for the year	**(6,139,800)**	**(7,655,641)**

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

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

Particulars	Number of Shares	Share Capital	Share Premium	Share based payment Reserve	Retained earnings	Total
Balance as of April 01, 2017 (A)	**50,000**	**5,000**	**49,995,000**	**85,020**	**(58,838,431)**	**(8,753,411)**
Total Comprehensive income						
Loss for the period	-	-	-	-	(7,655,641)	(7,655,641)
Foreign currency translation adjustments	-	-	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**-**	**-**	**(7,655,641)**	**(7,655,641)**
Transactions with owners of the Company						
Contributions and distributions						
Share based payment expense	-	-	-	43,208	-	43,208
Total contributions and distributions		**-**	**-**	**43,208**	**-**	**43,208**
Total transactions with owners of the Company (C)	-	-	-	43,208	-	43,208
Balance as of March 31,2018 [(A)+(B)+(C)]	**50,000**	**5,000**	**49,995,000**	**128,228**	**(66,494,072)**	**(16,365,844)**
Balance as of April 01, 2018 (A)	**50,000**	**5,000**	**49,995,000**	**128,228**	**(66,494,072)**	**(16,365,844)**
Total Comprehensive income						
Loss for the period	-	-	-	-	(6,139,800)	(6,139,800)
Foreign currency translation adjustments	-	-	-	-	-	-
Total Comprehensive income (B)		**-**		**-**	**(6,139,800)**	**(6,139,800)**
Transactions with owners of the Company						
Contributions and distributions						
Share based payment expense	-	-	-	14,216	-	14,216
Total contributions and distributions	-	-	-	**14,216**	**-**	**14,216**
Total transactions with owners of the Company (C)	-	-	-	14,216	-	14,216
Balance as of March 31,2019 [(A)+(B)+(C)]	**50,000**	**5,000**	**49,995,000**	**142,444**	**(72,633,872)**	**(22,491,428)**

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

Particulars	For the year ended	
	March 31,2019	**March 31,2018**
Cash flows from/(used in) operating activities:		
Loss for the year	(6,139,800)	(7,655,641)
Adjustments for:		
Depreciation and amortization	1,738,750	2,420,415
Loss on sale of property, plant and equipment	63,558	61,185
Share based payment expense	14,216	43,208
Interese Income	(47,089)	(65,469)
Income tax expense / (benefit)	-	(54,646)
Changes in operating assets and liabilities:		
Other assets and liabilities	543,305	(211,256)
Trade and other payables	(35,093)	(222,470)
Cash used in Operations	**(3,862,154)**	**(5,684,674)**
Taxes Paid	-	(10,592)
Net cash used in operating activities	**(3,862,154)**	**(5,695,266)**
Cash flows used in investing activities:		
Purchase of property, plant and equipment	(209,919)	(146,700)
Interest Received	61,715	69,969
Net cash used in investing activities	**(148,204)**	**(76,731)**
Cash flows from financing activities:		
Proceeds from loans and borrowings from parent company, net	4,005,553	5,329,231
Net cash from financing activities	**4,005,553**	**5,329,231**
Net decrease in cash and cash equivalents	**(4,805)**	**(442,766)**
Cash and cash equivalents at the beginning of the year	5,485	448,251
Cash and cash equivalents at the end of the year	**680**	**5,485**

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

1. Reporting entity

Dr. Reddy's Laboratories New York Inc. was incorporated on May 24, 2011 in the state of Delaware. The Company has obtained a license from APR LLC which provides the process of manufacturing API pertaining to Conjugated Estrogen product. Besides the process acquired, as part of Research and development, the Company is in the process of developing an alternative manufacturing method of API.

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

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2019 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared for the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company's annual reporting date, March 31, 2019. These financial statements were authorized for issuance by the Company's Board of Directors on May 16, 2019.

b. Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis.except for the following material items in the statement of financial position:

• derivative financial instruments are measured at fair value;
• certain financial assets are measured either at fair value or at amortized cost depending on the classification;
• assets held for sale are measured at fair value less costs to sell; and
• share-based payments are measured at fair value.

c. Functional and presentation currency

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

d. Going Concern

The Company's financial statement for the year ended March 31, 2019 and March 31, 2018 have been prepared on a going concern basis which assumes that the Group (Parent Company / Ultimate Parent Company) will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As at March 31, 2019 and March 31, 2018, the Company had a working capital deficit of USD 35,129,775 and USD 30,892,727 respectively. The Company had incurred losses of USD 6,139,800 and USD 7,655,641 and had negative cash flow from operations of USD 3,862,152 and USD 5,695,266 for the year ended March 31,2019 and March 31, 2018 respectively. The Company is currently in the process of research and development of API pertaining to Conjugated Estrogen product and would be able to derive positive cash flows and working capital from the business upon successful development and commercialization of the said product.

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

e. Use of estimates and judgments

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

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

- Note 2(c) — Functional currency;
- Note 3(a) and 17 — Financial instruments;
- Note 3(b) — Useful life of property plant and equipment;
- Note 3(c) — Useful life of intangible
- Note 3(d) — Valuation of inventories;
- Note 3(e) — Provisions;
- Note 3(g) —Income tax and
- Note 3(h) —Share based payment transactions

3. Significant accounting policies

New Standards adopted by the Company

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, "Financial instruments". IFRS 9 significantly differs from IAS 39, "Financial Instruments: Recognition and Measurement", and includes "expected loss" impairment model. The Company applied the modified retrospective method upon adoption of IFRS 9 on April 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 9 to retained earnings and not to restate prior years. The implementation of IFRS 9 did not had any material impact on the Company.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". This comprehensive new standard supersedes IAS 18, "Revenue", IAS 11, "Construction contracts" and related interpretations. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

As the revenue generation of the Company has not commenced, there is no impact on implementation of this standard.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a. Foreign currency

Foreign currency transactions

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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

b. Financial instruments

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

Accounting policies relating to financial instruments after March 31, 2018 are as follows:

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVTOCI);
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL); and
- Equity instruments measured at fair value through other comprehensive income (FVTOCI).

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

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

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the income statement. The losses arising from impairment are recognised in the income statement. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the income statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the income statement. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the income statement.

Equity investments

All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the income statement, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the income statement.

Derecognition

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

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the income statement.

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

Loans and borrowings

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

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

Derecognition

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

Cash and cash equivalents

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

Accounting policies relating to financial instruments for the periods ending on or prior to March 31, 2018 are as follows:

Cash and cash equivalents

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business. After initial recognition, trade payables are recognsied at amortized cost using the effective interest rate method.

Debt instruments and other financial liabilities

The Company initially recognizes debt instruments issued on the date that they originate. All other financial liabilities are recognsied initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. These are recognsied initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other non-derivative financial instruments

Other non-derivative financial instruments are initially recognsied at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual right to the cash flows from that asset expires, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing, at amortized cost, for the proceeds received The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognsied financial liability and the consideration paid is recognsied as profit or loss in the Income Statement.

c. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

• Expected to be realised or intended to sold or consumed in the normal operating cycle
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period

Or

• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

• It is expected to be settled in the normal operating cycle
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period

Or

• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d. Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

e. Property, plant and equipment

Recognition and measurement

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

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

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

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

Depreciation

Depreciation is recognsied in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

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

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

f. Goodwill and other Intangible assets

Goodwill

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

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

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

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

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

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognsied in the income statement as incurred. As of March 31, 2019, none of the development expenditure amounts has met the aforesaid recognition criteria.

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

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognsied immediately in the income statement.

Subsequent expenditure

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

Amortization

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

Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives of Product related intangibles is 10 years.

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

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

g. Provisions

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

h. Contingent liabilities and contingent assets

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

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

i. Revenue

Revenue from contracts with customers:

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

Interest income:

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

j. Employee benefits

Short-term employee benefits

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

k. Income tax

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

Deferred tax is recognsied using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

l. Share-based payment transactions

Equity settled share-based payment transactions

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

m. Impairment

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

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

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

An impairment loss is recognsied in the income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognsied in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill
An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognsied in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognsied. Goodwill that forms part of the carrying amount of an investment in an associate is not recognsied separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

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

k. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

IFRS 16, Leases
In January 2016, the IASB issued a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, "Leases", and related interpretations and is effective for annual reporting periods beginning on or after January 1, 2019. Earlier adoption of IFRS 16 is permitted if IFRS 15, "Revenue from Contracts with Customers", has also been applied.

Upon adoption, a portion of the annual operating lease expense, which is currently fully recognsied as functional expense, will be recognsied as finance expense. Further, a portion of the annual lease payments recognsied in the cash flow statement as reduction of lease liability will be recognsied as outflow from financing activities, which are currently fully recognsied as an outflow from operating activities.
The Company is in the process of evaluating the impact of IFRS 16, Leases on its Standalone financial statements.

IFRIC 23, Uncertainty over Income Tax treatments
On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23 "Uncertainty over Income Tax Treatments", which clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes", are applied where there is uncertainty over income tax treatments.
IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. An entity can, on initial application, elect to apply this interpretation either:
• retrospectively applying IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", if possible without the use of hindsight; or
• retrospectively, with the cumulative effect of initially applying the interpretation recognsied at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).
The Company believes that the adoption of IFRIC 23 will not have a material impact on its financial statements.

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

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

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

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

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

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

(iii) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

(iv) Share-based payment transactions
The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

5. Capital management
For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.

The capital gearing ratio as on 31 March 2019 and 31 March 2018 was 286% and 215%, respectively.

DR. REDDY'S LABORATORIES NEW YORK INC.
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6. Property plant and equipment: The following is a summary of the change in carrying value of property, plant and equipment.

Particulars	Land	Buildings(Factory and Administrative)	Lease Hold Improvements	Plant & Machinery	Furniture & fixtures	Computers	Total
Gross Carrying Value							
Balance as at April 1, 2017	400,000	1,517,930	7,144,552	14,272,323	12,610	18,425	**23,365,840**
Additions	-	46,194	-	130,616	-	-	**176,810**
Disposals	-	-	-	(112,888)	-	-	**(112,888)**
Balance as at March 31, 2018	**400,000**	**1,564,124**	**7,144,552**	**14,290,051**	**12,610**	**18,425**	**23,429,762**
Balance as at April 1, 2018	400,000	1,564,124	7,144,552	14,290,051	12,610	18,425	23,429,762
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	(156,889)	-	-	**(156,889)**
Balance as at March 31, 2019	**400,000**	**1,564,124**	**7,144,552**	**14,133,162**	**12,610**	**18,425**	**23,272,873**
Accumulated Depreciation							
Balance as at April 1, 2017	-	611,626	1,210,727	6,476,113	12,381	18,425	**8,329,272**
Depreciation during the year	-	115,713	398,649	1,655,824	229	-	**2,170,415**
Disposals	-	-	-	(51,704)	-	-	**(51,704)**
Balance as at March 31, 2018	**-**	**727,339**	**1,609,376**	**8,080,233**	**12,610**	**18,425**	**10,447,983**
Balance as at April 1, 2018	-	727,339	1,609,376	8,080,233	12,610	18,425	**10,447,983**
Depreciation during the year	-	116,663	290,744	1,081,343	-	-	**1,488,750**
Disposals	-	-	-	(93,331)	-	-	**(93,331)**
Balance as at March 31, 2019	**-**	**844,002**	**1,900,120**	**9,068,245**	**12,610**	**18,425**	**11,843,402**
Net Carrying Value							
As at April 01, 2017	**400,000**	**906,304**	**5,933,825**	**7,796,210**	**229**	**-**	**15,036,568**
Add:-Capital Work in Progress							**158,997**
Total at April 01, 2017							**15,195,565**
As at March 31, 2018	**400,000**	**836,785**	**5,535,176**	**6,209,818**	**-**	**-**	**12,981,779**
Add:-Capital Work in Progress							**123,648**
Total at March 31, 2018							**13,105,428**
As at March 31, 2019	**400,000**	**720,122**	**5,244,432**	**5,064,917**	**-**	**-**	**11,429,471**
Add:-Capital Work in Progress	-	-	-	-	-	-	**337,422**
Total at March 31, 2019							**11,766,893**

Capital commitment: As of March 31, 2019 and 2018 the company had capital commitments of USD 140,072 and USD 139,979 under agreements for purchase of property plant and equipment. The amount is net of capital advances paid in respect of such agreements.

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

7. Intangible assets

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

Particulars	Product related intangibles	Total
Gross carrying value		
Balance as at April 1, 2017	2,500,000	2,500,000
Additions	-	-
De–recognitions	-	-
Balance as at March 31, 2018	**2,500,000**	**2,500,000**
Balance as at April 1, 2018	2,500,000	2,500,000
Additions	-	-
De–recognitions	-	-
Balance as at March 31, 2019	**2,500,000**	**2,500,000**
amortization/Impairment Loss		
Balance as at April 1, 2017	1,437,500	1,437,500
amortization during the period	250,000	250,000
De–recognitions	-	-
Balance as at March 31, 2018	**1,687,500**	**1,687,500**
Balance as at April 1, 2018	1,687,500	1,687,500
amortization during the period	250,000	250,000
De–recognitions	-	-
Balance as at March 31, 2019	**1,937,500**	**1,937,500**
Net carrying amount		
As at April 01, 2017	**1,062,500**	**1,062,500**
As at March 31, 2018	**812,500**	**812,500**
As at March 31, 2019	**562,500**	**562,500**

The weighted average remaining useful life of intangibles was approximately 2.25 years as at March 31, 2019.

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8. Other Assets

Other assets consist of the following:

	As of	
	March 31,2019	**March 31,2018**
Current		
Due from related parties *	62,219	101,634
Prepaid expenses	47,395	63,859
Other assets	304,947	402,258
Total Current Assets	**414,561**	**567,751**
Non-current		
Deposits and other assets – non current	308,955	608,955
Total Non Current Assets	**308,955**	**608,955**
Total	**723,516**	**1,176,706**

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

* Refer note 16

9. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31,2019	**March 31,2018**
Current		
Cash on hand	681	2,279
Balances with banks	-	3,206
Cash and cash equivalents in the statement of cash flow	**681**	**5,485**

Balances with bank include restricted cash of USD Nil and USD 3,206 for the years ended March 31, 2019 and 2018, respectively, representing amounts lying in escrow account pursuant to the asset purchase agreement entered with APR LLC.

10. Share Capital

	As of	
	March 31,2019	**March 31,2018**
Par value per share	**0.10**	**0.10**
Authorized share capital (75,000 shares)	**7,500**	**7,500**
Fully paid up capital		
As at April 01	5,000	5,000
Add: Issued during the year	-	-
As at March 31	**5,000**	**5,000**
Additional paid in capital		
As at April 1	49,995,000	49,995,000
Add: Issued during the year	-	-
As at March 31	**49,995,000**	**49,995,000**

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

In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date.

11. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31,2019	**March 31,2018**
Others trade payables	-	869
Capital creditors	12,567	16,421
Creditors for expenses	126,193	152,709
	138,760	**169,999**

12. Other Liabilities

Other liabilities consist of the following:

	As of	
	March 31,2019	**March 31,2018**
Current Liabilities		
Accrued expenses	862,741	740,207
Other Current Liabilities	28,448	44,561
Other liabilities – Related party *	-	1,873
	891,189	**786,641**

* Refer Note 16

13. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	For the year ended	
	March 31,2019	**March 31,2018**
Legal and professional expenses	(21,320)	(16,140)
Provision for advances	(6,698)	8,068
	(28,018)	**(8,072)**

14. Research and development expenses

	For the year ended	
	March 31,2019	**March 31,2018**
Employee Cost	2,577,377	3,241,171
Depreciation & Amortization	1,738,749	2,420,415
Loss on sale of property, plant and equipment, net	63,558	61,185
Others	1,936,340	2,126,183
	6,316,024	**7,848,954**

15. Other (income)/expense, net

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

	For the year ended	
	March 31,2019	**March 31,2018**
Miscellaneous Income - Related party* (Note 16)	(98,704)	(39,367)
Others'	(1,059)	(17,262)
	(99,763)	**(56,629)**

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

16. Finance income

	For the year ended	
	March 31,2019	**March 31,2018**
Interest Income	47,089	65,469
Foreign Exchange Gain	1,354	8,497
	48,443	**73,966**

DR. REDDY'S LABORATORIES NEW YORK INC.
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16. Related parties

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

(a) Dr. Reddy's Laboratories Limited	Ultimate Parent Company
(b) Dr. Reddy's Laboratories S.A.	Parent Company
(c) Dr. Reddy's Laboratories Inc	Company under Common Control
(d) Dr. Reddy's Laboratories Lousiana, LLC	Subsidiary of Company under Common Control

The following is a summary of significant related party transactions:

Particulars	For the year ended	
	March 31,2019	**March 31,2018**
Other Income:		
Dr. Reddy's Laboratories Ltd	98,704	39,367
Loan from:		
Dr. Reddy's Laboratories Inc.	4,005,553	5,329,231
Reimbursement of Expenses from:		
Dr. Reddy's Laboratories Lousiana, LLC	-	1,873

The Company has the following amounts due from related parties:

Particulars	As of	
	March 31,2019	**March 31,2018**
Dr. Reddy's Laboratories Inc.	-	88,159
Dr. Reddy's Laboratories Limited	62,219	13,475
Total amounts due from related parties	**62,219**	**101,634**

The Company has the following amounts due to related parties (Included in Current liabilities):

Particulars	As of	
	March 31,2019	**March 31,2018**
Dr. Reddy's Laboratories Inc. (refer note a)	34,590,614	30,585,061
Dr. Reddy's Laboratories Lousiana, LLC	-	1,873
Total amounts due to related parties	**34,590,614**	**30,586,934**

Note a:

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

DR. REDDY'S LABORATORIES NEW YORK INC.
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17. Financial Instruments

Financial Instruments by category

The carrying value and fair value of the financial instruments by each category as at March 31, 2019 were as follows:

Particulars	Note	For year ended March 31, 2019		For year ended March 31, 2018	
		Total Carrying Value	Total fair value	Total Carrying Value	Total fair value
Assets:					
Cash and cash equivalents	9	681	681	5,485	5,485
Other assets*	8	676,121	676,121	1,112,847	1,112,847
Total		**676,802**	**676,802**	**1,118,332**	**1,118,332**
Liabilities:					
Trade and other payables	11	138,760	138,760	169,999	169,999
Loans and borrowings	16	34,590,614	34,590,614	30,585,061	30,585,061
Other liabilities and provisions #	12	840,462	840,462	732,127	732,127
Total		**35,569,836**	**35,569,836**	**31,487,187**	**31,487,187**

* Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD 47,395 and USD 63,859 as of March 31, 2019 and 2018, respectively, are not included.

Other liabilities that are not financial liabilities (such as vacation accruals) of USD 50,727 and USD 54,514 as of March 31, 2019 and March 31, 2018 are not included.

DR. REDDY'S LABORATORIES NEW YORK INC.
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18. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

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

b. Liquidity risk

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

As of March 31, 2019 and 2018 the Company had working capital deficit of USD 35,129,775 and USD 30,892,727 respectively.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2019:

Particulars	Year 2020	Year 2021	Year 2022	Year 2023	Thereafter	Total
Trade and other payables	138,760	-	-	-	-	138,760
Loans and borrowings	34,590,614	-	-	-	-	34,590,614
Other liabilities and provisions	840,462	-	-	-	-	840,462
Total	**35,569,836**	**-**	**-**	**-**	**-**	**35,569,836**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018:

Particulars	Year 2020	Year 2021	Year 2022	Year 2023	Thereafter	Total
Trade and other payables	169,999	-	-	-	-	169,999
Loans and borrowings	30,585,061	-	-	-	-	30,585,061
Other liabilities and provisions	732,127	-	-	-	-	732,127
Total	**31,487,187**	**-**	**-**	**-**	**-**	**31,487,187**

c. Market risk

Foreign exchange risk

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

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NOTES TO THE FINANCIAL STATEMENTS
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19. Nature of Expense

The following table shows the expenses by nature:

Particulars	**For the year ended March 31, 2019**			
	Cost of revenue	**Selling, general and administrative expenses**	**Research and Development**	**Total**
Employee benefits	-		2,577,377	2,577,377
Depreciation and amortization	-	-	1,738,749	1,738,749
	-	**-**	**4,316,126**	**4,316,126**

Particulars	**For the year ended March 31, 2018**			
	Cost of revenue	**Selling, general and administrative expenses**	**Research and Development**	**Total**
Employee benefits	-	-	3,241,171	3,241,171
Depreciation and amortization	-	-	2,420,415	2,420,415
	-	**-**	**5,661,586**	**5,661,586**

20. Employee benefits

The Company employees participate in Dr. Reddy's Laboratories New York Inc., 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2019 and March 31, 2018 was USD 122,204 and USD respectively.

21. Subsequent Events

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

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories Philippines Inc..

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Philippines Inc.** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Loss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Philippines Inc.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2019
ASSETS		
Non-current assets		
Property, plant and equipment	2.1	19
		19
Current assets		
Financial assets		
Cash and cash equivalents	2.2	10,053
Other current assets	2.3	359
		10,412
Total assets		**10,431**
EQUITY AND LIABILITIES		
Equity		
Equity share capital	2.4	12,828
Other equity		(4,351)
		8,477
Liabilities		
Current liabilities		
Financial Liabilities		
Other financial liabilities	2.5	1,651
Other current liabilities	2.6	303
		1,954
Total equity and liabilities		**10,431**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Philippines Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Philippines Inc.
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the period 09 May 2018 to 31 March 2019
Income		
Other income	2.7	462
Total income		**462**
Expenses		
Employee benefits expense	2.8	2,320
Depreciation expense	2.9	1
Selling and other expenses	2.10	2,492
Total expenses		**4,813**
Loss before tax		**(4,351)**
Tax expense		-
Loss for the period		**(4,351)**
Other comprehensive income (OCI)		**-**
Total comprehensive loss for the period		**(4,351)**
Earnings per share:		
Basic earnings per share of PHP 100/- each		(46.66)
Diluted earnings per share of PHP 100/- each		(46.66)

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Philippines Inc.**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Philippines Inc.

Statement of Changes in Equity

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

Particulars	Equity share capital	Other components of equity	Total equity
		Reserves and surplus	
		Retained earnings	
Balance as at 9 May 2018	-	-	-
Issue of equity shares	12,828	-	12,828
Profit for the period	-	(4,351)	(4,351)
Balance as at 31 March 2019	**12,828**	**(4,351)**	**8,477**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Philippines Inc.

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Philippines Inc.
Statement of Cash Flow
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the period 9 May 2018 to 31 March 2019
Cash flows from / (used in) operating activities	
Loss before tax	**(4,351)**
Adjustments:	
Depreciation expense	1
Foreign exchange loss, net	(484)
Finance income	(16)
Changes in operating assets and liabilities:	
Other assets and liabilities, net	1,607
Cash generated used in operations	**(3,243)**
Income tax paid, net	-
Net cash used in operating activities	**(3,243)**
Cash flows from / (used in) investing activities	
Purchase of property, plant and equipment	(20)
Finance income received	16
Net cash used in investing activities	**(4)**
Cash flows from / (used in) financing activities	
Proceeds from issue of equity shares	12,828
Net cash from financing activities	**12,828**
Net decrease in cash and cash equivalents	9,581
Effect of exchange rate changes on cash and cash equivalents	472
Cash and cash equivalents at the beginning of the period (Refer note 2.2)	-
Cash and cash equivalents at the end of the period (Refer note 2.2)	**10,053**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Philippines Inc.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories Philippines Inc.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Laboratories Philippines Inc. (" the Company") incorporated on 9 May 2018 in Philippines, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

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

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

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

d) Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dr. Reddy's Laboratories Philippines Inc.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) Income tax

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

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

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

h) Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Dr. Reddy's Laboratories Philippines Inc.
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

i) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Cash settled share-based payments

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognised as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognised in the statement of profit and loss.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

m) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories Philippines Inc.

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value				Accumulated depreciation				Net carrying value
	As at 9 May 2018	Additions	Disposals	As at 31 March 2019	As at 9 May 2018	For the period	Disposals	As at 31 March 2019	As at 31 March 2019
Furniture, fixtures and office equipment	-	20	-	20	-	1	-	1	19
Total	**-**	**20**	**-**	**20**	**-**	**1**	**-**	**1**	**19**

Dr. Reddy's Laboratories Philippines Inc.

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)

2.2 Financial assets

2.2 Cash and cash equivalents

	As at 31 March 2019
Balances with banks:	
- In current accounts	10,053
	10,053

2.3 Other current assets

	As at 31 March 2019
Unsecured, considered good	
Balances with statutory authorities	161
Others	198
	359

2.4 Share capital

	As at 31 March 2019
Authorised share capital	
100,000 equity shares of PHP 100/- each	27,230
Issued equity capital	
100,000 equity shares of PHP 100/- each	12,828
Subscribed and fully paid-up	
100,000 equity shares of PHP 100/- each	12,828
	12,828

(a) **Reconciliation of the equity shares outstanding is set out below:**

Particulars	**For the period ended 31 March 2019**	
	No. of equity shares	**Amount**
Number of shares outstanding at the beginning of the period	-	-
Add: Equity shares issued during the period	100,000	12,828
Number of shares outstanding at the end of the period	**100,000**	**12,828**

(b) **Terms / rights attached to the equity shares**

The Company has only one class of equity shares having a par value of PHP 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**

Particulars	**As at 31 March 2019**	
	No. of equity shares held	**% holding in the class**
Dr. Reddy's Laboratories SA	100,000	100.00

Dr. Reddy's Laboratories Philippines Inc.

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)

2.5 Financial Liabilities

2.5 Other current financial liabilities

	As at 31 March 2019
Accrued expenses	1,032
Others	619
	1,651

2.6 Other current liabilities

	As at 31 March 2019
Salary and bonus payable	212
Due to statutory authorities	91
Others	-
	303

Dr. Reddy's Laboratories Philippines Inc.

Dr. Reddy's Laboratories Philippines Inc.

Note 2 Notes to the financial statements (continued)

2.7 Other income

	For the period 09 May 2018 to 31 March 2019
Interest income	16
Foreign exchange gain, net	446
	462

2.8 Employee benefits expense

	For the period 09 May 2018 to 31 March 2019
Salaries, wages and bonus	2,244
Contribution to provident and other funds	13
Staff welfare expenses	63
	2,320

2.9 Depreciation expense

	For the period 09 May 2018 to 31 March 2019
Depreciation of property, plant and equipment	1
	1

2.10 Selling and other expenses

	For the period 09 May 2018 to 31 March 2019
Legal and professional	2,129
Travel and conveyance	7
Rates and taxes	21
Communication	37
Other general expenses	298
	2,492

2.11 Going Concern

The accounts have been prepared on Going Concern basis.

Dr. Reddy's Laboratories Philippines Inc.

Dr. Reddy's Laboratories Philippines Inc.

Note 2 Notes to the financial statements (continued)

2.12 Related parties

The company had no transactions with, and no amounts due to or due from related parties during the year ended and as at March 31, 2019 respectively.

2.13 Income taxes

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

2.14 Provisions, contingent liabilities and contingent assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

2.15 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

2.16 The Company is incorporated on 9 May 2018 and accordingly the comparitive figures are not presented.

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Philippines Inc.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Ramana
Director

Sameer Natu
Director

Place: Hyderabad
Date: 15 May 2019

Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories (Proprietary) Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Proprietary) Limited** a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2019;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Profit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Proprietary) Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non current assets			
Property, plant and equipment	2.1	10,796	14,635
Other Intangible Assets	2.1	870	870
Tax assets, net	2.2	722	37,025
Deferred tax assets, net		9,019	13,268
Total non current assets		**21,407**	**65,798**
Current assets			
Inventories	2.3	421,099	281,344
Financial assets			
Trade receivables	2.4	317,141	399,149
Cash and cash equivalents	2.5	86,132	61,700
Other current assets	2.6	54,731	33,232
Total current assets		**879,103**	**775,425**
Total assets		**900,510**	**841,223**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.7	-	-
Other equity			
Retained earnings		289,628	195,557
Total equity		**289,628**	**195,557**
Current liabilities			
Financial Liabilities			
Borrowings	2.8	71,550	-
Trade payables	2.9	487,072	596,644
Other current financial liabilities	2.10	4,890	16,493
Other current liabilities	2.11	47,370	32,529
Total Liabilities		**610,882**	**645,666**
Total equity and liabilities		**900,510**	**841,223**

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Proprietary) Limited**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Proprietary) Limited

Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from operations	2.12	1,608,530	1,332,887
Other Income	2.13	43,006	6,552
Total Income		**1,651,536**	**1,339,439**
Expenses			
Cost of material consumed		758,741	551,670
Employee benefits expense	2.14	397,668	361,676
Depreciation and amortisation expense	2.15	4,513	6,143
Finance costs	2.16	3,870	1,642
Selling and other expenses	2.17	370,262	355,086
Total expense		**1,535,054**	**1,276,217**
Profit / (Loss) before tax		**116,482**	**63,222**
Income tax expense	2.18	22,411	19,822
Profit / (Loss) for the year		**94,071**	**43,400**
Earnings per share			
Basic - Par value Rand 1 per share		940,710.00	434,000.00
Diluted - Par value Rand 1 per share		940,710.00	434,000.00
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Proprietary) Limited**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Proprietary) Limited
Cash Flow Statement
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
Operating activities		
(Loss)/Profit before taxation	116,482	63,222
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	4,513	6,143
Finance costs	3,870	1,642
Finance Income	(8,286)	(5,312)
Profit on disposal of property,plant and equipment	(508)	(1,240)
Net foreign exchange differences	(18,822)	11,927
Provision for inventory obsolescence	6,069	(163)
Allowances for credit losses, net	133	(107)
Operating cash flows before working capital changes	**103,451**	**76,112**
Working capital adjustments:		
Trade and other receivables	29,802	(58,562)
Inventories	(145,825)	30,526
Trade and other payables	(23,660)	(71,074)
Other assets & liabilities,net	(15,888)	16,062
	(52,120)	**(6,936)**
Income tax paid	12,198	(30,442)
Net cash flows from operating activities	**(39,922)**	**(37,378)**
Net cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	532	**1,629**
Purchase of property, plant and equipment	(712)	(5,159)
Finance income received	8,286	5,312
	8,106	**1,782**
Net cash flows from/ (used in) financing activities		
Proceeds from short term loans and borrowings	75,153	-
Interest expense	(3,870)	(1,642)
	71,283	**(1,642)**
Net increase / (decrease) in cash and cash equivalents	39,467	(37,238)
Cash and cash equivalents at the beginning of the year	61,700	82,942
Effect of foreign exchange loss on cash and cash equivalents	(15,035)	15,996
Cash and cash equivalents at the end of the year	**86,132**	**61,700**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	86,132	61,700
Cash and bank balances at the end of the year	**86,132**	**61,700**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Proprietary) Limited**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Proprietary) Limited

Statement of Changes in Equity

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount*	Retained Earnings	
Balance as of 1 April 2017	**100**	**-**	**152,157**	**152,157**
Profit / (Loss) for the period			43,400	43,400
Balance as of 31 March 2018	**100**	**-**	**195,557**	**195,557**
Profit / (Loss) for the period	-	-	94,071	94,071
Balance as of 31 March 2019	**100**	**-**	**289,628**	**289,628**

**Rounded to the nearest thousands*

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories (Proprietary) Limited**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Saumen Chakraborty
Director

Satish Reddy
Director

Place: Hyderabad
Date: 15 May 2019

Dr. Reddy's Laboratories (Proprietary) Limited

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

Description of the Company

Dr. Reddy's Laboratories (Proprietary) Limited (" the Company") incorporated in South Africa , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Basis of preparation of financial statements :

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

Dr. Reddy's Laboratories (Proprietary) Limited

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Dr. Reddy's Laboratories (Proprietary) Limited

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 30 years
- Ancillary structures	3 - 10 years
Plant and machinery	5 - 10 years
Furniture, fixtures and office equipment	3 - 8 years
Vehicles	4 - 5 years

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Intangible Assets

Intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.Intangible assets relating to products in development, intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the statement of profit and loss.

Amortisation:

Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortised from the date they are available for use.

De-recognition of intangible assets

Intangible assets are de-recognised either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the statement of profit and loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Dr. Reddy's Laboratories (Proprietary) Limited

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories (Proprietary) Limited

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis.

1.2 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Purchases and services from holding company or other group companies:		
Dr. Reddy's Laboratories Limited	855,777	440,993

b. The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2019	As at 31 March 2018
Due to holding company and other group companies(included in trade payables):		
Dr. Reddy's Laboratories Limited	426,742	452,928
Due from holding company and other group companies(included in trade receivables):		
Dr. Reddy's Laboratories Limited	160	266

1.3 Taxation

a. Current Taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the company.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

Particulars	As at 31 March 2019	As at 31 March 2018
Deferred tax assets / (liabilities)		
Current liabilities and provisions	(595)	(548)
Property, plant and equipment	482	1,399
Inventory	6,412	9,216
Trade receivables	2,720	3,200
Deferred tax asset,net	**9,019**	**13,268**

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

1.5 Recent accounting pronouncements

Ind AS 116, 'Leases'

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified Ind AS 116, Leases as part of the Companies (Indian Accounting Standards (Ind AS)) Amendment Rules, 2019. Ind AS 116 replaces existing standard on leases i.e. Ind AS 17, Leases with effect from accounting periods beginning on or after 1 April 2019.

Upon adoption, a portion of the annual operating lease expense will be recognised as finance expense. Further, a portion of the annual lease payments recognised in the statement of cash flow as reduction of lease liability will be recognised as outflow from financing activities, which are currently fully recognised as an outflow from operating activities.

The company does not have any operating lease commitments as at 31 March 2019 and 31 March 2018. Accordingly, the Company believes that the adoption of Ind AS 116 will not have a material impact on its financial statements.

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, Income Taxes

On 30 March 2019, the Ministry of Corporate Affairs (MCA) made certain amendments to Ind AS 12, Income taxes by including Appendix C, Uncertainty over Income Tax Treatments. This appendix clarifies how the recognition and measurement requirements of Ind AS 12 are applied where there is uncertainty over income tax treatments.The Company believes that the adoption of amendments to Ind AS 12 in the form of Appendix C will not have a material impact on its financial statements.

Dr. Reddy's Laboratories (Proprietary) Limited
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Property, plant and equipment

	Gross Block				Depreciation / Amortisation				Net Block	
Description	**As at 01.04.2018**	**Additions**	**Disposals**	**As at 31.03.2019**	**As at 01.04.2018**	**For the year**	**Disposals**	**As at 31.03.2019**	**As at 31.03.2019**	**As at 31.03.2018**
Lease hold improvements	12,971	-	4,978	7,993	8,936	952	3,864	6,024	1,969	4,035
Vehicles	5,757	-	661	5,096	1,168	976	744	1,400	3,696	4,589
Furniture and fixtures and office equipment	31,790	712	8,410	24,092	25,779	2,585	9,403	18,961	5,131	6,011
Total tangible assets (A)	**50,518**	**712**	**14,049**	**37,181**	**35,884**	**4,513**	**14,011**	**26,385**	**10,796**	**14,635**
Previous Year	**49,488**	**5,159**	**4,129**	**50,518**	**33,478**	**6,143**	**3,737**	**35,883**	**14,635**	
Other intangibles	3,187	-	-	3,187	2,317	-	-	2,317	870	870
Total intangible assets (B)	**3,187**	**-**	**-**	**3,187**	**2,317**	**-**	**-**	**2,317**	**870**	**870**
Previous Year	**3,187**	**-**	**-**	**3,187**	**2,317**	**-**	**-**	**2,317**	**870**	
Total (A+B)	**53,705**	**712**	**14,049**	**40,368**	**38,201**	**4,513**	**14,011**	**28,702**	**11,666**	

Dr. Reddy's Laboratories (Proprietary) Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to the financial statements

2.2 : Tax assets, net	**As at 31 March 2019**	**As at 31 March 2018**
Advance income taxes	722	37,025
	722	**37,025**

2.3 : Inventories	**As at 31 March 2019**	**As at 31 March 2018**
Finished goods	341,884	181,607
Stock-in-trade (goods acquired for trading)	79,215	99,737
	421,099	**281,344**

Financial Assets

2.4 : Trade receivables	**As at 31 March 2019**	**As at 31 March 2018**
Unsecured,considered good		
Receivable from holding company and other group companies	160	266
Receivable from Others	326,723	410,416
Less: Allowances for credit losses	(9,742)	(11,533)
	317,141	**399,149**

2.5 : Cash and cash equivalents	**As at 31 March 2019**	**As at 31 March 2018**
Balances with banks:		
- On current accounts	86,132	61,700
- Deposit accounts (original maturity less than three months)	-	-
	86,132	**61,700**

Other Assets

2.6 : Other assets	**As at 31 March 2019**	**As at 31 March 2018**
Advances to employees	2,376	2,926
Prepaid expenses	38,619	21,866
Balance with statutory agencies	11,749	6,169
Other advances	1,987	2,271
	54,731	**33,232**

Dr. Reddy's Laboratories (Proprietary) Limited

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.7 : Share capital

	As at 31 March 2019	As at 31 March 2018
Authorised Share Capital		
100 (previous year : 100) ordinary shares of Rand 1 each*	-	-
Issued equity capital		
100 (previous year : 100) ordinary shares of Rand 1 each*	-	-
Subscribed and fully paid-up		
100 (previous year : 100) ordinary shares of Rand 1 each*	-	-
	-	-

* represents amount authorised, issued and paid-up ₹472 (rounded off in thousands).

(a) **Reconciliation of the equity shares outstanding is set out below:**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No.of shares	Amount	No.of shares	Amount
Number of shares outstanding at the beginning of the year	100	-	100	-
Shares issued during the year				
Number of shares outstanding at the end of the year	**100**	-	**100**	-

(b) **Terms/rights attached to equity shares**

The company has only one class of ordinary shares having a par value of Rand 1 per share. Each holder of equity shares is entitled to one vote per

(c) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	100	100%	100	100%

FINANCIAL LIABILITIES

	As at 31 March 2019	As at 31 March 2018
2.8 : Borrowings		
Unsecured		
Short-term borrowings from banks	71,550	-
	71,550	-
2.9 : Trade Payables		
Payables to holding company and other group companies	426,742	452,928
Payables to others	60,330	143,716
	487,072	**596,644**

2.10 : Other current financial liabilities	As at 31 March 2019	As at 31 March 2018
Accrued expenses	4,688	15,005
Deferred Revenue	-	889
Other current financial liabilities	202	599
	4,890	**16,493**

OTHER LIABILITIES

2.11 : Other Current Liabilities	As at 31 March 2019	As at 31 March 2018
Salary & Bonus payable	45,835	31,965
Due to statutory authorities	1,412	-
Other current liabilities	123	564
	47,370	**32,529**

Dr. Reddy's Laboratories (Proprietary) Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.12 : Revenue from operations		
Sales	1,607,568	1,331,261
License Fees	962	1,626
	1,608,530	**1,332,887**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.13 : Other income		
Interest income		
On fixed deposits	8,286	5,312
Foreign exchange gain, net	34,212	-
Others	508	1,240
	43,006	**6,552**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.14 : Employee benefits expense		
Salaries, wages and bonus	388,257	350,270
Share based payment expenses	722	531
Staff Welfare	8,689	10,875
	397,668	**361,676**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.15 : Finance costs		
Interest on borrowings	3,870	1,642
	3,870	**1,642**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.16 : Depreciation and amortisation expense		
Depreciation of tangible assets	4,513	6,143
	4,513	**6,143**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.17 : Other expenses		
Legal and professional	8,978	11,165
Selling expenses	273,082	252,311
Travelling and conveyance	30,282	27,294
Communication	5,080	5,115
Rent	23,910	22,314
Insurance	5,309	5,371
Foreign exchange loss, net	-	9,818
Other general expenses	23,621	21,698
	370,262	**355,086**

	For the year ended 31 March 2019	For the year ended 31 March 2018
2.18 : Tax expense		
Current tax expense	20,261	28,350
Deferred tax expense	2,150	(8,528)
	22,411	**19,822**

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Str. Invingatorilor 24
Bucuresti - 3
Romania 030922

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dr. Reddy's Laboratories Romania SRL

Opinion

1 We have audited the individual financial statements of Dr Reddy's Laboratories SRL ("the Company") with registered office in Bucharest, identified by the unique tax registration code 27144903, which comprise the short form of balance sheet as at December 31, 2018 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

2 The aforementioned financial statements refer to:

- Net assets/Total equity and reserves: RON 16,588,025
- Net turnover: RON 35,305,994
- Net result of the year: RON 2,914,856, profit

3 In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance for the year then ended in accordance with the Order of the Minister of Public Finance no. 1802/2014 for approval of accounting regulations regarding individual annual financial statements and consolidated annual financial statements, with subsequent amendments ("OMFP 1802/2014").

Basis for Opinion

4 We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Law no. 162/2017 („The Law"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA code), that are relevant to our audit of the financial statements in Romania, including The Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and according to IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other aspects – Administrators' report

5 The administrators are responsible for preparation and presentation of other aspects. Those other aspects include Administrators' Report, but does not include financial statements and auditor's report relating to them and neither the non-financial statement.

Our audit opinion on the financial statements does not cover those other aspects and except the case where is stated express in our report, we do not express any assurance about it.

With regard to the audit of the financial statements for the year ended as at December 31, 2018, it is our responsibility to read the other aspects and, in this regard, to assess whether that other aspects are materially inconsistent with the financial statements, or with the evidence obtained during the audit, or if they appear to be materially misstated.

This version of our report is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our reports takes precedence over this translation.

Regarding the Administrators' Report, we have read and we report whether it was drawn up, in all material respects, in accordance with OMFP no. 1802/2014, paragraphs 489-492 for approval of accounting regulations regarding individual annual financial statements and consolidated annual financial statements.

On the sole basis of the activities to be performed during an audit of the financial statements, in our opinion:

a) Financial information presented in the Administrators' Report for the financial year for which the financial statements were issued is consistent, in all material respects, with the financial statements;

b) The Administrators' Report includes in all material respects, the information required by the OMFP 1802/2014, articles 489-492 for approval of accounting regulations regarding individual annual financial statements and consolidated annual financial statements;

Based on our knowledge and our understanding of the Company and its environment, gained during the audit of the financial statements for the year ended as at December 31, 2018, we are required to report whether we have identified significant misstatements in the Administrators' Report. We have nothing to report on this issue.

Responsibilities of Management and Those charged with Governance for the Financial Statements

6 Management is responsible for the preparation of the financial statements that gives a true and fair view in accordance with OMFP 1802/2014, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7 In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.

8 Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

9 Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if could be estimated reasonable, if they individually or in the aggregate could influence the economic decision of users, taken on the basis of these financial statements.

10 As part of an audit in accordance with ISA, we exercise our professional judgment and we maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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- Obtain an understanding of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

11 We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Audit SRL

Refer to original signed version in Romanian language

Owner of the Temporary Authorization
Code FA no. 19 Temp. 14
Recorded into the Public Electronic Report No. 18
Issued by Authority of Public Supervision of Financial Audit Activity
At the date of February 4, 2019

The name of signing party
Cristian Iliescu
Owner of the Temporary Authorization
Code AF Nr. 19 Temp. 96

Recorded into the Public Electronic Report No. 1530
Issued by Authority of Public Supervision of Financial Audit Activity
At the date of February 4, 2019

Bucharest, Romania

April 25, 2019

This version of our report is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our reports takes precedence over this translation.

Translation from Romanian language - excerpt

Financial situation type: UU

Check only if necessary:

- [ ] Big Contributors submitting the balance sheet in Bucharest
- [ ] Branch
- [ ] GIE - Groups of economic interest
- [ ] Net assets smaller than 1/2 of the value of the subscribed capital

Control amount: 1,700,000

Year 2018

Legal Entity	Dr. Reddy's Laboratories Romania SRL

Address

Bucharest, 1st District, 71, Nicolae Caramfil Street, apt. 10, phone: 0212240032

Trade Register number	J40/6590/2010	Sole Registration Number:		27144903

Form of Property

35 - Limited liability companies

Preponderant activity (code and name from the NACE classification)

4646 Wholesale of pharmaceutical goods

Actual preponderant activity (code and name from the NACE classification)

7320 Market research and public opinion polling

Financial annual statement
Small entities

The financial annual statements as of December 31, 2018 issued by the entities listed at point 9 paragraph (2) of the Accounting Regulations approved by OMFP no. 1.802/2014 with subsequent changes and ammendments whose financial year is the same with the calendar year.
F10 - SHORT BALANCE SHEET
F20 - PROFIT AND LOSS ACCOUNT
F30 - INFORMATION
F40 - SITUATION OF PERMANENT ASSETS

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED form

The entity is legally forced to yearly audit of the financial statements	NO
The entity has volunteered for auditing the annual financial statements	YES

AUDITOR
BDO AUDIT SRL Sole Registration Code 6546223

SHORT BALANCE SHEET

F10

December 31st, 2018

Code **10**

Lei

Name	Row no. OMFP no. 10/	Row no.	BALANCE ON Jan. 1st, 2018	BALANCE ON Dec. 31st, 2018
A		B	1	2
A. PERMANENT ASSETS				
I. INTANGIBLE PERMANENT ASSETS (acc.201+203+205+2071+4094+208-280-290)	01	01	0	1,931
II. TANGIBLE PERMANENT ASSETS (acc.211+212+213+214+215+216+217+223+224 +227+231+235+4093-281-291-2931-2935)	02	02	140,091	180,532
III. FINANCIAL PERMANENT ASSETS (acc.261+262+263+265+~~266~~+267*-296*)	03	03	85,708	85,708
PERMANENT ASSETS TOTAL (**row 01+02+03**)	04	04	225,799	268,171
B. CURRENT ASSETS				
I. STOCKS (acc.301+302+303+321+322+/-308+323+326+327+328+331+332+ 341+345+346+347+/-348+351+354+356+357+358+361+/-368+371+/-378+ 381+/-388+4091-391-392-393-394-395-396-397-398 - from acc.4428)	05	05	137,639	87,440
II. DEBTS (Amounts which are to be cashed in more than one year must be presented separately for each element) (acc.267*-296*+4092+411+413+418+425+4282+431**+436**+ 437**+4382+441**+4424+from acc. 4428**+444**+445+446**+447**+4482+451**+453**+ 456**+4582+461+4662+473**-491-495-496+5187)	06	06a (301)	14,835,444	18,638,467
2. Receivables representing dividends distributed during the financial year (acc. 463)	07	06b (302)		
TOTAL (row. 06a+06b)	08	06	14,835,444	18,638,467
III. SHORT TERM INVESTMENTS (acc.501+505+506+507+ from acc. 508+5113+5114-591-595-596-598)	09	07		
IV. CASH AND BANK ACCOUNTS (from acc. 508+ acc. 5112+512+531+532+541+542)	10	08	1,802,457	1,720,872
CURRENT ASSETS – TOTAL (**row 05+06+07+08**)	11	09	16,775,540	20,446,779
C. PREPAID EXPENSES (acc. 471) (row 11+12)	12	10	116,693	82,594
Amounts to resume in a period of under a year (out of acc. 471*)	13	11	116,693	82,594
Amounts to resume in a period of over a year (out of acc. 471*)	14	12		
D. DEBTS PAYABLE WITHIN ONE YEAR (acc. 161+162+166+167+168-169+269+ 401+403+404+405+408+419+421+423+424+426+427+4281+431***+436***+437***+4381+ 441***+4423+4428***+444***+446***+447***+4481+451***+453***+455+456***+457+ 4581+462+4661+473***+509+5186+519)	15	13	2,335,228	3,002,192
E. NET CURRENT ASSETS, RESPECTIVELY NET CURRENT LIABILITIES (row 09+11-13-20-23-26)	16	14	14,557,005	17,527,181
F. TOTAL ASSETS MINUS CURRENT DEBTS (row 04+12+14)	17	15	14,782,804	17,795,352
G. DEBTS PAYABLE WITHIN MORE THAN ONE YEAR (acc.161+162+166+167+ 168-169+269+401+403+404+405+408+419+421+423+424+426+427+4281+431*** +437***+4381+441***+4423+4428***+444***+446***+447***+4481+451***+453*** +455+456***+457+4581+462+4661+473***+509+5186+519)	18	16		
H. PROVISIONS FOR RISKS AND EXPENSES (acc. 151)	**19**	17	1,109,635	1,207,327
I. EXPECTED INCOME (row 19+22+25+28)	**20**	18		
1. Subventions for investments (acc. 475) (**row 20+21**)	21	19		
Amounts to be resumed in a period of under a year (from acc. 475*)	22	20		
Amounts to be resumed in a period of over a year (from acc. 475*)	23	21		
2. Income registered in advance (acc. 472) - total (**rows 23+24**)	24	22		
Amounts to be resumed in a period of under a year (acc. 472*)	25	23		
Amounts to be resumed in a period of over a year (acc. 472*)	26	24		
3. Expected income for assets received by transfer from clients (acc. 478) (**row 26+27**)	27	25		
Amounts to be resumed in a period of under a year (from acc. 478*)	28	26		
Amounts to be resumed in a period of over a year (from acc. 478*)	29	27		
Negative commercial fund (acc. 2075)	30	28		
J. CAPITAL AND RESERVES				
I. CAPITAL (row 30+31+32+33+34)	31	29	1,700,000	1,700,000
1. Paid subscribed capital (acc. 1012)	32	30	1,700,000	1,700,000
2. Unpaid subscribed capital (acc. 1011)	33	31		
3. Administration patrimony (acc. 1015)	34	32		
4. Patrimony of national institutes for research and development (acc. 1018)	35	33		
5. Other elements of own equity (1031)	36	34		

II. CAPITAL PREMIUMS (acc. 104)	37	35		
III. REASSESSMENT RESERVES (acc. 105)	38	36		
IV. RESERVES (acc. 106)	**39**	37	340,000	340,000
Own shares (acc. 109)	40	38		
Earnings related to own capital instruments (acc. 141)	41	39		
Loses related to own capital instruments (acc. 149)	42	40		
V. RESULT CARRIED FORWARD (acc. 117) ---------- Balance C	**43**	41	9,531,089	11,633,169
---------- Balance D	**44**	42	0	0
VI. RESULT OF THE FINANCIAL YEAR (acc. 121) ---------- Balance C	**45**	43	2,102,080	2,914,856
---------- Balance D	**46**	44	0	0
Profit distribution (acc. 129)	47	45		
TOTAL OWN EQUITY (row 29+35+36+37-38+39-40+41-42+43+44-45)	**48**	46	13,673,169	16,588,025
Public patrimony (acc. 1016)	49	47		
Private patrimony (acc. 1017) 2)	50	48		
TOTAL EQUITY (rows 46+47+48) (row 04+09+10-13-16-17-18)	51	49	13,673,169	16,588,025

Control amount F10: 309279280/932786278

*) Accounts to be distributed according to the nature of the elements concerned
**) Debit balances of the respective accounts
***) Credit balances of the respective accounts

01) - The amounts at this row and taken from the accounts 267 are the debts from the financial leasing contracts and from other assimilated contracts, as well as other permanent debts, due in less than 12 months

02) It will be filled in by entities for which the provisions of Order of the minister of public finances and of the delegated minister for budget no. 668/2014 for the approval of the mentions regarding the preparation and updating of the centralized inventory of movable goods privately owned by the state and of the rights in rem supposed to inventory, with subsequent changes and amendments are applied

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that
through the translation the document was not changed in the content and meaning

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

Translation from Romanian language

F20

PROFIT AND LOSS ACCOUNT
as of December 31st, 2018

Form 20 Lei

Index name	Row no.	Financial year 2017	Financial year 2018
A	B	1	2
1. Net turnover **(rows 02+03-04+05+06)**	01	28,499,634	35,305,994
Sold production (acc. 701+702+703+704+705+706+708)	02	28,499,634	35,305,994
Incomes from sales of commodities (acc. 707)	03		
Commercial discounts granted (acc. 709)	04		
Incomes from interests registered by entities deleted from the General Register, which still have leasing agreements in execution (acc. 766*)	05		
Incomes from operating subsidies corresponding to the net turnover (acc. 7411)	06		
2. Incomes pertaining to pending production costs (acc. 711+712) Balance C	07		
Balance D	08		
3. Incomes from production of intangible and tangible assets (acc. 721+722)	09		
4. Incomes from reassessment of tangible assets (acc. 755)	10		
5. Incomes from production of real estate investments (acc. 725)	11		
6. Incomes from operation subsidies (acc. 7412+7413+7414+7415+7416+7417 +7419)	12		
7. Other operating incomes (acc. 751+758+7815)	13	12,025	46,778
'- out of which, incomes from the negative goodwill (acc. 7815)	14		
'- out of which, incomes from subsidies for investments (acc. 7584)	15		
OPERATING INCOMES – TOTAL (rows 01+07-08+09+10+11+12+13)	16	28,511,659	35,352,772
8.a) Expenses with raw materials and consumable materials (acc. 601+602)	17	552,225	597,863
Other material expenses (acc. 603+604+606+608)	18	163,687	223,059
b) Other external expenses (with energy and water) (acc. 605)	19	21,157	24,701
c) Expenses regarding commodities (acc. 607)	20		
Commercial discounts received (acc. 609)	21		
9. Expenses with the staff (**rows 23+24**)	22	11,213,829	11,419,637
a) Salaries and allowances (acc. 641+642+643+644)	23	8,960,391	10,942,568
b) Expenses with social insurance and security (acc. 645+646)	24	2,253,438	477,069
10.a) Value adjustments regarding tangible and intangible assets (**rows 26-27**)	25	44,258	48,219
a.1) Expenses (acc. 6811+6813+6817)	26	44,258	48,219
a.2) Incomes (acc. 7813)	27		
b) Adjustment of the value of circulating assets (**rows 29-30**)	28		
b.1) Expenses (acc. 654+6814)	29		
b.2) Incomes (acc. 754+7814)	30		
11. Other operating expenses (**rows 32 to 38**)	31	13,212,087	19,108,410
11.1 Expenses regarding external provided services (acc. 611+612+613+ 614+615+621+622+623+624+625+626+627+628)	32	12,112,475	17,696,096
11.2 Expenses with other taxes, charges and assimilated payments; expenses representing transfers and contributions due based on special regulations (acc. 635+6586*)	33	945,581	1,349,720
11.3 Expenses with environment protection (acc. 652)	34		
11.4 Expenses with reassessment of tangible assets (acc. 655)	35		
11.5 Expenses for calamities and other similar events (acc. 6587)	36		
11.6 Other expenses (acc. 651+6581+6582+6583+6584+6588)	37	154,031	62,594
Expenses with interests registered by entities deleted from the General Register, which still have leasing agreements in execution (acc. 666*)	38		
Adjustments regarding the provisions (**rows 40-41**)	39	530,608	97,692
Expenses (acc. 6812)	40	2,913,546	2,643,341
Incomes (acc. 7812)	41	2,382,938	2,545,649
OPERATING EXPENSES – TOTAL (rows 17 to 20-21+22+25+28+31+39)	42	25,737,851	31,519,581
OPERATING RESULT			
– Profit (**rows 16-42**)	43	2,773,808	3,833,191
– Loss (**rows 42-16**)	44	0	0
12. Incomes from shares (acc. 7611+7612+7613)	45		
- out of which, incomes from affiliated entities	46		
13. Incomes from interests (acc. 766*)	47	1,002	0
- out of which, incomes from affiliated entities	48		

14. Incomes from operation subsidies for owed interest (acc. 7418)	49		
15. Other financial incomes (acc. 762+764+765+767+768+7615)	50	1,909	1,287
- out of which, incomes from other financial assets (acc. 7615)	51		
FINANCIAL INCOMES – TOTAL (rows 45+47+49+50)	52	2,911	1,287
16. Value adjustment of permanent assets and of financial investments owned as circulating assets (rows 54-55)	53		
- Expenses (acc. 686)	54		
- Incomes (acc. 786)	55		
17. Expenses regarding interests (acc. 666*)	56		
- out of which, expenses in relation to affiliated entities	57		
Other financial expenses (acc. 663+664+665+667+668)	58	8,211	5,680
FINANCIAL EXPENSES – TOTAL (rows 53+56+58)	59	8,211	5,680
FINANCIAL RESULT			
- Profit (**rows 52-59**)	60	0	0
- Loss (**rows 59-52**)	61	5,300	4,393
TOTAL INCOMES (rows 16+52)	62	28,514,570	35,354,059
TOTAL EXPENSES (rows 42+59)	63	25,746,062	31,525,261
18. GROSS RESULT			
- Profit (**rows 62-63**)	64	2,768,508	3,828,798
- Loss (**rows 63-62**)	65	0	0
19. PROFIT TAX (acc. 691)	66	666,428	913,942
20. Tax specific for certain activities (acc. 695)	67		
21. Other taxes that do not appear among the above elements (acc. 698)	68		
22. NET RESULT OF THE FINANCIAL YEAR			
Profit (**rows 64-65-66-67-68**)	69	2,102,080	2,914,856
Loss (**rows 65+66+67+68-64**)	70	0	0

Verification amount F20: 512568702 / 932786278

*) Accounts to be distributed according to the nature of the elements concerned
Row 23 - here are the rights of the collaborators, set according to the labor legislation, taken from the account 621 "Expenses with collaborators", analytical "Collaborators physical persons"

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

Translation from Romanian language
In excerpt

F30

INFORMATION
as of December 31st, 2018

Code 30 **Lei**

I. Information regarding the result	Row no. OMFP no. 10/ 03.01.19	Row	No. of entities	Amounts
A		B	1	2
Entities with profit	01	01	1	2,914,856
Entities with loss	02	02		
Entities with no profit or loss	03	03		

II. Information regarding outstanding payments		Row	Total, out of which:	For current activity	For investment activity
A		B	1=2+3	2	3
Outstanding payments - total (**row 05+09+15 to 18**):	04	04			
Delayed suppliers - total (**row 06 to 08**)	05	05			
- over 30 days	06	06			
- over 90 days	07	07			
- over 1 year	08	08			
Outstanding obligations to the social security budget - Total (**row 10 to 14**)	09	09			
- contribution to state social securities, owed by employers, employees and other similar persons	10	10			
- contributions to the health social security fund	11	11			
- contribution for additional pension	12	12			
- contribution to unemployment budget	13	13			
- other social debts	14	14			
Outstanding obligations to the special funds and other funds	15	15			
Outstanding obligations to other creditors	16	16			
Overdue taxes, contributions and fees to the state budget, out of which:	17	17			
- work insurance contribution	18	17a (301)			
Overdue taxes to the local budget	19	18			

III. Average number of employees		Row	Dec. 31. 2017	Dec. 31, 2018
A		B	1	2
Average number of employees	20	19	80	78
Actual no. of employees at the end of the period of time (Dec. 31)	21	20	99	96

IV. Royalty and interest payments during reporting period, cashed in subsidies and outstanding receivables		Row	Amount (Lei)
…			

V. Food vouchers		Row	Amount (Lei)
Value of the food vouchers granted to employees	38	37	
Value of the food vouchers granted to other categories of beneficiaries, other than the employees	39	37a (302)	

VI. Expenses for research-development activity **)		Row	Dec. 31. 2017	Dec. 31, 2018
Research-development expenses:	40	38		
- by financing sources (row 40+41)	41	39	0	0
- from public funds	42	40		
- from private funds	43	41		
- by nature of expenses (row 43+44)	44	42	0	0
- current expenses	45	43		
- capital expenses	46	44		

VII. Innovation expenses ***)		Row	Dec. 31. 2017	Dec. 31, 2018
Innovation expenses	47	45		
VIII. Other information		**Row**	**Dec. 31. 2017**	**Dec. 31, 2018**
…		…		
Financial assets, gross amounts (row 49+54)	54	48	85,708	85,708
…				
Long-term receivables, gross amounts (row 55+56)	61	54	85,708	85,708
'- long-term receivables in Lei and expressed in Lei, the settlement of which is made based on the exchange rate of a foreign currency (from acc. 267)	62	55	85,708	85,708
…				
Commercial receivables, advances paid to suppliers and other similar accounts, in gross amounts (acc. 4091 +4092+411+413+418), out of which:	64	57	13,172,321	16,399,756
…				
- commercial receivables in relation to the affiliated non-resident entities, advances for acquisitions of inventories and for services delivered to affiliated non-resident suppliers and other assimilated accounts, in gross amounts in relation to non-resident affiliates (from acc. 4091 + from acc. 4092 + from acc. 411 + from acc. 413 + from acc. 418)	66	58a (308)	13,172,321	16,399,756
…				
Receivables in connection to social security budget and state budget (from acc. 431+436+437+4382+441+ 4424+4428+444 + 445 + 446 + 447 + 4482) (**row 62 to 66)**	69	61	1,645,516	1,881,007
- receivables in connection to the budget of social security (acc. 431+437+4382)	70	62		
- tax receivables in connection to the state budget (acc. 436+441+4424+4428+444+446)	71	63	1,274,234	1,387,694
- subsidies to cash in (acc. 445)	72	64		
- special funds - fees and assimilated payments	76	65		
- other receivables in connection to the state budget (acc. 4482)	74	66	371,282	493,313
		…		
Other receivables (acc. 453+456+4582+461+471+473+4662) (**row 72 to 74**)	79	71	132,182	440,298
…		…		

- other receivables connected to physical persons and legal entities, other than recivables connected to public institutions (state institutions) (from acc. 461 + from acc. 471 + from acc. 473 + 4662)	81	73	132,182	440,298
		…		
Current bank accounts in Lei and foreign currency (**row 88+90**)	95	87	1,626,952	1,632,352
- in Lei (acc. 5121) out of which:	96	88	1,623,947	1,627,843
…		…		
'- in foreign currency (acc. 5124) out of which	98	90	3,005	4,509
Debts (**row 94+99+102+103+106+108+110+111+116+119+122+128**)	103	95	2,317,228	3,002,192
		…		
Commercial debts, advances received from clients and other similar accounts, in gross amounts (acc. 401+403+404+405+408+419), out of which:	116	108	1,935,942	2,566,641
…		…		
Debts related to staff and similar accounts (acc. 421+423+424+426+427+4281)	119	110	2,255	0
(acc. 431+436+437+4381+441+4423+4428+444+446+447+448) (**row 112 to 115**)	120	111	379,031	435,551
- debts related to the social security budget (acc. 431+437 +4381)	121	112	-23,386	-74,336
- tax debts related to the state budget (acc. 436+441+ 4423+4428+444+446)	122	113	400,090	506,904
'- special funds - fees and assimilated payments (acc. 447)	123	114	2,327	2,983
…		…		
Subscribed paid in capital (acc. 1012), out of which:	141	130	1,700,000	1,700,000
…		…		
- subscribed capital, paid in by non-residents (from acc. 1012)	145	134	1,700,000	1,700,000
Patents and licenses (from acc. 205)	146	135	42,481	45,261
…		…		
IX. Information regarding expenses with collaborators		**Row**	**Dec. 31. 2017**	**Dec. 31, 2018**
A		**B**	**1**	**2**
Expenses with collaborators (acc. 621)	147	136		
X. Information regarding the goods from the public state domain		**Row**	**Dec. 31. 2017**	**Dec. 31, 2018**
A		**B**	**1**	**2**
no figures are recorded				
XI. Information regarding state owned assets undergoing inventory according to. OMFP no. 668/2014		**Row**	**Dec. 31. 2017**	**Dec. 31, 2018**
A		**B**	**1**	**2**
Net accounting value of the assets 5)	151	140		

XII. Paid in share capital			Dec. 31. 2017		Dec. 31, 2018	
		Row	Amount (Lei)	% 6)	Amount (Lei)	% 6)
A		B	Column 1	Column 2	Column 3	Column 4
Paid in share capital (acc. 1012) 7), (row 142+145+149+150+151+152)	152	141	1,700,000	X	1,700,000	X
		…				
- held by companies with private capital	161	150	1,699,990	100.00	1,699,990	100.00
- held by physical persons	162	151	10	0.00	10	0.00

		Row	Amounts	
A		B	2016	2017
XIII. Dividends/payingins belonging to the state or local budget, to be allocated from the year profit by the national companies, companies and autonomous administrations	164	153		
no figures are recorded				
XIV. Dividends/payingins for the state or local budget, transferred within the reporting period of time from the profit of the national companies, companies and autonomous administrations, out of which	168	157		
no figures are recorded				
XV. Temporary distributions of dividends according to Law no. 163/2018		Row	Amount (Lei)	
A		B	2017	2018
- temporary distributed dividends 8)	177	166a (312)		
XVI. Receivables taken by assignment from legal entities*****)			2017	2018
no figures are recorded				
			Amount (Lei)	
XVII. Incomes obtained from agricultural activities******)			2017	2018
no figures are recorded				

Control amount F30: 102431390/932786278

DIRECTOR,
Full name
Palamadai Vijay
Signature

Seal of the company

Drawn up,
Full name
Nastase Catalin
As
11 - Economic Manager
Signature

VALIDATED FORM

*) Subsidies for stimulating the employment (transfers from the state budget to employer) - it represents the amounts granted to employers for paying graduates of education institutions, for stimulating unemployed persons employed before the end of the unemployment period, for stimulating employers employing for undetermined period of time unemployed persons over 45 years old, unemployed persons supporting alone a family or unemployed persons who within 3 years since employment beginn are fulfilling the conditions for requesting partial early retirement or regular retirement, or for other situations stipulated in the legislation regarding the system of unemployment insurance and the stimulation of employment.
**) Expenses made for research-development activity, and fundamental research, applicative research, technological development and innovation respectively, set according to the provisions of the Government Ordinance no. 57/2002 regarding scientific research and technological development, approved with modifications and completions through the law no. 324/2003 with subsequent changes and amendments. The expenses will be recorded according to the (EU) Regulation for applying no. 996/2012 of the Commission from Oct. 26, 2012 for establishing the norms for applying the Decision no. 1.608/2003.EC of the European Parliament and Council regarding statistics in the field of science and technology, published in the Official Journal of the european Union, series L, no. 299/Oct. 27, 2012.
***) Expenses made for innovation according to the (EU) Regulation for applying no. 996/2012 of the Commission from Oct. 26, 2012 for establishing the norms for applying the Decision no. 1.608/2003.EC of the European Parliament and Council regarding statistics in the field of science and technology, published in the Official Journal of the european Union, series L, no. 299/Oct. 27, 2012.

****) In the category of economic agents, the entities regulated and supervised by the National Bank of Romania, the Authority for Financial SUpervision respectively, the companies re-classified in the sector of public aministration and the institutions without lucrative purpose in the service of population households will not be included.
*****) For receivables taken over by assignment from legal entities the nominal value and the aquisition cost will be recorded. For the statute of "affiliated legal entities" the provisions of art. 7 section 26 letter c) of the Law no. 2272015 regarding the Tax Code, with subsequent changes and amendments will be considered.
******) According to art. 11 from the (EU) Delegated Regulation no. 639/2014 of the Commission from Mrch 11, 2014 for completing the (EU) Regulation no. 1307/2013 of the European Parliament and Council for establishing norms regarding direct payments granted to farmers through supporting schemes within the common agriculatural policy and for modification of Annex X to the mentioned regulation, "(1) ... incomes obtained from agricultural activities are incomes obtained by a farmer from his agricultural activity within the meaning of art. 4 paragraph (1) letter c) of the mentioned regulation ((EU) R 1307/2013 within his farm, including the support from the Union from the European agricultural guarantee Fund (FEGA) and from the European agricultural fund for rural development (FEADR), as well as any national support granted for agricultural activities, except for direct national complement payments based on art. 18 and 19 from the (EU) Regulation no. 1307/2013.
Incomes obtained from preocessing agricultural produce within the meaning of art. 4 paragraph (1) letter d) of the (EU) Regulation no. 1307/2013 of the farm are considered to be incomes from agricultural activities provided that the processed produces remain the property of the farmer and such processing results in a different agricultural product within the meaning of art. 4 paragraph (1) letter d) from the (EU) Regulation no. 1307/2013.
Any other incomes are considered incomes from non-agricultural activities.
(2) Within the meaning of paragraph (1), "incomes" means gross incomes, before deduction of the costs and pertaining taxes ..."

1) The rents paid for occupied plots will be included (agricultural crops, grass land, meadows, etc.) and pertaining to commercial spaces (terraces, etc.) belonging to private owners or units of the public administration, including rents for using waters for recreational or other (fishing, etc.) purposes
2) The value in row "Debts with affiliated non-resident entities (from acc. 451), out of which" is NOT calculated by adding the values in rows "with initial maturity date over one year" and "commercial debts with non-resident affiliated entities regardless of maturity date (from acc. 451)"
3) In the category of "Other debts linked to physical persons and legal entities other than debts in connection to public institutions (state institutions)" the subsidies pertaining to the incomes in the balance of acc. 472 will not be recorded.
4) Securities granting property rights over companies, which are negotiable and traded according to the law.
5) Securities granting property rights over companies, which are not and traded.
6) To be filled in by economic agents to whom the provisions of the Order of the minister of public finances and of the delegated minister for budget no. 668/2014 are applied, for approving the mentions regarding the preparation and updating of the centralized inventory of immovable assets privately owned by the state and of rights in rem which are inventorized, with subsequent changes and admendments.
7) In section "XII Paid in capital" in row 153-163 column 2 and 4, the entities will record the percentage cooresponding to the capital held from the total paid in capital recorded in row 152.
8) In this row are shown dividends distributed according to Law no. 163/2018 for the change and amendment of Law 82/1991, the change and amendment of the company's law no. 31/1990 and the change of law no. 1/2005 regarding the organisation and operation of cooperation. No dividends are recorded, whic are shown in row 164.

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

SITUATION OF THE FIXED ASSETS

F40

as of 31st of December 2018

Code 40

lei

Permanent assets	Row	Gross values				
		Initial balance	Increases	Reductions		Final balance (column 5=1+2-3)
				Total	out of which, fragmentations and cassations	
A	B	1	2	3	4	5
I. Intangible permanent assets						
Incorporation and development expenses	01				X	
Other permanent assets	02	42,481	2,780		X	45,261
Advances and current intangible permanent assets in process	03				X	
Intangible assets for exploration and assessment of mineral resources	04					
TOTAL (**row 01 to 04**)	05	42,481	2,780	0	X	45,261
II. Tangible permanent assets						
Real estate	06				X	
Buildings	07	78,028				78,028
Technical installations and machines	08	476,825	15,794	94,482		398,137
Other installations, equipment and furniture	09	83,646				83,646
Real estate investments	10					
Tangible assets for exploration and assessment of mineral resources	11					
Biologic productive assets	12					
Tangible assets in execution	13		72,017			72,017
real estate investments in execution	14					
Advances granted for tangible permanent assets	15					
TOTAL **(row 06 to 15)**	16	638,499	87,811	94,482		631,828
III. Financial permanent assets	17	85,708			X	85,708
PERMANENT ASSETS - TOTAL (**row 05+16+17**)	18	766,688	90,591	94,482		762,797

SITUATION OF THE AMORTIZATION OF THE PERMANENT ASSETS

Lei

Permanent assets	Row	Initial balance	Amorti-zation during the year	Amortization of permanent assets no longer registered	Amortization at year end (column 9 = 6+7-8)
A	B	6	7	8	9
I. Intangible permanent assets					
Incorporation and development expenses	19				
Other permanent assets	20	42,481	849		43,330
Intangible assets for exploration and assessment of mineral resources	21				
TOTAL **(row 19+20+21)**	22	42,481	849	0	43,330
II. Tangible permanent assets					
Real estate	23				
Buildings	24	78,028			78,028

Technical installations and machines	25	394,137	39,005	94,482	338,660
Other installations, equipment and furniture	26	26,243	8,365		34,608
Real estate investments	27				
Tangible assets for exploration and assessment of mineral resources	28				
Biologic productive assets	29				
TOTAL **(row 23 to 29)**	30	498,408	47,370	94,482	451,296
AMORTIZATION - TOTAL **(row 22+30)**	31	540,889	48,219	94,482	494,626

SITUATION OF THE PROVISIONS FOR DEPRECIATION

no recorded figures

Amount to control F40: 8506906 / 932786278

DIRECTOR,
Full name
Palamadai Vijay
Signature

Seal of the company

Drawn up,
Full name
Nastase Catalin
As
11 - Economic Manger
Signature

VALIDATED FORM

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AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

Ernst & Young Ltd
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CH-4002 Basel

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www.ey.com/ch

To the General Meeting of

Dr. Reddy's Laboratories SA, Basel

Basel, 10 May 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Dr. Reddy's Laboratories SA, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

The financial statements of Dr. Reddy's Laboratories SA for the year ended 31 December 2017 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 19 April 2018.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Licensed audit expert
(Auditor in charge)

Licensed audit expert

Enclosures

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

Balance Sheet as of	**Notes**	**31st Dec 2018**	**31st Dec 2017**	**31st Dec 2018**	**31st Dec 2017**
Currency		**USD**	**USD**	**CHF**	**CHF**
ASSETS					
Current assets					
Cash and cash equivalents		1'339'956	408'796	1'320'907	398'361
Trade accounts receivable					
- from third parties		22'954'175	15'619'538	22'627'858	15'220'850
- from entities in which the entity holds a participation		111'075'494	84'068'100	109'496'445	81'922'262
Other short-term receivables					
- from third parties		6'191'594	8'356'952	6'103'574	8'143'640
- from entities in which the entity holds a participation		35'735'414	37'572'330	35'227'399	36'613'297
Other long-term receivables					
- from third parties		100'000	-	98'578	-
Inventories and non-invoiced services	2.1	10'372'112	13'341'952	10'224'662	13'001'398
Prepaid expenses and accrued income		215'111	94'217	212'053	91'812
		187'983'855	159'461'885	185'311'476	155'391'620
Non-current assets					
Financial assets		84'885	189'845	83'678	184'999
Investments	2.3	394'199'295	389'468'649	388'595'358	379'527'461
Property, plant and equipment					
- Other equipment		11'051	20'101	10'894	19'588
Intangible assets	2.2	471'136'319	487'283'447	464'438'645	474'845'537
		865'431'550	876'962'042	853'128'575	854'577'585
		1'053'415'405	1'036'423'927	1'038'440'051	1'009'969'205
LIABILITIES AND SHAREHOLDERS' EQUITY					
Short-term liabilities					
Trade accounts payable					
- to third parties		9'393'787	3'689'399	9'260'245	3'595'227
- to holders of participations and governing bodies		37'626'375	29'754'263	37'091'479	28'994'786
- to entities in which the entity holds a participation		3'764'201	11'399'348	3'710'689	11'108'380
- Other Group Companies		4'805'065	1'206'434	4'736'756	1'175'640
Short-term interest-bearing liabilities	2.5	33'500'000	38'500'000	33'023'764	37'517'288
Other short-term liabilities					
- to third parties		3'264'624	7'136'559	3'218'214	6'954'398
- to holders of participations and governing bodies		469'186	523'623	462'516	510'258
- to entities in which the entity holds a participation		28'840'475	66'640'974	28'430'479	64'939'963
Accrued expenses and deferred income		22'538'242	25'930'440	22'217'839	25'268'565
		144'201'955	184'781'040	142'151'980	180'064'504
Long-term liabilities					
Long-term interest-bearing liabilities	2.5	240'000'000	250'000'000	236'588'160	243'618'750
		240'000'000	250'000'000	236'588'160	243'618'750
		384'201'955	434'781'040	378'740'140	423'683'254
Shareholders' equity					
Share capital	2.4	108'339'522	108'339'522	105'640'410	105'640'410
Legal capital reserves					
- Reserves from capital contributions		127'077'219	127'077'219	123'911'286	123'911'286
Legal retained earnings					
- General legal retained earnings		17'567'802	17'359'485	17'130'000	16'927'000
Available earnings					
- Retained earning brought forward		348'658'344	344'714'245	364'626'562	360'783'136
- Profit or loss for the year		67'570'561	4'152'416	66'086'975	4'046'425
- Foreign exchange translation difference				(17'695'322)	(25'022'307)
		669'213'449	601'642'887	659'699'911	586'285'951
		1'053'415'405	1'036'423'927	1'038'440'051	1'009'969'205

Dr Reddy's Laboratories Ltd, Basel

Income statement	**2018**	**2017**	**2018**	**2017**
	USD	**USD**	**CHF**	**CHF**
Revenue from sale of goods and services	287'410'485	240'642'470	281'100'071	234'500'072
Other operating income	-	2'070	-	2'017
Total operating income	287'410'485	240'644'540	281'100'071	234'502'089
Raw materials and supplies	(153'917'346)	(137'738'246)	(150'537'921)	(134'222'479)
Personnel expenses	(4'177'274)	(4'079'969)	(4'085'558)	(3'975'828)
Other operating expenses	(30'186'709)	(32'107'774)	(29'523'927)	(31'288'223)
R&D Expenses	(30'740'659)	(36'711'929)	(30'065'714)	(35'774'857)
Depreciation and impairment losses on property, plant and equipment	(11'582)	(18'246)	(11'327)	(17'780)
Amortization on intangible assets	(22'187'601)	(16'098'614)	(21'700'448)	(15'687'696)
Total operating expenses	(241'221'170)	(226'754'778)	(235'924'894)	(220'966'863)
Operating result	46'189'314	13'889'762	45'175'177	13'535'226
Financial income	2'666'739	1'168'569	2'608'187	1'138'742
Financial expenses	(18'750'444)	(10'195'508)	(18'338'758)	(9'935'268)
Non-operating income - Dividend Income IU	40'795'656		39'899'942	
Profit or loss for the year before taxes	70'901'264	4'862'823	69'344'549	4'738'700
Direct taxes	(3'330'703)	(710'407)	(3'257'574)	(692'274)
Profit or loss for the year	67'570'561	4'152'416	66'086'975	4'046'426

Notes

1 Principles

1.1 General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves.

1.2 Inventories and non-invoiced services

Inventories and non-invoiced services are recorded at acquisition or manufacturing costs: If the net realizable value at the balance sheet date is lower than acquisition or manufacturing costs, net realizable values are used. Acquisition costs are calculated using the weighted average cost method, manufacturing costs using standard costs.

1.3 Securities and financial assets

Securities with a short-term holding period are valued at their quoted market price as at the balance-sheet date. A valuation adjustment reserve has not been accounted for. Financial assets include securities with a long-term holding period that have no quoted market price or no other observable market price. Financial assets are valued at their acquisition cost adjusted for impairment losses.

1.4 Property, plant and equipment

Property, plant and equipment (PPE) is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. With the exception of land, PPE is depreciated using the straightline method. As soon as there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

1.5 Intangible Assets

Intangible assets are capitalized if they meet the following conditions cumulatively at the date of recognition:
• the intangible assets are identifiable and controlled by the entity;
• the intangible assets will generate a measurable benefit for the entity for more than one year;
• the expenses incurred in the creation of the intangible assets can be separately recognized and measured;
• it is likely that the resources required to complete and market or use the intangible assets for the entity's own purposes are available or will be made available.
Intangible assets are amortized using the straight-line method. As soon there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

1.6 Revenue from sale of goods and services

Sales are recognized when risks and rewards are transferred to the client or a service has been provided. Normally, this is the case upon delivery of the goods.

1.7 Leases

Leasing and rental contracts are recognized based on legal ownership. Therefore, any leasing or rental expenses are recognized as expenses in the period they are incurred; however, the leased or rented objects themselves are not recognized in the balance sheet.

Notes

2	**Disclosure on balance sheet and income statement items**	**Dec 2018**	**Dec 2018**	**Dec 2017**	**Dec 2017**
		USD	CHF	USD	CHF
2.1	**Inventories and non-invoiced services**				
	Raw materials	7'238'641	7'135'736	11'607'811	11'311'521
	Finished goods	3'133'471	3'088'926	1'734'141	1'689'877
		10'372'112	10'224'662	13'341'952	13'001'398
2.2	**Intangible assets**				
	Product related Intangibles	130'128'891	128'278'979	62'660'275	61'060'872
	Technical Knowhow Intangibles	3'931'427	3'875'538	8'424'535	8'209'498
	Others	337'076'001	332'284'129	416'198'637	405'575'167
		471'136'319	464'438'645	487'283'447	474'845'537

During the previous year, the Company amended the existing agreement with EISAI Co Ltd, by entering into a binding term sheet for upfront payment of USD 6.5m (CHF 6.4m) in current year and non-reimbursement of CMC development costs.
The Other Intangible include Intangible assets in progress.

Notes

2.3 Investments in subsidiaries

Company	*Domicile*	**Book Value** 31.12.2018 USD	**Book Value** 31.12.2018 CHF	**Book Value** 31.12.2017 USD	**Book Value** 31.12.2017 CHF	**Share in Capital and** 31.12.2018	**Share in Capital and** 31.12.2017
Dr. Reddy's Laboratories Inc.	United States of America	188'040'326	185'367'145	188'040'326	183'240'597	100%	100%
Dr. Reddy's Laboratories EU	United Kingdom	19'093'998	18'822'558	19'093'998	18'606'624	100%	100%
Dr. Reddy's New Zealand Ltd	New Zealand	1	1	1	1	100%	100%
Dr. Reddy's Laboratories International SA	Switzerland	5'230'305	5'155'951	5'230'305	5'096'801	100%	100%
Dr. Reddy's Laboratories, Romania SRL	Romania	551'620	543'778	551'620	537'540	99.99%	99.99%
Dr. Reddy's Laboratories Venezuela CA	Venezuela CA	1	1	888'553	865'873	100%	100%
Dr. Reddy's Laboratories Ukraine LLC	Ukraine LLC	1'360'503	1'341'162	1'360'503	1'325'776	99.99%	99.99%
Reddy Netherlands BV	The Netherlands	51'476'837	50'745'042	51'476'837	50'162'891	100%	100%
Dr. Reddy's Laboratories New York, Inc	United States of America	42'155'356	41'556'075	42'155'356	41'079'338	90%	90%
Dr.Reddy's Singapore Pte Ltd	Singapore	-	-	375'705	366'115	100%	100%
Dr. Reddy's Laboratories Canada Inc	Canada	3'098'868	3'054'814	3'098'868	3'019'769	100%	100%
Dr. Reddy's Laboratories Proprietary Ltd	South Africa	15'694'784	15'471'667	15'694'784	15'294'175	100%	100%
OOO Dr. Reddy's Laboratories	Russia	42'501'426	41'897'226	42'501'426	41'416'577	99.99%	99.99%
Reddy Holdings GmbH	Germany	33'936	33'454	33'936	33'070	100%	100%
Lacock Holdings Ltd	Cyprus	3'333'458	3'286'070	3'333'458	3'248'371	100%	100%
Dr. Reddy's Laboratories (Australia) Pty Limited	Australia	5'526'976	5'448'405	5'526'976	5'385'900	100%	100%
Dr Reddy's Laboratories SAS	Columbia	1'488'236	1'467'080	738'235	719'392	100%	100%
Dr Reddy's Laboratories Japan, KK	Japan	666'922	657'441	421'470	410'712	100%	100%
Reddy Pharma SAS	France	4'028'378	3'971'111	2'269'003	2'211'087	100%	100%
Dr. Reddy’s Laboratories Kazakhstan Limited Liability	Kazaksthan	1'217'497	1'200'189	1'217'497	1'186'420	100%	100%
Dr. Reddy’s (WUXI) Pharmaceutical Co. Ltd	China	1'000'000	985'784	1'000'000	974'475	100%	100%
Dr. Reddy’s Laboratories Chile SPA.	Chile	1'000'000	985'784	500'000	487'238	100%	100%
Dr.Reddy's Laboratories Malaysia SD	Malaysia	750'000	739'338	500'000	487'238	100%	100%
Reddy Pharma Iberia S.A	Spain	5'220'342	5'146'129	3'459'792	3'371'481	100%	100%
Dr. Reddy’s Laboratories Philippine	Philippine	200'000	197'156	-	-	99.99%	
Dr. Reddy’s Taiwan Ltd	Taiwan	211'416	208'410	-	-	100%	
Dr. Reddy's Laboratories (Thailand)	Thailand	318'111	313'588	-	-	99.99%	
Total investments in subsidiaries		394'199'295	388'595'358	389'468'649	379'527'461		

On 13 Feb 2018, 23 Apr 2018, 26 Jun 2018, 02 Nov 2018 & 03 Dec 2018, Dr. Reddy's Laboratories SA has invested an amount of USD 1,759,375.00 in Reddy Pharma SAS, France towards 100% shares.
On 13 Jun 2018 and 21 Nov 2018, Dr. Reddy's Laboratories SA has invested an amount of USD 245,451.53 in Dr Reddy's Laboratories, Japan towards 100% shares.
On 07 Aug 2018 & on 25 Sep 2018, Dr. Reddy's Laboratories SA has invested an amount of USD 500,000 in Dr Reddy's Laboratories, Chile towards 100% of shares.
On 26 Jul 2018, Dr. Reddy's Laboratories SA has invested an amount of USD 250,000 in Dr Reddy's Laboratories, Malaysia towards 100% of shares.
On 25 Sep 2018, Dr. Reddy's Laboratories SA has invested an amount of USD 1,760,550.00 in Reddy Iberia, Spain towards 100% of shares purchased from Dr Reddy's Laboratories, India.

On 23 Oct 2018, Dr. Reddy's Laboratories SA has invested an amount of USD 750,000 in Dr Reddy's Laboratories SAS, Columbida towards 100% of shares

On 14 Mar 2018, Dr. Reddy's Laboratories SA has invested an amount of USD 211,416.49 in Dr. Reddy’s Taiwan Ltd, Taiwan towards 100% of shares
On 03 Oct 2018, Dr. Reddy's Laboratories SA has invested an amount of USD 318,111.63 in Dr. Reddy's Laboratories (Thailand) towards 100% of shares
During the CY 2018, Dr.Reddy's Singapore Pte Ltd investment returned back due to closure of the entity and Dr. Reddy's Laboratories Venezuela CA was provisioned in full during the year.

2.4 Share capital and reserves from capital contributions

As at 31 Dec, the share capital consists of 105,640,410 registered shares at a par value of CHF 1.00 each.

2.5 Interest-bearing liabilities

During the year the company restructured its USD short-term loan agreements with third party financial institutions for conversion into long-term loans. The outstanding balance is USD 273.5m (CHF 269.6m) (31 Dec 2017: USD 288.5m (CHF 281.8m)). The long terms portion amounting to USD 240.0m (CHF 236.6m) out of the total outstanding balance, has maturity as follows:

Maturity period	Amount ($)	Amount (CHF)
One to Five years	240.0m	236.6m

3 Other information

3.1 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 50.

3.2 Audit Fees

Audit services	47'468	46'793	43'176	42'074
Other services				
	47'468	46'793	43'176	42'074

3.3 Relevant currency for the business

In accordance with Article 958a para. 4 CO the company converted the balance sheet, income statements and financials within the notes for presentation purposes from the relevant currency for the business into the presentation currency. The general foreign currency rate applied was 0.985784 USD/CHF for balance sheet and 0.9780439 USD/CHF for Income statement. The equity was translated with a historical foreign currency rate of 0.97508 USD/CHF. The resulting translation difference is presented in the retained earnings.

3.4 Guarantees

In the ordinary course of business, the Company gives credit or performance guarantees to Banks or third parties. Based on the existing guarantee agreements payments by Dr. Reddy’s Laboratories Ltd. would be triggered in case the financial obligations could not be fulfilled. The nominal amount outstanding at 31 December 2018 was USD 5.9m (CHF 5.8m) (2017: USD 5.9m (CHF 5.7m)).

Proposed Appropriation of Available Earnings	**Dec 2018**	**Dec 2017**	**Dec 2018**	**Dec 2017**
	USD	USD	CHF	CHF
Retained earnings brought forward	348'658'344	344'714'245	364'626'562	360'783'136
Profit or (loss) for the year	67'570'561	4'152'416	66'086'975	4'046'425
Foreign exchange translation difference	-	-	(17'695'322)	(25'022'307)
Available earnings	416'228'905	348'866'661	413'018'215	339'807'254
The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:				
Transfer to the general legal reserve	-	208'317	-	203'000
To be carried forward	416'228'905	348'658'344	413'018'215	339'604'254
	416'228'905	348'866'661	413'018'215	339'807'254